Livestock Financial Protection Board 2020-21 Annual Report

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Message from Chair

As the Chair, on behalf of the Livestock Financial Protection Board (LFPB or Board), I am pleased to present to you the Annual Report describing the work for the year ending March 31, 2021.

As a Board, we continue to focus on administering the Fund for Livestock Producers (Fund); investigating claims; granting or refusing the payment of all claims and recovering any money to which the Board is entitled. As the Fund administrator, one of our goals is to ensure long-term sustainability of the Fund. Once again, the Fund's investment strategy helped with the Fund maintaining both a healthy and stable funding ratio, considering the unpredicted low interest rates.

The following are some highlights for the 2020-21 fiscal year:

- The Fund remained actuarially sound with a balance of $8.65 million ($2.55 million above the 2015/16 actuarial review target of $6.10 million);
- Investment income of $277,077;

- Rate of return on investment of 3.76%;
- Continued to work with OMAFRA to support the financial protection programs review and to identify opportunities to ensure that livestock producers and licensed dealers have access to stable risk management tools.

In 2020-21, there were no claims sent for investigation and no claims for the Board to adjudicate regarding non-payment from licensed dealers. There were claim applications received however these were all withdrawn by the producer (seller) as payment was received and required no investigation and no discussion or adjudication from the Board. There were no claims paid out from the Fund in 2020-21. See Appendix 1 for more details.

Ontario's 2019 budget committed the government to a review of the financial protection programs to ensure that beef cattle (and grain) producers and licensed livestock dealers have access to stable risk management tools that provide the confidence to invest in and grow their businesses.

As of January 1, 2020, as part of the new Minister's regulation (O. Reg 467/19) made under the *Farm Products Payments Act* (FPPA), the Board is responsible to pay for all expenses relating to the administration of both the FPPA (expenses related to fund management and claims adjudication) and the *Livestock and Livestock Products Act (LLPA)* (expenses relating to licencing and enforcement). As well under that regulation, effective April 1, 2020, the Board also began to pay investigative and some legal costs under the FPPA. These expenses are reflected in the Board's 2020-21 annual report.

It is a good governance practice to complete an actuarial review approximately every five years to examine the Fund. It is also outlined in the MOU as a requirement that the agency must periodically undertake an actuarial review. The last actuarial review occurred in 2015-16. An actuarial review was planned for this fiscal (i.e. 2020-21) but has been deferred to 2021-22 fiscal year. This initiative involving a third-party vendor would determine how potential claims and/or expenditures may impact the Fund (i.e. given the change in the cost-share model that occurred in 2020 and any impact of any potential changes being considered as part of the ongoing Financial Protection Program review).

The Board will also continue to focus on ensuring the sustainability of the Fund and integrity of the program.

Respectfully submitted,

For more information:

Larry Witzel
Chair, Livestock Financial Protection Board

Governance

The LFPB is classified as a Board-Governed Provincial Agency (Trust) under the Agencies & *Appointments Directive* (AAD) as it "administers funds or other assets for beneficiaries named under statute".

The Board operates at arm's length from the Government but is accountable to the Government in exercising its mandate. The Board members are accountable to the Minister of Agriculture, Food and Rural Affairs (the Minister), through the Chair, for setting goals, objectives, and the strategic direction. The Board operates under the authority of the FPPA, Ontario Regulations 560/93: Fund for Livestock Producers and 467/19: Boards' Payment of Expenses and in accordance with the Memorandum of Understanding (MOU) between the Minister and the Chair.

The Board is the administrator of the Fund and is ultimately responsible for its management and administration including investigating and adjudicating claims under the program, collecting fees for the program and recovering any money it is entitled under the Act.

Memorandum of Understanding (MOU)

A MOU reflects the relationship between the Board and Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA or Ministry) and establishes the accountability framework between the Minister and the Chair. The MOU outlines the responsibilities between the Minister, the Chair, the Deputy Minister and the Board as well the administrative, financial, and auditing arrangements with OMAFRA.

In July 2019, the Chair and Minister renewed the use of the existing MOU. The MOU is effective until it is revoked or the parties sign a new MOU.

About the Board

Mandate of Board

The Board is responsible to the Minister and is constituted under the authority of the FPPA and its regulations:

- *Ontario Regulation 560/93 (Fund for Livestock Producers)*
- *Ontario Regulation 321/11 (Fees Payable to Boards)*

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- *Ontario Regulation 467/19 (Boards' Payment of Expenses)*

The Board's legislative mandate is set out in subsection 4(1) of the FPPA as follows:

It is the function of a board and it has power,

1. *to administer its Fund;*
2. *to investigate all claims made to it under the FPPA and to determine the extent of their validity;*
3. *to grant or refuse the payment of all claims or any part thereof and determine the amounts and manner of payment;*
4. *to recover any money to which it is entitled under the FPPA by suit in a court of competent jurisdiction or otherwise; and*
5. *to carry out the functions, and exercise the powers, prescribed by regulation.*

Minister's Mandate Letter

As part of the process under the *AAD,* the Minister issues an agency mandate letter to the Chairs of all board-governed agencies on an annual basis to inform their business plans. In October 2019, the Board Chair received the mandate letter from the Minister of Agriculture, Food and Rural Affairs, which outlined high-level, achievable expectations for 2020-21 fiscal year as follows:

- Ensure long-term sustainability and effective management of the Fund and report the performance of the Fund to stakeholders;
- Continue to investigate and adjudicate claims in a fair and equitable manner;
- Support the Ministry to implement the changes brought about by Bill 100 to help ensure the long-term sustainability of Ontario's financial protection programs;
- Continue to support the ministry's review of the financial protection program to ensure they are aligned with the current agricultural risk management landscape and sector trends; and
- Meet all AAD provisions and requirements (i.e. agency attestation).

The Board has aligned its priorities and strategic approach to support the

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Minister's mandate**.**

- Annually measure and communicate to stakeholders the performance of the Fund against established targets.
- Ensure the processing of claims is completed fairly and with minimal delays.
- Work with ministry to implement changes brought about by Bill 100, Protecting What Matters Most Act (Budget Measures), 2019, that will help ensure sustainability of the program and allow the boards to play a greater role in helping their sector manage risks of non-payment
- Continue to work with OMAFRA to support the financial protection program review and to identify opportunities to ensure that livestock producers and dealers have access to stable risk management tools.
- Meet all AAD provisions and requirements (i.e. agency attestation).
- Continue to support the Ministry and Agricorp with the transition of the delivery of the Program to Agricorp.

Board structure

Amendments to O. Reg. 560/93: Fund for Livestock Producers became effective January 1, 2020. These include providing the Board with greater flexibility around quorum by removing quorum requirements from the regulation; and ensuring the Board composition better reflects the needs of the sector by removing the requirement that the Canadian Meat Council (CMC) be represented by a member.

The regulation does state that the Board shall be comprised of at least five members: one member representing the Beef Farmers of Ontario (BFO); one member representing the operators of community sales under the *Livestock Community Sales Act*; and other members as the Minister considers advisable. By convention, there has been one member from the Ontario Livestock Dealers Association (OLDA), one member from Meat & Poultry Ontario (formerly Ontario Independent Meat Processors), one member from the Dairy Farmers of Ontario (DFO), one member from the Veal Farmers of Ontario (VFO) and there has also been one additional member from the BFO.

The Chair, Vice Chair and member positions are appointed by the Minister for terms up to three years and may be reappointed.

These individuals, in addition to administering the Fund, draw upon their expertise in the livestock industry in hearing and adjudicating cases before them. The Board may also call upon technical experts and professionals to provide assistance. The Board is made up of industry representatives from a wide range of the livestock industry sectors. This broad industry knowledge is important in understanding the clientele and the claim files.

One new member was appointed to the Board and two members fulfilled their terms. As of March 31, 2021, there were five active, part-time members, including the Chair and Vice-Chair. The table below shows the appointed members and the term of their appointments.

Looking ahead, the Board has submitted recommendations to the Minister for consideration for upcoming vacancies and will work with the Minister of Agriculture, Food and Rural Affairs throughout the year on appointing members to the Board.

Listed below are the appointees for the fiscal year 2020-21 (as of March 31, 2021).

Position	**Member name**	**Organization**	**Tenure**
Chair	Larry Witzel	Ontario Livestock Auction Markets Association	17-Apr-2007 – 31-Mar-2022 (Chair since Apr-2017)
Vice Chair	Paul Sharpe <https://www.pas.gov.on.ca/Home/AgencyBios/9?appointmentId=1942>	Beef Farmers of Ontario	02-Dec-2017 – 28-Feb-2022 (Vice-Chair since Dec-2015)
Member	Murray Allen <https://www.pas.gov.on.ca/Home/AgencyBios/9?appointmentId=2052>	Dairy Farmers of Ontario	05-Sept-2008 – 28-Jan-2021 (fulfilled term Jan 2021)

Position	Member name	Organization	Tenure
Member	Laurie Nicol	Meat & Poultry Ontario (packer industry representative)	20-Apr-2018 – 31-Mar-2021 (fulfilled term March 2021)
Member	Jennifer Haley <https://www.pas.gov.on.ca/Home/AgencyBios/9?appointmentId=2057>	Veal Farmers of Ontario	06-Oct-2008 – 05-Oct-2021
Member	Howard Greig <https://www.pas.gov.on.ca/Home/AgencyBios/9?appointmentId=2052>	Ontario Livestock Dealer's Association	06-Mar-2019 – 05-Mar-2022
Member	Blair Williamson <https://www.pas.gov.on.ca/Home/AgencyBios/9?appointmentId=2052>	Beef Farmers of Ontario	28-Feb-2020 – 27-Feb-2023 (new member since Feb 2020)

Board staff/support

The Board does not have staff. Since January 1, 2019, the Board has entered into a service agreement with Agricorp for governance, secretariat and financial services support to the Board to adjudicate claims, which included coordination, attendance of board meeting and preparing draft documents. Other services include assisting the Board in preparing its annual report, business plan and other documentation required for compliance with the MOU and the AAD. The current agreement is effective until March 31, 2022.

As part of the financial services support to the Board, Agricorp is the investment manager for the Fund. As the investment manager of the Fund, Agricorp finance staff investigate investment options and prepare formal proposals and recommendations for the Board's consideration. Proposals are made considering the Board's current investment policy and the direction as outlined in the MOU. The LFPB directs Agricorp finance staff to execute investment decisions.

Agricorp staff that provide the services to the Board are not involved in the review and licensing of livestock dealers and inspection components of the program. These functions are separate to avoid any perception of a possible conflict of interest when supporting the Board in its adjudicating of claims that arise, while protecting the integrity of the Program.

Legal and inspection services

A Minister's regulation (O. Reg. 467/19) made under the FPPA requires the Board to pay investigative and most of the legal costs (except costs related to any judicial reviews to the Divisional Court of the Board's decisions on claims and any appeals beyond) from the Fund (previously covered by the Ministry). The Board continues to use the ministry to support its legal and investigative services.

Legal services are provided by OMAFRA through the Ministry of the Attorney General, Legal Services Branch. The assigned lawyer provides the Board with confidential advice regarding agreement, claims, any judicial reviews of Boards decisions, and regarding the recovery of monies owed to the Board, and also contributes to the continuing education of Board members on claims adjudication.

OMAFRA's Regulatory Compliance Unit provides the Board with Compliance and Advisory Officers (inspection staff) for the Board upon request.

Operational performance and activities

The Board's activities are geared towards fulfilling its mandate. There were two Board meetings in the 2020-21 fiscal year held via conference call.

The Office of the Auditor General conducts an annual audit of the accounts and financial transactions of the Board. The audit of the 2020-21 fiscal year was completed in March 2022 with an unqualified opinion. The Fund for Livestock Producers continues to meet the minimum target balance as outlined in the 2015 actuarial report.

Administer the Fund for Livestock Producers

The key activity of the Board is for overall governance and administration of the Fund as established under the FPPA, including oversight and management of the Fund's investments to ensure financial compensation is available for livestock producers and licensed dealers when required.

All income in the Fund comes from remittance fees, investment income and monies recovered after payment of claims. Contribution of remittance fees to the Fund is mandatory and is based on a fixed rate per head of livestock in a transaction. Under *O. Reg. 321/ 11- Fees Payable to Boards*, a fee of ten cents per head of cattle sold is payable to the Board, unless the sale is on consignment, in which case the ten cent fee is owed by each of the consignee and consignor.

Fees are self-reported and remitted by the buying dealer on behalf of the producer when the sale is made directly by a producer, by the selling dealer when the sale is by a dealer, and by the consignee on behalf of the consignor and on their own behalf, where the sale is on consignment. Fees are payable on or before the 15th day of the month following the month of sale unless less than 1,000 head are sold or purchased annually, in which case the fee is payable annually.

The Fund is used to:

- Provide compensation to qualified sellers in the event that certain buyers default on their payment obligation (pay approved claims under O. Reg. 467/19);
- Pay all expenses relating to the administration costs of the licensing of dealers under the Live*stock and Livestock Products Act* (LLPA) with respect to the delivery of the Program effective January 1, 2020 (except expenses related to appeals to the Agriculture, Food and Rural Affairs Appeal Tribunal; judicial reviews or expenses related to any subsequent appeals under the LLPA; and expenses incurred by the ministry to administer the LLPA);
- Pay for investigation and legal fees associated with the adjudication of claims;
- Pay for professional, technical or other assistance to or on behalf of the Board (e.g. actuarial review).

The Fund is not used for board remuneration as this is provided by the Ministry as board members are employees who are public servants employed under Part III of the *Public Service of Ontario Act, 2006.*

Transition from previous vendor to Agricorp for program delivery

Since January 2019, Agricorp has been delivering certain aspect of the Program. There are certain aspects that still need to be transitioned from OMAFRA's Animal Health and Welfare Branch (AHWB) to Agricorp. As part of the Program delivery, Agricorp and OMAFRA have a phased approach to transition the Program. Currently, OMAFRA's Director in AHWB is appointed the LLPA Director with authority for licensing. Agricorp is assisting with the licensing components for determining financial responsibility of dealers based on a financial assessment. Both parties are collaborating on processes during this phase. Agricorp and OMAFRA are in planning discussions to transition the

Program services that are currently provided by OMAFRA's AHWB to Agricorp. The transition work was paused in 2020 as Agricorp and OMAFRA staff focused their efforts on supporting the government's and Agricorp's COVID-19 response but is to resume in 2021-22. Next year's report will include updates on progress. Agricorp, the AHWB and the Farm Finance Branch (FFB) meet regularly to coordinate the operational activities of the OBCFPP and have leveraged this meeting to keep informed on transition planning and provide update to the Board. Currently costs incurred by AHWB for their administrative activities for licensing (e.g. development, distribution and capture of renewals), key communications channels (e.g. web site and list of licensed dealers), compliance/enforcement, inspection and Program oversight (e.g. LLPA Director) are not included in the program administration costs and are being covered by OMAFRA. The Board has an agreement with Agricorp and OMAFRA for the delivery of the Program.

Previously, Ontario Beef Cattle Financial Protection Program Inc. (Beef Inc.) provided OMAFRA and the Board with assistance in administering the licensing component of the Program and provided the Board with fund investment, administrative and adjudication support.

Actuarial review

As part of its ongoing efforts to ensure the solvency of the Fund, the MOU requires the Board to undertake periodic actuarial reviews. The Board has determined that a review every five years (or as needed) will be done in order to ensure the actuarial soundness of the Fund. The last actuarial review was completed in 2015 and a fee increase from five cents to ten cents per head was recommended and implemented on July 1, 2016. The next actuarial review is planned for the 2021-22 fiscal year.

Financial Protection Programs Review

In the April 11, 2019 provincial budget updates to the financial protection programs were announced and changes to the FPPA through Bill 100, Protecting What Matters Most Act (Budget Measures), 2019, were introduced. The ministry is the policy lead using a phased approach for the review to assess opportunities to update the Beef Cattle Financial Protection Program and the Grain Financial Protection Program to reduce burden to stakeholders, seek efficiencies and align the programs, while maintaining the programs' proven effectiveness at managing risk. The Board continues to support the ministry's review of the programs. In February 2021 the Board provided feedback regarding a discussion paper on the proposed phase 2 changes to update the programs and the legislation. Feedback from this phase of consultation will assist the Ministry to finalize recommendations for the Minister's consideration.

Claim investigation and adjudication

The process begins when the seller files a claim application with the Board or indicates an intention to file a claim.

Upon receiving a claim application, the Board may choose to seek investigation services from OMAFRA's Regulatory Compliance Unit (RCU) to complete an investigation into the claim and collect the pertinent information and documents relating to the claim from the claimant, the purchaser or other parties. This is then used so the Board can make an informed and impartial decision.

When the investigation is completed, a report is made and presented to the Board to review and make a decision regarding payment from the Fund. The Board may offer an opportunity for the parties to make submissions or attend a hearing before making its final decision.

The Board determines the payment, if any, to be made from the Fund.

- If the Board decides that a claim from a producer made in respect of a dealer is valid, the Board pays 95 percent of the portion of the claim that it recognizes as valid.
- Where an approved claim relates to a licensed dealer selling to a producer or feeder cattle finance co-operative who defaults on payment, compensation is 85 per cent of the portion of the claim that the Board recognizes as valid, up to a maximum of $125,000. In these cases, there is no compensation for claims of less than $5,000. Where an approved claim relates to a licensed dealer selling to another licensed dealer, the Board pays 95 percent of the portion of the claim that it recognizes as valid.

The Board works to adjudicate cases within 60 days upon receiving the file from the investigator. Where a hearing is held, it may take longer to make a decision. After the claims adjudication process is completed, the Board sends a decision letter to the claimant and buyer. Claim decisions are based on the Board reviewing the claim application, the inspection report, any further submissions or testimony and in consideration of the FPPA and O. Reg 560/93.

In 2020-21, there were no claims sent for investigation and no claims for the Board to adjudicate regarding non-payment from licensed dealers. There were claim applications received however, these were all withdrawn by the producer (seller) as payment was received and no investigation and no discussion or adjudication by the Board was required. There were no claims paid out from the Fund in 2020-21.

Recovery of Money Owed

The FPPA enables the Board to attempt to recover any money to which the Board is entitled. The Board, through legal counsel and the LLPA Director, work to recover money owed to the Fund. (See Appendix 2 for recovery history). The Board has a recovery policy with an approach that the Board will make every reasonable attempt to recover monies that is owed to the Fund. Its objectives are to recover as much outstanding debt as is reasonably achievable using a variety of tools and options.

Analysis of financial performance

The Office of the Auditor General of Ontario conducts an annual audit of the Board's financial statements and was completed in March 2022. The LFPB's fiscal year is April 1 to March 31.

Fund Performance and Investments

The balance of the Fund at the beginning of the fiscal year was $8,259,229 and at the end of fiscal year 2020-21 it was $8,657,262, an increase of $398,033. There were no payments paid out from the Fund for claims and no recoveries. (See Appendix 3: Audited Financial Statements).

Investment income is one important source of revenue for the Fund. The Board is responsible for the prudent management of the Fund's investments and is required to invest the Fund in accordance with the principles in sections 26, 27, 27.1 and 27.2 of the *Trustee Act*.

The Board has an investment policy that outlines general investment goals and objectives of the Board and describes the strategies for investment of the Fund. The policy aligns with the guidelines set out in the MOU, which incorporates sections of the *Trustee Act*. Under the MOU, the Board must review the investment policy at least annually and amend it as required. Additionally, the investment policy must be reviewed by an actuary as part of any actuarial review to ensure it remains relevant to the prevailing and forecasted nature of the Fund's liabilities. Due to the transition from the previous vendor to Agricorp, an annual review of the investment policy did not occur in 2020-21 fiscal year, however a review is being planned for 2021-22 fiscal year. The investment policy also notes that First Mortgage Investments must be on high quality assets with a loan to value ratio of no more than

65%.

The Board's asset mix currently includes investments that guarantee face value at redemption; generally, this includes Guaranteed Investment Certificates (GICs) issued by financial institution or similar financial instruments. When possible, the Board staggers the terms and maturity dates of GICs and uses this laddering strategy to reduce the influence of interest changes and to maximize returns.

The Bank of Canada's key interest rates have dropped since March 2020 to 0.25% and remained the same throughout fiscal year 2021. The low rates are expected to continue into fiscal year 2022. As a result, the Board's investments are providing a lower rate of return than expected this year and are projected to be lower into next year also. The Board's investments include Guaranteed Investment Certificates as well as a mortgage earning interest at 5% - the mortgage is renewable in December 2022.

The interest earned on investments in 2020-21 are providing a lower rate of return by 60 basis points or 14%. The average return on investment in 2020-2021 was 3.76% as compared to 4.36% in 2019-20. Although the Board uses a laddering strategy to reduce the influence of interest changes and to maximize returns, the lower interest rates is having an impact on the overall health of the Funds.

The Fund has issued a $4 million first mortgage on development land in in the Regional Municipality of Waterloo. The current agreement has $4 million principal at 5% interest paid semi-annually, maturing December 10, 2022.

Revenue

Interest income on investments totaled $277,077 for the 2020-21 fiscal year. In 2019-20, investment income was $287,904. The small decrease from last year was due to lower interest rates on GICs.

The amount of money earned by the Fund from check-off fees was $191,930 for 2020-21 fiscal year compared to $217,219 for the 2019-20 fiscal year.

Total revenue for 2020-21 was $469,007, compared to $556,050 (which includes a claim recovery of $50,927) in 2019-20. The Fund continues to maintain the minimum target Fund balance as per the 2015-16 actuarial review. The Board will continue to monitor the growth of the Fund to ensure it continues to meet the target.

Expenses

As of January 1, 2020, the Board has been paying for all expenses relating to the administration of the program under the LLPA (licencing and enforcement) and the FFPA from the Fund (fund management, claims adjudication and payment of claims) as part of the new Minister's Regulation (O. Reg. 467/19) under the FPPA. The Board is not required to pay expenses incurred by the ministry to administer the LLPA. Prior to the coming into force of the amended regulation, the Ministry and the Board each paid a portion of the costs.

Also included in the Minister's Regulation (O. Reg. 467/19), effective April 1, 2020, the Board is required to pay investigative and most legal costs under the FPPA associated with the adjudication of claims (except costs related to any judicial reviews in the Divisional Court of the Board's decisions on claims and any appeals beyond). This was a new expense that is reflected in the Board's financials for 2020-21 onward.

Currently, OMAFRA's Director in AHWB is the LLPA Director with authority for licensing. Costs incurred by AHWB for their administrative activities for licensing (e.g. development, distribution and capture of renewals), key communications channels (e.g. web site and list of licensed dealers), compliance/enforcement (i.e. follow-up on late payment reports), inspection and Program oversight (e.g. costs for the LLPA Director) are not included in the program administration costs since these are being covered by OMAFRA. Once OMAFRA and Agricorp have completed the transition of these activities, these costs will be paid for by the Board.

With the financial protection program review occurring and the transition from the previous vendor, the Board made the decision to defer the actuarial review that was planned as an expense in the budget for fiscal 2020-21, to next fiscal (2021-22). This timing will also align with when the Grain Financial Protection Board which also has their actuarial review planned for next fiscal.

Total Board operating expenses in 2020-21 fiscal year were $70,974. This is a $46,603 variance from the previous year expenses, which were $117,577 in 2019-20. Specifically the expenses for governance, secretariat and financial services are lower due to less meetings and no claims to coordinate for claims adjudication in 2020-21. As well, there were some one-time expense in 2019-20 for the transition that occurred in January 2019 that explain the variance decrease. Agricorp invoices the Board for staff time worked by program/ service for 2020-21. Budgets prior to 2019-20 were not set-up to report by activity and as such show a variance (see Financial position table below).

The following expenses are paid by the Board to related parties:

- Governance and secretariat services; Financial services; and Financial responsibility review (Determining Financial Responsibility) are paid to Agricorp; and

- Legal and Investigation services are paid to OMAFRA.

Financial position

The table below shows the budget to actual and the variance between the 2019-20 and 2020-21 fiscal years.

Opening Fund Balance

	Budget 2019-20	Actual 2019-20	Variance to budget	Budget 2020-21	Actual 2020-21	Variance to budget
Opening Fund Balance	-	$7,885,451	-	-	$8,259,229	-

Revenue

	Budget 2019-20	Actual 2019-20	Variance to budget	Budget 2020-21	Actual 2020-21	Variance to budget
Fees	$228,000	$217,219	$10,781	$205,000	$191,930	$13,070
Interest	$290,000	$287,904	$2,096	$290,000	$277,077	$12,923
Total revenues excluding claim recoveries	$518,000	$505,123	$12,877	$495,000	$469,007	$25,993

Expenses

	Budget 2019-20	Actual 2019-20	Variance to budget	Budget 2020-21	Actual 2020-21	Variance to budget
Governance and secretariat Service	-	$17,421	($17,421)	$56,000	$8,479	$47,521
Financial Service	-	$24,445	($24,445)	$37,000	$14,983	$22,017
Determining Financial Responsibility (see Note 1)	-	$75,711	($75,711)	$279,000	$36,808	$242,192

Administrative (see Note 2)	$244,066	-	$244,066	N/A	N/A	N/A
Legal Services & Investigation	N/A	N/A	N/A	$20,000	$10,704	$9,296
Professional Fees (actuarial review)	-	-	-	$60,000	-	$60,000
Total Expenses excluding claims paid	$244,066	$117,577	$126,489	$452,000	$70,974	$381,026

Claims

	Budget 2019-20	Actual 2019-20	Variance to budget	Budget 2020-21	Actual 2020-21	Variance to budget
Claims paid	$230,000	$64,695	$165,305	$265,000	$0	$265,000
Recoveries	($40,000)	($50,927)	$10,927	($40,000)	$0	($40,000)
Total claims paid	$190,000	$13,768	$176,232	$225,000	$0	$225,000

Net Surplus (Deficit) and Closing Equity

	Budget 2019-20	Actual 2019-20	Variance to budget	Budget 2020-21	Actual 2020-21	Variance to budget
Net Surplus (Deficit)	$83,934	$373,778	($289,844)	($182,000)	$398,033	($580,033)
Closing Equity	$7,706,615	$8,259,229	($552,614)	$7,703,451	$8,657,262	($953,811)

Notes:

Note 1: Financial responsibility review (Determining Financial Responsibility) summary of activities: Financial review of each application (validate, calculate score ratio, and assess financial responsibility), prepare licensing file financial recommendation for Program Director's decision/ approval.

Note 2: Administrative expenses from 2018-19 were presented as one amount. In 2019-20 with a new vendor the costs are being presented by type of service which is consistent with invoicing from Agricorp. This line will not exist next year.

Performance measures and targets

In its 2020-23 Business Plan, the Board identified several key priorities for action. What follows is a brief summary of key accomplishments regarding each of these priorities in the 2020-21 fiscal year. The table below shows the targets achieved/not achieved and actions to be taken.

Goal: Protecting the long-term viability of the Fund for Livestock Producers

Performance Measure/Indicator	Baseline 2009-10	Targets 2020-21	Targets achieved/not achieved and action to be taken
Unqualified audit opinion from the annual audit	Achieved	Ongoing	Achieved.
The Fund remains actuarially sound with a balance of $5.8M as recommended by the 2015 actuarial study.	$5.8 M	$6.1 M (based on 2015/16 actuarial review)	Achieved. Fund balance at $8.65 million.
Actuarial study completed approximately every five years to assess the long-term financial sustainability of the Fund considering the contribution and payout rates	July 2010	2020-21	The Board's last actuarial review was completed in 2015/16. Next actuarial review was scheduled for this fiscal (2020/21) however decision was made by the Board to defer this to next fiscal which may better align with timing of any potential changes being considered as part of the ongoing Financial Protection Program review. This is planned for 2021-22 fiscal year. There is no MOU requirement that an actuarial review has to occur every five years.
Review investment policy annually to ensure that investment targets are met (e.g. return on investment) and take actions as necessary	ROI of 3.97 %	ROI of 3.5 %	Achieved: rate of return on investment of 3.76% (4.36% in 2019-20)

Stakeholders informed of Boards finances via annual inserts in the BFO'sannual report	February annually	Ongoing	Achieved.

Goal: Ensuring that there is an adjudication process in place that is simple, fair, and accessible, with minimal delays

Performance Measure/Indicator	Baseline 2009-10	Targets 2020-21	Targets achieved/not achieved and action to be taken
Number of days from receipt of report completed by investigators until the Board makes its decision (except where a hearing is held)	60	60	Achieved. There were no claims adjudicated by the Board in 2020-21.
Decisions issued on average in 10 business days of Boards decision.	Refer to FPPA and consult with legal counsel	Refer to regulation and consult with legal counsel	Achieved. There were no decision letters issues as there were no claims to adjudicate in 2020-21.
Number of judicial reviews where the court ruled against the Board'sdecision	0	0	There were no judicial reviews in 2020-21.
All payments from the Fund are in 100% compliance with the *FPPA* (monitoring to ensure compliance with section 5(2); 5(5) and 7(2))	Payments compliant with FPPA	Ongoing	Achieved. No claims were paid from The Fund in 2020-21 as there were no claims to adjudicate. Board expenses were paid from The Fund.
Board at quorum	5 or more members appointed	5 or more members appointed	Achieved. (Note the quorum requirement. has been revoked from the Reg. as of January 1, 2020).

Goal: Strengthening Board governance and accountability

Performance Measure/Indicator	Baseline 2009-10	Targets 2020-21	Targets achieved/not achieved and action to be taken
Annual Report submitted to the Ministry	120 days	90 days	Achieved. 2019-20 Annual Report was submitted to Minister through the OMAFRA liaison on March

			3, 2021 within 90-days of completing the financial audit (February 22, 2021) thereby meeting the AAD requirements.
Business Plan submitted to the Ministry	Annually	March 2020	Achieved. 2020-2023 Business Plan was submitted on February 28, 2020.
Submit Quarterly Risk Assessment Report to the Ministry	Within 15 days of the end of the quarter	Ongoing	Achieved.
Submit Agency Attestation to Minister (New requirement since 2015-16)	Annually	Annually	Achieved. Submitted to Agency liaison on March 24, 2021.

Appendix 1: History of Claims up to March 31, 2021

Fiscal year ending	# of Defaulters	# of claim applications received	# of claims Paid	Amount being claimed	Amount Paid
1982	1	11	4	$172,039.47	$175,039.22
1983	7	11	5	$405,867.73	$193,476.04
1984	3	4	1	$2,593.59	$581.31
1985	5	23	11	$368,195.48	$381,176.39
1986	2	3	0	$9,475.30	$-
1987	1	139	15	$1,813,633.49	$1,297,033.08
1988	3	125	77	$836,970.80	$371,334.78
1989	3	8	5	$66,882.62	$46,715.50
1990	6	31	23	$1,352,067.61	$1,183,260.56
1991	1	2	0	$9,810.80	$-
1992	1	1	0	$7,500.00	$-
1993	1	1	0	$3,189.12	$-
1994	3	28	20	$980,618.91	$742,852.71
1995	1	2	1	$16,697.88	$10,899.59
1996	2	34	34	$193,869.76	$193,869.76
1997	2	2	0	$17,852.50	$-

1998	4	7	6	$165,370.64	$138,723.51
1999	1	1	1	$11,384.58	$7,969.21
2000	3	48	47	$2,203,876.13	$1,977,548.03
2001	4	142	125	$995,275.55	$807,618.79
2002	0	0	0	$-	$-
2003	2	17	8	$3,782,026.71	$210,318.84
2004	2	52	19	$337,875.45	$296,894.42
2005	1	10	6	$211,152.40	$70,842.94
2006	0	0	0	$-	$-
2007	0	0	0	$-	$-
2008	1	1	0	$27,631.10	$-
2009	3	17	1	$673,469.83	$18,727.94
2010	4	22	0	$1,357,206.42	$-
2011	1	38	0	$694,785.26	$567,980.00
2012	2	264	172	$1,535,925.68	$285,911.94
2013	2	61	61	$1,225,030.94	$1,218,609.00
2014	1	1	1	$883.62	$883.62
2015	1	3	2	$313,853.02	$164,452.52
2016	4	13	9	$1,232,333.84	$409,006.26
2017	0	0	0	$-	$-
2018	0	0	0	$-	$-
2019	2	2	0	$174,954.96	$-
2020	2	2	1	$166,391.34	$64,695.00
2021	0	0	0	$-	$-
Total	82	1,126	657	$21,366,692.53	$10,836,450.96
Recovered	-	-	-	$-	$3,619,120.00
Net Paid Out	-	-	-	$-	$7,217,330.96

Appendix 2: History of Claims Recovered

Year	Amount Recovered (numbers are rounded)
Prior to 1998	$1,135,254.00

1998	$3,302.00
1999	$-
2000	$435.00
2001	$385,000.00
2002	$-
2003	$39,760.00
2004	$78,977.00
2005	$119,950.00
2006	$-
2007	$350,000.00
2008	$-
2009	$-
2010	$31,044.00
2011	$332,869.00
2012	$216,541.00
2013	$561,382.00
2014	$291,809.00
2015	$-
2016	$21,870.00
2017	$-
2018	$-
2019	$-
2020	$50,927.00
2021	$-
Total Recovered	**$3,619,121.00**

Appendix 3: Financial Statements of Livestock Financial Protection Board (Fund for Livestock Producers)

Year Ended March 31, 2021

Management's responsibility for financial reporting

The accompanying financial statements have been prepared by management, in accordance with Canadian Public Sector Accounting Standards. Management is responsible for the accuracy, integrity and objectivity of the information contained in the financial statements. The financial statements include some amounts that are necessarily based on management's best estimates and have been made using careful judgment.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. The systems include formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board meets regularly to oversee the financial activities and annually reviews the financial statements.

These financial statements have been audited by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian Public Sector Accounting Standards. The Independent Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

Becky Philpott
Chief Financial Officer, Agricorp

Theresa Moisan
Controller, Agricorp

March 1, 2022

Independent Auditor's Report

To the Livestock Financial Protection Board and to the Minister of Agriculture, Food and Rural Affairs

Opinion

I have audited the financial statements of the Livestock Financial Protection Board (Fund for Livestock Producers) (the Board), which comprise the statement of financial position as at March 31, 2021, and the statements of operations and fund balance and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2021, the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and my auditor's report thereon, in the Board's 2021 Annual Report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going

concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Susan Klein, CPA, CA, LPA
Assistant Auditor General

Toronto, Ontario
March 1, 2022

Livestock Financial Protection Board (Fund for Livestock Producers)
Statement of financial position
As at March 31, 2021

Current assets

	2021	2020
Cash	$1,316,275	$1,001,045
Short-term investments (note 3)	$1,061,609	$1,063,306
Total current assets	$2,377,884	$2,064,351

Long-term investments (note 3)

	2021	2020
Long-term investments (note 3)	$6,304,564	$6,304,698

Total assets

	2021	2020
Total assets	$8,682,448	$8,369,049

Liabilities

	2021	2020
Accounts payable (note 5)	$25,186	$109,820
Total liabilities	$25,186	$109,820

Liabilities and fund balance

	2021	2020
Fund balance	$8,657,262	$8,259,229
Liabilities and fund balance	$8,682,448	$8,369,049

See accompanying notes to financial statements

Approved on behalf of the Board

Larry Witzel
Board Chair

Paul Sharpe
Board Vice - Chair

Livestock Financial Protection Board (Fund for Livestock Producers)
Statement of operations and fund balance
Year ended March 31, 2021

Revenue

	2021	2020
Fees	$191,930	$217,219
Interest income	$277,077	$287,904
Claim recoveries	$-	$50,927
Total revenue	$469,007	$556,050

Expenses

	2021	2020
Financial responsibility review	$36,808	$75,711
Governance and secretariat	$8,479	$17,421

Financial services	$14,983	$24,445
Legal and investigation	$10,704	$-
Claim paid	$-	$64,695
Total expenses	$70,974	$182,272

Excess of revenue over expenses

	2021	2020
Excess of revenue over expenses	$398,033	$373,778

Fund balances

	2021	2020
Fund balance, beginning of year	$8,259,229	$7,885,451
Fund balance, end of year	$8,657,262	$8,259,229

See accompanying notes to financial statements

Livestock Financial Protection Board (Fund for Livestock Producers)
Statement of cash flows
Year ended March 31, 2021

Operating Activities

	2021	2020
Excess of revenue over expenses	$398,033	$373,778

Non-cash items

	2021	2020
Decrease in accrued interest	$1,831	$12,584

Working Capital

	2021	2020
Decrease in HST recoverable	$-	$39,769
Increase (decrease) in accounts payable	($84,634)	$95,415

Cash provided from operating activities

	2021	2020
Cash provided from operating activities	$315,230	$521,546

Investing Activities

	2021	2020
Purchase of investments	($1,000,000)	($5,100,000)
Proceeds from investments	$1,000,000	$3,550,000

Cash used by investing activities

	2021	2020
Cash used by investing activities	$-	($1,550,000)

Increase (decrease) in cash

	2021	2020
Increase (decrease) in cash	$315,230	($1,028,454)

Cash, beginning of year

	2021	2020
Cash, beginning of year	$1,001,045	$2,029,499

Cash, end of year

	2021	2020
Cash, end of year	$1,316,275	$1,001,045

See accompanying notes to financial statements

1. Establishment of the Board (Fund)

The Farm Products Payments Act (FPPA) designated the Livestock Financial Protection Board (Board) as the Board to administer the Fund for Livestock Producers (the Fund). The Fund was established effective June 12, 1982, by regulation made under the FPPA.

The purpose of the Fund is to protect livestock sellers against loss through default in payments by a buyer. For defaults in payments by dealers, claimants are reimbursed 95% of an approved claim. For defaults in payments by producers, claims over $5,000 are paid the lesser of 85% of an approved claim and $125,000. The Board seeks recovery of any claims paid from the defaulter.

Under Ontario Regulation 321/11, producers, licensed dealers, consignors and consignees are required to pay the Board a fee of ten cents per head of livestock.

Under Ontario Regulation 467/19, the Board is responsible for all expenses relating to the administration of the FPPA and the Livestock and Livestock Products Act (LLPA).

As a Board-governed provincial agency, the Fund is exempt from income taxes.

2. Significant accounting policies

a) Basis of accounting

The financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards, including the 4200 series standards for government not-for-profit organizations.

b) Financial instruments

Financial instruments consist of cash, investments and accounts payable.

All financial instruments are recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record investments at fair value. Guaranteed Investment Certificates (GICs) are recorded at cost plus accrued interest, which approximates fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations and fund balances. A statement of remeasurement gains and losses has not been presented as there is nothing to report therein.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and fund balances. Any unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations and fund balances when realized.

The Board is required to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 – observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

c) Revenue recognition

The Fund's revenue is comprised of fees paid under the FPPA, investment income and claim recoveries.

Per regulation under the Act, fees are remitted to the Board directly by producers, licensed dealers and consignors. Revenue from fees are earned and recognized when received.

Investment income is recognized as earned and amounts not yet received are included in the carrying value of investments.

Claim recoveries are recorded when received, due to the inherent uncertainty regarding the amount and timing of any recovery.

d) Expenses

Expenses are recorded on an accrual basis, net of recoverable sales tax.

3. Investments

Short-term (<1 year)

	Fair Value Hierarchy	Portfolio Investments	Mortgage on Land	2021	2020
Financial institutions - GICs	Level 2	$1,000,620	$-	$1,000,620	$1,002,104
Mortgage on land-interest receivable	Level 2	$-	$60,989	$60,989	$61,202
Total short-term	-	$1,000,620	$60,989	$1,061,609	$1,063,306

Long-term (1 - 5 year)

	Fair Value Hierarchy	Portfolio Investments	Mortgage on Land	2021	2020
Financial institutions - GICs	Level 2	$2,304,564	$-	$2,304,564	$2,304,698
Mortgage on land	Level 2	$-	$4,000,000	$4,000,000	$4,000,000
Total long-term	-	$2,304,564	$4,000,000	$6,304,564	$6,304,698

Total investments

	Fair Value Hierarchy	Portfolio Investments	Mortgage on Land	2021	2020
Total investments	-	$3,305,184	$4,060,989	$7,366,173	$7,368,004

a) Portfolio investments

The Fund's portfolio has interest rates ranging from 0.73% to 2.13% (2020 – 2.13% to 2.2%) with maturities ranging from March 2022 to February 2025 (2020 - March 2021 to February 2025).

b) Mortgage on Land

The Mortgage on Land is a mortgage on development lands in the City of Kitchener, Ontario bearing interest at 5% per annum. The mortgage is secured by a first charge on the development lands. The Board renewed the mortgage agreement on December 11, 2017 for an additional term of 5 years with the principal due December 10, 2022, and interest paid semi-annually. Interest receivable at March 31, 2021 is included in short term investments.

In the event of the sale or any other conveyance of all or part of the lands, at the option of the Board, the principal and accrued interest shall be immediately due and payable. At any time, the mortgagor can pay all or any part of the principal without notice or penalty.

4. Financial instruments risk management

a) Credit risk

Credit risk is the risk that other parties fail to perform as contracted. Credit risk on investment securities arises from the Funds' position in term deposits, corporate debt securities, and government bonds. Board investment policy restricts the types of investments which reduces credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to meet all cash flow obligations as they come due. The Board seeks to limit its liquidity risk by actively monitoring and managing its available cash reserves to ensure that it is able to satisfy financial liabilities as they come due. Cash that is surplus to working capital requirements is managed by the Board and invested in accordance with its investment policy.

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk comprises three types of risk: currency risk, interest rate risk and equity risk.

Currently, the Fund is exposed only to interest rate risk.

d) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Funds' financial position, operations and cash flow. Fluctuations in interest rates have a direct impact on the market valuation of the Funds' fixed income securities portfolio.

Although investments are generally held to maturity, realized gains or losses could result if liquidation of investments is required to meet obligations. There have been no significant changes from the previous year in the exposure to risk or to the policies, procedures and methods used to measure the risk.

Mortgage on Land is a fixed rate debt instrument, which is not subject to interest rate fluctuations.

5. Related party transactions

The Fund is responsible for expenses related to financial responsibility review, licensing and enforcement; financial services and governance and secretariat. The Board entered into an agreement with Agricorp to provide financial responsibility review, financial, and governance and secretariat services which amounted to $60,101 (2020 – $109,820) and are included in expenses on the Statement of Operations and Fund Balances. Expenses for licensing and enforcement were absorbed by OMAFRA and are not included on the Statement of Operations and Fund Balances.

Effective April 1, 2020, the Board became responsible for expenses related to legal and investigation services provided by the Ministry of Agriculture, Food and Rural Affairs (OMAFRA). In the current year, legal and investigation services amounted to $10,704 (2020 – these costs were absorbed by OMAFRA directly) and are included in expenses on the Statement of Operations and Fund Balances.

6. Comparative figures

Certain comparative figures have been reclassified to conform to the basis of financial presentation adopted in the current year.