Grain Financial Protection Board 2008/09 Fiscal Year Annual Report

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Address from Chair to Minister

TO THE HONOURABLE CAROL MITCHELL, MINISTER OF AGRICULTURE, FOOD AND RURAL AFFAIRS

MINISTER:

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of the Grain Financial Protection Board for the year ending March 31, 2009.

While it was a fiscally challenging year, progress was made on a number of fronts. In 2008/09 the Board requested an actuarial study to verify the Grain Financial Protection fund's solvency. Its findings confirmed the fund's continuing strength.

The Board's dealings with a default file that negatively impacted a dozen grain producers resulted in the development of more unbiased, clear, consistent and transparent claims, adjudication and payment processes.

The Board also focused on operational planning, their own succession planning, and held industry consultations for input into the strategic planning process. Additionally, the Board, with support from OMAFRA and Agricorp, also provided much needed support to our producers in a time of financial uncertainty and upheaval.

With valuable work accomplished over the past year, we look forward to collaborating with our industry stakeholders and partner organizations in the fulfillment of our mandate.

Respectfully submitted,

Dennis Jack

Dennis Jack
Chair, Grain Financial Protection Board

1.0 Preface

The Grain Financial Protection Board (GFPB), also denoted here as "the Board", is classified as a Trust Agency established in 1984 under the authority of the Farm Products Payments Act (FPPA). The Agency operates as authorized by the Farm Products Payments Act and regulations.

The Board operates in accordance with the Memorandum of Understanding between the Minister and the Board dated September 29th, 2005. Its vision is to protect the financial interests of Ontario producers who have sold grain corn, soybeans, wheat and canola through licensed grain dealers or owners who stored grain with licensed elevator operators. The vision supports OMAFRA's priorities to strengthen Ontario's agri-food sector and strengthen Ontario's rural communities.

As an agency of the Ministry of Agriculture, Food and Rural Affairs (Ministry), the Board's annual report is subject to the minimum reporting requirements established in the Agency Establishment and Accountability Directive (AEAD), including:

- description of activities over the year;
- analysis of operational performance;
- analysis of financial performance;
- discussion of performance measures, targets achieved/not achieved and action to be taken;
- names of appointees, including date when first appointed and when the current term of appointment expires; and
- financial statements that have been audited or subject to the appropriate level of external assurance.

This report covers the fiscal year April 1, 2008 to March 31, 2009.

2.0 Description of activities

The GFPB operates at arms length from the government but is accountable to the government in exercising its mandate.

Mandate

The Board's annual activities are directly related to fulfilling its mandate, which is outlined in the FPPA as follows:

- to administer its funds;
- to investigate all claims made to it under this Act and to determine the extent of their validity;
- to grant or refuse the payment of all claims or any part thereof and determine the amounts and manner of payment; and
- to recover any money to which it is entitled under the Act by suit in a court of competent jurisdiction or otherwise.

The affairs of the Board are subject to an annual audit by the Provincial Auditor.

Meetings, Purpose and Results

The Board held several meetings over the 2008/09 fiscal year that focused on consideration of claims and the claims process, the actuarial soundness of the fund, pricing and payment issues, communications, business planning, capacity building, issue management, operation and administrative functions of the Board.

Board staff and key activities

In 2008/09 OMAFRA provided the Board with the following support necessary to fulfill its mandate.

Administrative and secretariat support

Agricorp provided Administrative/secretariat and adjudication support to the Board under contract with OMAFRA. This support included but was not limited to:

- Fund administration (delegated by the Board to administer the fund for grain producers);
- Strategic planning (assisted the Board in preparing its business plan and annual report);
- Received and deposited producer fees on a daily basis;
- Prepared monthly, quarterly and annual financial statements;
- Prepared documentation for annual audits;
- Oversaw the effective processing and scheduling of claims;
- Prepared documentation relating to the adjudication of cases;
- Dedicated claims consultant appointed to Inwood file; and
- Scheduled hearings and drafted decision letter.

Legal services

Legal services have been retained through Ministry of the Attorney General, Legal Services Branch, assigned to OMAFRA. The Board's lawyer provides the Board with advice, opinion, legal assistance in Judicial Reviews in recovering of monies owed to the Board and assists in the continual education of board members.

Investigative support

The Ministry of Natural Resources (MNR) provided investigative services for the Board.

3.0 Board appointments

Board Structure

The Act requires that the Board be composed of not fewer than five members appointed by the Minister of Agriculture, Food and Rural Affairs (Minister). The membership of the Board has traditionally comprised nominees from each of the Ontario Agri Business Association, Ontario Corn Producers' Association, Ontario Soybean Growers, the Ontario Wheat Producers' Marketing Board and the Ontario Canola Growers' Association. The independent chair's position is a Minister's appointment.

Below please find the appointees for the period:

Member Name	Position	Tenure
Dennis Jack	Chair	04-APR-2005 - 03-APR-2011
Jim Campbell	Vice Chair	2-APR-2005 - 29-JUL-2011
Fred Wagner	Member	06-MAR-2007 - 05-MAR-2010
Matthew Gardiner	Member	28-OCT-2004 - 27-OCT-2010
Marc Roszell	Member	06-MAR-2008 - 05-MAR-2011
Lynne Cohoe	Member	22-APR-2008 - 21-APR-2011
John Johnston	Member	22-APR-2008 - 21-APR-2011
Jeff Kobe	Member	19-JUL-2007 - 18-JUL-2011
Robert Norris	Member	28-OCT-2008 - 27-OCT-2011
John Morrison	Member	03-NOV-2005 - 13-NOV-2011

4.0 Analysis of Operational Performance

In the fiscal year 2008/09, nineteen soybean producers filed claims with the Board. The Board hired a consultant to assist with claim adjudication process. Several meetings were held to adjudicate and administer claims against the fund.

A producer information meeting was held in October 2008 for those impacted by the default.

The Board was able to successfully meet its target of adjudicating producer claims in 30 days. The Board approved payments of $731,797 from the Fund for Soybean Producers. Through financial security, $267,000 was recovered, resulting in a net claim of $464,797.

The Board dedicated significant time to reviewing the claims process. This resulted in the operational performance of the Board being improved with the development of conflict of interest guidelines, a claims notification process and adjudication risks clarified.

A comprehensive board training program was implemented to inform and educate all members. Implementation of the action items as a result of this review continues.

The table in Section 5 outlines the Board's performance targets, in all cases targets were either met or exceeded.

In order to ensure that the funds remained actuarially sound the Board also requested that Agricorp, in its capacity as Board secretary, prepare a "Request for Proposal" to invite qualified firms to submit a bid, to conduct an actuarial review of the grain and oilseeds funds.

5.0 Discussion of Performance Targets Achieved and of Action to Be Taken

Summary of key accomplishments regarding priorities

The Minister of Agriculture, Food and Rural Affairs has designated Agricorp for purposes of the Grains Act to deliver the Grain Licensing and Inspection Program. Agricorp has also been contracted by the Minister to provide administrative and secretariat support services to the Board.

The Board's principal activities are to adjudicate claims, administer the compensation funds, recover any monies paid out in claims and to grant or refuse the payment of all claims.

The Board's principal objectives for the period ending March 31, 2009 were as follows:

- Objective #1: To conduct adjudicatory hearings and issue decisions in a timely, fair, and legally supportable manner.
- Objective #2: To undertake investment of the funds to ensure liquidity and maximization of investment income.
- Objective #3: To ensure solvency of the funds.

Performance Measures and Targets

The following indicators define the outcomes the Board is committed to achieving. These indicators are the basis for measuring and evaluating impact.

***Objective #1:* To conduct adjudicatory hearings and issue decisions in a timely, fair, and legally supportable manner.**			
Performance measure	**Baseline**	**Actual 08/09**	**Targets achieved/not achieved and action to be taken**
Number of days from the conclusion of investigation to issue decisions on cases in which hearings are held	30	30	Target achieved

***Objective #2:* To undertake investment of the funds to ensure liquidity and maximization of investment income.** [1]

[1] The Board has delegated investment of the Funds to Agricorp

Performance measure	Baseline	Actual 08/09	Targets achieved/not achieved and action to be taken
Annual financial audit achieves an unqualified audit opinion in accordance with generally accepted Canadian accounting principles	Annual financial audit achieves an unqualified audit opinion in accordance with generally accepted Canadian accounting principles and practices.	Unqualified	Target achieved
Account balances maintained at the actuarial recommended level Grain Corn Fund	$3M	$5.7M	Target exceeded
Wheat Fund	$1.5M	$2.2M	
Canola Fund[2]	$**M	$0.8M	
Soybean Fund	$2.2M	$3.3M	

Objective #3: **To ensure solvency of the funds.**			
Performance measure	**Baseline**	**Actual 08/09**	**Targets achieved/not achieved and action to be taken**
All Board expenses and claims are met from the funds	100% achieved	100%	Target achieved
Review and approve the Board's audited financial statements[3]		Completed	Target achieved

[2] No record for canola available
[3] Timelines dependent on Auditor General

6.0 Analysis of Financial Performance

The Board administers the compensation funds established under the FPPA. In the case where a dealer is in a default situation or an elevator operator does not deliver stored grain to the owner on demand, the producer or owner, respectively, may make a claim. The Board adjudicates the claim(s) and determines the payment (if any) to be made from the fund. The Board has entrusted the routine administration of the compensation fund to Agricorp. The money is invested in instruments (first mortgage and GICs) permitted to trustees under the Trustees Act. The Board is provided quarterly investment statements by Agricorp. Table 1 outlines the financial performance summary as of March 31, 2009.

Table 1: Actual and budgeted revenue and expenses for the Board
Board expenses, which include Board meetings, per diems and consultative services are paid through the Funds. Fees are collected and deposited into the commodity Funds. The Board does not have the authority to set these fees. They are established by regulations made under the Act.

2008/09 Fiscal Year	Budget	Actual
Year	2008/09	2008/09
Revenue $M		
Fees	0.230	0.248
Interest (budget @ 5%)	0.563	0.879
Recoveries		0.267
Total Revenue	0.793	1.393
Expenses $M		
Board expenses[1]	0.003	0.046
Claims		0.732
Total Expense	0.003	0.778
Fund balance – B of Y	11.270	11.441
Increase in Funds	0.790	0.616
Fund balance – E of Y	12.060	12.056

[1] Includes administrative expense for actuarial study in 2008/09. Board expenses are budgeted assuming three meetings in 09/10 and two meetings in 10/11, 11/12.

[2] Claims made in 2008/09 that were unbudgeted.

Check off fees are paid by producers for every tonne of grain sold as follows:

- Corn: 1/10 of 1 cent — claim compensation level generally = 95%
- Wheat: 10 cents — claim compensation level generally = 95%
- Soybeans: 2 cents — claim compensation level generally = 90%
- Canola: 20 cents — claim compensation level generally = 90%

Appendix 1 provides audited financial statements for all 3 funds.

Appendix 1 – Audited Financial Statements

December 3, 2009

Mr. Peter Wallace, Secretary of Treasury Board
7th Floor, Frost Bldg S.
7 Queen's Park Cres.
Toronto, Ontario
M7A 1Y7

Dear Mr. Wallace:

In accordance with section 5(7) of the *Farm Products Payments Act*, audits of the accounts of the Funds for Producers of Grain Corn & Soybeans, Canola and Wheat have been completed for the year ended March 31, 2009. Copies of the audited financial statements are enclosed.

Sincerely,

Gary R. Peall, CA
Deputy Auditor General

/cw
Encl.

December 3, 2009

Mr. Dennis Jack, Chair
Grain Financial Protection Board
c/o Cynthia Meikle, Account Lead
1 Stone Road West, 3rd Floor NW
Box 3660
Guelph, Ontario
N1H 8M4

Dear Mr. Jack:

In accordance with section 5(7) of the *Farm Products Payments Act*, audits of the accounts of the Funds for Producers of Grain Corn & Soybeans, Canola and Wheat have been completed for the year ended March 31, 2009. Copies of the audited financial statements are enclosed.

You will be pleased to note that I have given unqualified audit opinions on the enclosed financial statements. The audit procedures and tests to determine my opinion are not designed to identify all weaknesses in internal controls, provide assurances on systems and procedures as such, nor detect all instances of non-compliance. An audit is designed to provide an opinion on the fairness of the financial statements and therefore does not deal directly with value-for-money issues.

Nevertheless, while not affecting my opinion on the enclosed financial statements, we have included other matters arising from our audit in our Audit Findings Report to the Board.

Additional copies of the audited financial statements are enclosed for distribution to the members and senior officials of the Grain Financial Protection Board. Copies of the audited financial statements have also been forwarded to the Minister and Deputy Minister of Agriculture, Food and Rural Affairs and to the Secretary of Treasury Board.

Sincerely,

Gary R. Peall, CA
Deputy Auditor General

/cw
Encl.

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Funds for Producers of Grain Corn and Soybeans

Financial Statements
For the Year Ended March 31, 2009

Funds for Producers of Grain Corn and Soybeans

Balance Sheet
As at March 31, 2009

	Grain Corn $	Soybeans $	2009 $	2008 $
Assets				
Current				
Cash	6,126	4,015	10,141	62,400
Accounts receivable	1,075	6,508	7,583	11,027
Short-term investments (Note 5)	1,265,800	745,472	2,011,272	2,008,897
Due from related parties (Note 6)	669	—	669	—
	1,273,670	755,995	2,029,665	2,082,324
Long Term				
Long-term investments (Note 5)	4,428,541	2,608,112	7,036,653	6,753,672
	5,702,211	3,364,107	9,066,318	8,835,996
Liabilities				
Accounts payable and accrued liabilities	9,274	8,142	17,416	—
Surplus	5,692,937	3,355,965	9,048,902	8,835,996
	5,702,211	3,364,107	9,066,318	8,835,996

See accompanying notes to financial statements.

On behalf of the Board:

Chair

Funds for Producers of Grain Corn and Soybeans

Statement of Fund Operations and Surplus
For the year ended March 31, 2009

	Grain Corn $	Soybeans $	2009 $	2008 $
Revenues				
Fees from producers	4,393	42,978	47,371	54,989
Interest income	214,571	119,578	334,149	342,390
Claim recoveries	—	267,000	267,000	—
	218,964	429,556	648,520	397,379
Expenses				
Claims paid	—	731,797	731,797	—
Administrative expenses (Note 4)	—	—	—	25
Board members' fees and expenses	10,270	11,290	21,560	1,737
Professional fees	9,274	8,142	17,416	—
	19,544	751,229	770,773	1,762
Excess (deficiency) of revenues over expenses	199,420	(321,673)	(122,253)	395,617
Opening unrealized gain from change in accounting policy (Note 3)	100,406	66,937	167,343	—
Change in fair value of assets classified as available-for-sale (Note 2B)	101,559	66,257	167,816	—
Surplus, beginning of year	5,291,552	3,544,444	8,835,996	8,440,379
Surplus, end of year	5,692,937	3,355,965	9,048,902	8,835,996

See accompanying notes to financial statements.

Funds for Producers of Grain Corn and Soybeans

Notes to Financial Statements
March 31, 2009

1. Establishment of the Funds

The Funds for Producers of Grain Corn and Soybeans were established effective November 3, 1984, by regulations made under the *Farm Products Payments Act*. These regulations designated the Grain Financial Protection Board as the Board to administer the Funds.

The purpose of the Funds is to protect grain corn and soybean producers against loss through default in payment by a dealer. Producers of grain corn and soybeans are reimbursed, respectively 95% and 90% of an approved claim for any defaults in payment by dealers. The Board attempts to recover any such claims paid from the dealers.

2. Significant Accounting Policies

(A) GENERAL

The financial statements are prepared on an accrual basis, in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants. The preparation of these financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

(B) FINANCIAL INSTRUMENTS

The Funds' financial instruments consist of cash, short-term investments, long-term investments, accounts receivable, amounts due from related parties, accounts payable and accrued liabilities. Under Canadian generally accepted accounting principles financial instruments are classified into one of five categories - available-for-sale, held-for-trading, held-to-maturity, loans and receivables, and other financial instruments.

Commencing April 1, 2008, the Funds for Producers of Grain Corn and Soybeans have designated all short-term and long-term investments as available-for-sale and are carried at their fair value. Changes in the fair value of investments are determined using quoted market bid prices and are recorded as unrealized gains and losses that directly impact the fund balance. Realized gains and losses on sale of investments are reclassified from the fund balance and recorded in the statement of fund operations.

The Funds have classified cash as held-for-trading, which is measured at fair value. Accounts receivable and amounts due from related parties are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The Funds for Producers of Grain Corn and Soybeans have elected to use settlement date accounting for purchases and sales of financial assets.

Funds for Producers of Grain Corn and Soybeans

Notes to Financial Statements
March 31, 2009

2. Significant Accounting Policies (Continued)

(B) FINANCIAL INSTRUMENTS (CONTINUED)

In December 2006, the Canadian Institute of Chartered Accountants (CICA) issued new accounting standards: Handbook Section 3862 "Financial Instruments – Disclosures"; Handbook Section 3863 "Financial Instruments - Presentation". These standards were expected to be effective for the Fund's financial statements for the year ended March 31, 2009. However in December 2008, the CICA eliminated the requirement for not-for-profit entities to adopt these standards. Pursuant to the requirement, the Funds have chosen to adopt the Handbook Section 3861, "Financial Instruments - Disclosure and Presentation" for disclosure and presentation of financial instruments.

(C) RECOVERIES

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

(D) FUTURE CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

The CICA has issued revisions to Handbook Section 4400 which relate to not-for-profit organizations. These changes now require the application of Handbook Section 1540 "Cash Flow Statements", and require the reporting of revenues and expenses on a gross basis in the statement of operations unless specifically not required by other CICA guidance.

A new Handbook Section, Section 4470 "Disclosure of Allocated Expenses by Not-for-Profit Organizations", requires certain disclosures when general support expenses are allocated to other functions.

The above changes in accounting policies are applicable to years beginning on or after January 1, 2009. Management does not expect these changes to have a material impact on the financial statement disclosures.

3. Change in Accounting Policy

On April 1, 2008, the Funds for Producers of Grain Corn and Soybeans have adopted the CICA Handbook Section 3855 "Financial Instruments – Recognition and Measurement", and Section 3861 "Financial Instruments – Presentation and Disclosure." Pursuant to the requirement, these standards have been adopted retroactively with no restatement of prior periods. The adoption of these standards has given rise to the recognition of transition adjustments in the opening fund balances.

Funds for Producers of Grain Corn and Soybeans

Notes to Financial Statements
March 31, 2009

3. Change in Accounting Policy (Continued)

The change in accounting policy resulted in an increase of $167,343 to the opening fund balance as of April 1, 2008. This adjustment relates to an unrealized gain arising from the increase in carrying value of investments to their fair value.

4. Administrative Expenses

Since 1997/98, administrative expenses for determining financial responsibility of grain dealers have been paid for by the Funds. In June 2005, the Ministry of Agriculture, Food and Rural Affairs determined that a retroactive amendment to the *Farm Products Payments Act* is required for payment of these expenses by the Funds. Until a legislative amendment is made, most administrative expenses incurred by the Funds will be paid by the Ministry and are not included in the Statement of Fund Operations and Surplus.

5. Investments and Management of Capital

The main objective of the Funds when managing capital is to safeguard their ability to remain a going concern, so that they can continue to deliver financial protection to producers of grain corn and soybeans in Ontario.

The Board undertakes investment of the Funds to ensure security, liquidity and the maximization of investment income. Board policy restricts investments to high-grade financial instruments such as government bonds and other investment instruments issued, guaranteed or endorsed by domestic financial institutions. In order to ensure liquidity and manage interest rate risk, the Board allocates approximately one fifth of the fund to investments in short-term financial instruments, with the remainder of the fund invested on a laddered basis for 1 to 5 years. Accordingly, the Board believes that the Funds are not exposed to significant investment, credit, liquidity or interest rate risk.

(A) PORTFOLIO PROFILE

	2009	2008	
	Carrying Amount and Fair Value $	Carrying Amount $	Fair Value $
Short-term	2,011,272	2,008,897	2,014,772
Long-term			
Government of Canada	3,489,318	3,520,551	3,590,599
Province of Ontario	1,729,086	1,591,383	1,633,301
Provincial Utilities	1,818,249	1,641,738	1,691,240
	7,036,653	6,753,672	6,915,140
Total	9,047,925	8,762,569	8,929,912

Funds for Producers of Grain Corn and Soybeans

Notes to Financial Statements
March 31, 2009

5. Investments and Management of Capital (Continued)

(B) MATURITY PROFILE

	2008/09	2007/08
	$	$
<1 Year	2,011,272	2,008,897
1–3 Years	5,721,905	3,520,551
3-5 Years	1,314,748	3,233,121
	9,047,925	8,762,569

(C) INVESTMENT PERFORMANCE

As of March 31, 2009 interest rates on investments ranged from 0.4% to 4.6%, with an effective average interest rate for the year of 3.7% (2008 – 4.1%)

6. Due from related parties

The Funds for Producers of Grain Corn and Soybeans share a common board of directors with the Fund for Producers of Canola and the Fund for Producers of Wheat under the Grain Financial Protection Program. The amount due from related parties represents their portion of board expenses paid for by the Funds that is subsequently reimbursed to the Funds.

7. Statement of Cash Flows

A statement of cash flows was not prepared as the information which it would contain is readily available from these financial statements.

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Fund for Producers of Canola

Financial Statements
For the Year Ended March 31, 2009

Fund for Producers of Canola

Balance Sheet

As at March 31, 2009

	2009 $	2008 $
Assets		
Current		
Cash	2,196	7,141
Accounts receivable	1,481	675
Short-term investments (Note 5)	191,888	182,401
	195,565	190,217
Long-Term		
Long-term investments (Note 5)	637,972	574,199
	833,537	764,416
Liabilities		
Accounts payable and accrued liabilities	235	—
	235	—
Surplus	833,302	764,416
	833,537	764,416

See accompanying notes to financial statements.

On behalf of the Board:

Chair

Fund for Producers of Canola

Statement of Fund Operations and Surplus
For the year ended March 31, 2009

	2009 $	2008 $
Revenues		
Fees from producers	8,211	5,181
Interest income	29,278	28,637
	37,489	33,818
Expenses		
Board members' fees and expenses	153	4
Professional fees	214	—
	367	4
Excess of revenues over expenses	37,122	33,814
Surplus, beginning of year	764,416	730,602
Opening unrealized gain from change in accounting policy (Note 3)	15,021	—
Changes in fair value of assets classified as available-for-sale (Note 2B)	16,743	—
Surplus, end of year	833,302	764,416

See accompanying notes to financial statements.

Fund for Producers of Canola

Notes to Financial Statements
March 31, 2009

1. Establishment of the Fund

The Fund for Producers of Canola was established effective July 22, 1989, by regulation made under the *Farm Products Payments Act*. This regulation designated the Grain Financial Protection Board as the Board to administer the Fund.

The purpose of the Fund is to protect canola producers against loss through default in payment by a dealer. Producers are reimbursed 90% of an approved claim for any defaults in payment by dealers. The Board attempts to recover any such claims paid from the dealers.

2. Significant Accounting Policies

(A) GENERAL

The financial statements are prepared on an accrual basis, in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants. The preparation of these financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

(B) FINANCIAL INSTRUMENTS

The Fund's financial instruments consist of cash, short-term investments, long-term investments, accounts receivable, accounts payable and accrued liabilities. Under Canadian generally accepted accounting principles financial instruments are classified into one of five categories - available-for-sale, held-for-trading, held-to-maturity, loans and receivables, and other financial instruments.

Commencing April 1, 2008, the Fund for Producers of Canola has designated all short-term and long-term investments as available-for-sale and are carried at their fair value. Changes in the fair value of investments are determined using quoted market bid prices and are recorded as unrealized gains and losses that directly impact the fund balance. Realized gains and losses on sale of investments are reclassified from the fund balance and recorded in the statement of fund operations.

The Fund has classified cash as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The Fund for Producers of Canola has elected to use settlement date accounting for purchases and sales of financial assets.

Fund for Producers of Canola

Notes to Financial Statements
March 31, 2009

2. Significant Accounting Policies (Continued)

(B) FINANCIAL INSTRUMENTS (CONTINUED)

In December 2006, the Canadian Institute of Chartered Accountants (CICA) issued new accounting standards: Handbook Section 3862 "Financial Instruments – Disclosures"; Handbook Section 3863 "Financial Instruments - Presentation". These standards were expected to be effective for the Fund's financial statements for the year ended March 31, 2009. However in December 2008, the CICA eliminated the requirement for not-for-profit entities to adopt these standards. Pursuant to the requirement, the Fund has chosen to adopt the Handbook Section 3861, "Financial Instruments - Disclosure and Presentation" for disclosure and presentation of financial instruments.

(C) FUTURE CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

The CICA has issued revisions to Handbook Section 4400 which relate to not-for-profit organizations. These changes now require the application of Handbook Section 1540 "Cash Flow Statements", and require the reporting of revenues and expenses on a gross basis in the statement of operations unless specifically not required by other CICA guidance.

A new Handbook Section, Section 4470 "Disclosure of Allocated Expenses by Not-for-Profit Organizations", requires certain disclosures when general support expenses are allocated to other functions.

The above changes in accounting policies are applicable to years beginning on or after January 1, 2009. Management does not expect these changes to have a material impact on the financial statement disclosures.

3. Change in Accounting Policy

On April 1, 2008, the Fund for Producers of Canola has adopted the CICA Handbook Section 3855 "Financial Instruments – Recognition and Measurement", and Section 3861 "Financial Instruments – Presentation and Disclosure." Pursuant to the requirement, these standards have been adopted retroactively with no restatement of prior periods. The adoption of these standards has given rise to the recognition of transition adjustments in the opening fund balances.

The change in accounting policy resulted in an increase of $15,021 to the opening fund balance as of April 1, 2008. This adjustment relates to an unrealised gain arising from the increase in carrying value of investments to their fair value.

Fund for Producers of Canola

Notes to Financial Statements
March 31, 2009

4. Administrative Expenses

Since 1997/98, administrative expenses for determining financial responsibility of grain dealers have been paid for by the Fund. In June 2005, the Ministry of Agriculture, Food and Rural Affairs determined that a retroactive amendment to the *Farm Products Payments Act* is required for payment of these expenses by the Fund. Until a legislative amendment is made, the administrative expenses incurred by the Fund will be paid by the Ministry and are not included in the Statement of Fund Operations and Surplus.

5. Investments and Management of Capital

The main objective of the Fund for Producers of Canola when managing capital is to safeguard its ability to remain a going concern, so that it can continue to deliver financial protection to the producers of canola in Ontario.

The Board undertakes investment of the Fund to ensure security, liquidity and the maximization of investment income. Board policy restricts investments to high-grade financial instruments such as government bonds and other investment instruments issued, guaranteed or endorsed by domestic financial institutions. In order to ensure liquidity and manage interest rate risk, the Board allocates about one fifth of the fund to investments in short term financial instruments, with the remainder of the fund invested on a laddered basis for 1 to 5 years. Accordingly, the Board believes that the Fund is not exposed to significant investment, credit, liquidity or interest rate risk.

(A) PORTFOLIO PROFILE

	2009	2008	
	Carrying Amount and Fair Value $	Carrying Amount $	Fair Value $
Short-term	191,888	182,401	182,983
Long-term			
Government of Canada	272,584	242,419	247,105
Province of Ontario	115,460	106,265	109,064
Provincial utilities	249,928	225,515	232,470
	637,972	574,199	588,639
Total	829,860	756,600	771,622

Fund for Producers of Canola

Notes to Financial Statements
March 31, 2009

5. Investments and Management of Capital (Continued)

(B) MATURITY PROFILE

	2008/09	2007/08
	$	$
<1 Year	191,888	182,401
1–3 Years	517,263	242,419
3-5 Years	120,709	331,780
	829,860	756,600

(C) INVESTMENT PERFORMANCE

As of March 31, 2009 interest rates on investments ranged from 0.4% to 4.6%, with an effective average interest rate for the year of 3.6% (2008 – 4.1%)

6. Statement of Cash Flows

A statement of cash flows was not prepared as the information which it would contain is readily available from these financial statements.

December 3, 2009

The Honourable Leona Dombrowsky
Minister of Agriculture, Food and Rural Affairs
77 Grenville Street, 11th Floor
Toronto, Ontario
M5S 1B3

Dear Ms. Dombrowsky:

In accordance with section 5(7) of the *Farm Products Payments Act*, audits of the accounts of the Funds for Producers of Grain Corn & Soybeans, Canola and Wheat have been completed for the year ended March 31, 2009. Copies of the audited financial statements are enclosed.

You will be pleased to note that I have given unqualified audit opinions on the enclosed financial statements. The audit procedures and tests to determine my opinion are not designed to identify all weaknesses in internal controls, provide assurances on systems and procedures as such, nor detect all instances of non-compliance. An audit is designed to provide an opinion on the fairness of the financial statements and therefore does not deal directly with value-for-money issues.

Copies of the audited financial statements have been forwarded to the Chair of the Grain Financial Protection Board for distribution to the members and senior officials of the Board. A copy of the audited financial statements has also been forwarded to your Deputy Minister and to the Secretary of Treasury Board.

Sincerely,

Gary R. Peall, CA
Deputy Auditor General

/cw
Encl.

Fund for Producers of Wheat

Balance Sheet
As at March 31, 2009

	2009 $	2008 $
Assets		
Current		
Cash	16,647	11,293
Accounts receivable	54,829	2,865
Short-term investments (Note 5)	583,634	568,210
	655,110	582,368
Long-Term		
Long-term investments (Note 5)	1,559,427	1,257,993
	2,214,537	1,840,361
Liabilities		
Accounts payable and accrued liabilities	2,370	—
Due to related party (Note 6)	648	—
	3,018	—
Surplus	2,211,519	1,840,361
	2,214,537	1,840,361

See accompanying notes to financial statements.

On behalf of the Board:

Chair

Fund for Producers of Wheat

Statement of Fund Operations and Surplus
For the year ended March 31, 2009

	2009 $	2008 $
Revenues		
Fees from producers	229,563	135,222
Interest income	79,290	77,237
	308,853	212,459
Expenses		
Board members' fees and expenses	4,708	410
Professional fees	2,370	—
	7,078	410
Excess of revenues over expenses	301,775	212,049
Opening unrealized gain from change in accounting policy (Note 3)	43,946	—
Changes in fair value of assets classified as available-for-sale (Note 2B)	25,437	—
Surplus, beginning of year	1,840,361	1,628,312
Surplus, end of year	2,211,519	1,840,361

See accompanying notes to financial statements.

Fund for Producers of Wheat

Notes to Financial Statements
March 31, 2009

1. Establishment of the Fund

The Fund for Producers of Wheat was established effective December 13, 2004, by regulation made under the *Farm Products Payments Act*. This regulation designated the Grain Financial Protection Board as the Board to administer the Fund. The Ontario Wheat Producers' Marketing Board made a $1 million non-recurring unrestricted contribution to establish the Fund.

The purpose of the Fund is to protect wheat producers against loss through default in payment by a dealer. Producers are reimbursed 95% of an approved claim for any defaults in payment by dealers. The Board attempts to recover any such claims paid from the dealers.

2. Significant Accounting Policies

(A) GENERAL

The financial statements are prepared on an accrual basis, in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants. The preparation of these financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

(B) FINANCIAL INSTRUMENTS

The Fund's financial instruments consist of cash, short-term investments, long-term investments, accounts receivable, accounts payable, accrued liabilities and amount due to related party. Under Canadian generally accepted accounting principles financial instruments are classified into one of five categories - available-for-sale, held-for-trading, held-to-maturity, loans and receivables, and other financial instruments.

Commencing April 1, 2008, the Fund for Producers of Wheat has designated all short-term and long-term investments as available-for-sale and are carried at their fair value. Changes in the fair value of investments are determined using quoted market bid prices and are recorded as unrealized gains and losses that directly impact the fund balance. Realized gains and losses on sale of investments are reclassified from the fund balance and recorded in the statement of fund operations.

The Fund has classified cash as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities and amount due to related party are classified as other financial liabilities, which are measured at amortized cost.

The Fund for Producers of Wheat has elected to use settlement date accounting for purchases and sales of financial assets.

Fund for Producers of Wheat

Notes to Financial Statements
March 31, 2009

2. Significant Accounting Policies (Continued)

(B) FINANCIAL INSTRUMENTS (CONTINUED)

In December 2006, the Canadian Institute of Chartered Accountants (CICA) issued new accounting standards: Handbook Section 3862 "Financial Instruments – Disclosures"; Handbook Section 3863 "Financial Instruments - Presentation". These standards were expected to be effective for the Fund's financial statements for the year ended March 31, 2009. However in December 2008, the CICA eliminated the requirement for not-for-profit entities to adopt these standards. Pursuant to the requirement, the Fund has chosen to adopt the Handbook Section 3861, "Financial Instruments - Disclosure and Presentation" for disclosure and presentation of financial instruments.

(C) FUTURE CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

The CICA has issued revisions to Handbook Section 4400 which relate to not-for-profit organizations. These changes now require the application of Handbook Section 1540 "Cash Flow Statements", and require the reporting of revenues and expenses on a gross basis in the statement of operations unless specifically not required by other CICA guidance.

A new Handbook Section, Section 4470 "Disclosure of Allocated Expenses by Not-for-Profit Organizations", requires certain disclosures when general support expenses are allocated to other functions.

The above changes in accounting policies are applicable to years beginning on or after January 1, 2009. Management does not expect these changes to have a material impact on the financial statement disclosures.

3. Change in Accounting Policy

On April 1, 2008, the Fund for Producers of Wheat has adopted the CICA Handbook Section 3855 "Financial Instruments – Recognition and Measurement", and Section 3861 "Financial Instruments – Presentation and Disclosure." Pursuant to the requirement, these standards have been adopted retroactively with no restatement of prior periods. The adoption of these standards has given rise to the recognition of transition adjustments in the opening fund balances.

The change in accounting policy resulted in an increase of $43,946 to the opening fund balance as of April 1, 2008. This adjustment relates to an unrealized gain arising from the increase in carrying value of investments to their fair value.

4. Administrative Expenses

Certain administrative expenses incurred by the Fund were absorbed by the Ministry of Agriculture, Food and Rural Affairs and are not included in the Statement of Fund Operations and Surplus.

Fund for Producers of Wheat

Notes to Financial Statements
March 31, 2009

5. Investments and Management of Capital

The main objective of the Fund for Producers of Wheat when managing capital is to safeguard its ability to remain a going concern, so that it can continue to deliver financial protection to the producers of wheat in Ontario.

The Board undertakes investment of the Fund to ensure security, liquidity and the maximization of investment income. Board policy restricts investments to high-grade financial instruments such as government bonds and other investment instruments issued, guaranteed or endorsed by domestic financial institutions. In order to ensure liquidity and manage interest rate risk, the Board allocates about one fifth of the fund to investments in short term financial instruments, with the remainder of the fund invested on a laddered basis for 1 to 5 years. Accordingly, the Board believes that the Fund is not exposed to significant investment, credit, liquidity or interest rate risk.

(A) PORTFOLIO PROFILE

	2009	2008	
	Carrying Amount and Fair Value $	Carrying Amount $	Fair Value $
Short-term	583,634	568,210	572,716
Long-term			
Government of Canada	516,743	—	—
Province of Ontario	690,555	940,082	969,901
Provincial utilities	352,129	317,911	327,532
	1,559,427	1,257,993	1,297,433
Total	2,143,061	1,826,203	1,870,149

(B) MATURITY PROFILE

	2008/09 $	2007/08 $
<1 Year	583,634	568,210
1–3 Years	1,042,684	622,473
3-5 Years	516,743	635,520
	2,143,061	1,826,203

(C) INVESTMENT PERFORMANCE

As of March 31, 2009 interest rates on investments ranged from 0.4% to 4.7%, with an effective average interest rate for the year of 3.6% (2008 – 4.4%)

Fund for Producers of Wheat

Notes to Financial Statements
March 31, 2009

6. Due to related party

The Fund for Producers of Wheat and the Funds for Producers of Grain Corn and Soybeans share a common board of directors under the Grain Financial Protection Program. The amount due to related party bears no interest and represents the Fund's portion of expenses paid for by the Funds for Producers of Grain Corn and Soybeans.

7. Statement of Cash Flows

A statement of cash flows was not prepared as the information which it would contain is readily available from these financial statements.