Grain Financial Protection Board
2010/11 Fiscal Year Annual Report

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Message from the Chair

2010/11 was a transitional year for the Grain Financial Protection Board, with the term for a number of Board members including the Chair's expiring. The Board asked stakeholder groups to nominate candidates to fill the vacancies and we received nominations for a number of strong candidates. It was my pleasure to hold the position of Acting Chair from March 2011 until I was appointed as Chair in July 2011. The Board accomplished many objectives over the year and continues to work with stakeholders and OMAFRA to administer the Funds and provide producers with an effective risk management tool.

The Board continues to support industry through discussions with other stakeholders regarding deferred payments. In December, the Minister approved an amendment to Ontario Regulation 260/97 to allow grain dealers to enter into deferred payments with producers. This amendment to the regulation will expire on July 1, 2012. The Board is continuing to work along with the other stakeholders and analyzing the potential impacts of changes to the regulations on the solvency of the Funds.

Legislative changes to the funding model this year meant that the Board was now responsible for the full cost of governance and secretariat services as well as financial support services and the Board signed an agreement with Agricorp to provide both of these services. The new funding model also meant that the Board is now responsible for the cost of determining financial responsibility of dealers. This change in legislation came part way through the year, and therefore the Board assumed 5/12th of the costs for these functions, and next year will assume the full costs.

There were no claims for 2010-2011, however the Board continued to work at developing a claim adjudication guideline to assist members with future claim situations. In addition to the claim adjudication guideline, the Board also created an orientation manual for new members. With a large number of members' terms expiring and new members being appointed to the Board, the manual has proved to be a valuable resource for both new and existing Board members. The addition of both of these tools will prove to be important resources to the Board for succession management in upcoming years.

Respectfully submitted,

Jim Campbell
Chair, Grain Financial Protection Board

1. Preface

The Grain Financial Protection Board (the Board) is classified as a Trust Agency and was established in 1984 under the authority of the *Farm Products Payments Act (FPPA)*. The Agency operates as authorized by the *FPPA* and its regulations thereunder.

In March 2011, OMAFRA and the Board signed a new Memorandum of Understanding (MOU) which covers a 5 year term. The previous MOU expired in the fall of 2010.

The Board’s 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 of the Board supports OMAFRA’s vision of thriving rural Ontario Agriculture and Food Sectors.

The Board’s annual report is subject to the following mandatory 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 the date when first appointed and when the current term of appointment expires; and
- audited financial statements

This report covers the fiscal year April 1, 2010 to March 31, 2011.

2. Description of activities

The Board is accountable to the Minister of Agriculture, Food and Rural Affairs (Minister) in exercising its mandate.

Mandate

The Board's annual activities are directly related to fulfilling its mandate, which are set out in the *Farm Products Payments Act*:

- to administer its funds;
- to investigate all claims made to it under the *Farm Products Payments 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 Farm Products Payments Act* by suit in a court of competent jurisdiction or otherwise.

The affairs of the Board are subject to an annual audit by the Auditor General of Ontario. Audited financial statements are typically made available by the Auditor General of Ontario nine to ten months after the fiscal year end.

Board Key Activities

The Board held four meetings over the 2010/11 fiscal year that focused on:

- responding to proposed legislation and regulation changes
- review and approval of the business plan & risk assessment
- review and approval of the annual report
- staying current regarding stakeholder issues
- support Board appointments
- performance reporting
- review of the adjudication guidelines

Board staff and Key activities

The Board does not have staff. The Board, in agreement with the Ministry of Agriculture Food and Rural Affairs, contracted Agricorp to provide Governance/Secretariat and Financial Support Services necessary to fulfill its mandate. Legislative changes to the funding model late in October 2010 resulted in the Board obtaining the authority to pay for support services from the Funds. For the 2010-11 year, the Board paid 5/12 of these costs, while the Ministry paid for the other 7/12. The Board will fund all of these costs in 2011-12 and has signed a service agreement with Agricorp to deliver the necessary services.

Legal services

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

Investigative Services

The Regulatory Compliance Unit of the Ontario Ministry of Agriculture Food and Rural Affairs provides investigative services for the Board.

3. Board Appointments

Board Structure

The *FPPA* requires that the Board be composed of not fewer than five members appointed by the Minister. The membership of the Board has been traditionally comprised of nominees from the Ontario Agri-Business Association, the Grain Farmers of Ontario and the Ontario Canola Growers' Association. The independent chair's position is a Minister's appointment.

The members appointed to the Board during the period of April 1 2010- March 31, 2011 are listed below.

Member Name	Position	Tenure
Dennis Jack	Chair	04-APR-2005 - 03-APR-2011
Jim Campbell	Vice Chair	02-APR-2005 - 29-JUL-2011
Fred Wagner	Member	06-MAR-2007 - 05-MAR-2011
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
David Buttenham	Member	22-MAR-2011 - 21-MAR-2014

4. Analysis of Operational Performance

The Board's operational performance has focused on effectiveness, efficiency and reliability.

Although there were no claims against the Funds in this fiscal year, the Board dedicated time in developing a claim adjudication guideline to ensure future adjudication of claims can be completed in an efficient and effective manner.

The Board implemented its business plan and delivered on its goals and objectives. The table in Section 5 outlines the Board's performance targets.

Review Performance Targets

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

The Board's principal objectives for the period ending March 31, 2011 were as follows:

1. Maintain a solvent compensation Fund managed in the interest of grain producers
2. Be self-sustaining paying all legitimate Board expenses from the Fund
3. Conduct adjudicatory hearings and issue decisions in a timely and fair manner
4. Ensure that the Board is compliant with directives, polices and agreements
5. Develop and implement a Board member governance strategy

5. Performance Measures and Targets

The Minister has designated Agricorp to deliver the Grain Financial Protection Program under the *Grains Act*. Agricorp has been contracted by the Board to provide governance, secretariat and financial 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 grant or refuse the payment of claims.

The Board's principal activities for the period ending March 31, 2011 were:

- Objective #1: To maintain a solvent compensation fund managed in the interest of grain producers.
- Objective #2: To be self-sustaining paying all legitimate board expenses from the fund.
- Objective #3: To conduct adjudicatory hearings and issue decisions in a timely and fair manner.
- Objective #4: To ensure that the Board is compliant with directives, policies and agreements.
- Objective #5: To develop and implement a Board member governance strategy.

Performance measure	**Baseline**	**Target 10/11**	**Actual 10/11**	**Target 11/12**	**Target 12/13**	**Target 13/14**
Objective 1: To maintain a solvent compensation fund managed in the interest of grain producers						
	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Based on the changes to the Act the account balances are solvent as per the Actuarial Review completed in July 2009:						
• Grain Corn Fund	Solvent 99.8% of the time	Solvent 99.8% of the time	Solvent 99.8% of the time	Solvent 99.8% of the time	Solvent 99.8% of the time	Solvent 99.8% of the time]
• Wheat Fund	Solvent 100% of the time	Solvent 100% of the time	Solvent 100% of the time	Solvent 100% of the time	Solvent 100% of the time	Solvent 100% of the time
• Canola Fund	Solvent 100% of the time	Solvent 100% of the time	Solvent 100% of the time	Solvent 100% of the time	Solvent 100% of the time	Solvent 100% of the time
• Soybean Fund	Solvent 88.4% of	Solvent 88.4% of	Solvent 88.4% of the	Solvent 88.4% of	Solvent 88.4% of the	Solvent 88.4% of

Performance measure	Baseline	Target 10/11	Actual 10/11	Target 11/12	Target 12/13	Target 13/14
	the time	the time	time	the time	time	the time
Receipt and review Fund financial statements from Agricorp	Quarterly	Quarterly		Quarterly	Quarterly	Quarterly
Review investment policies with Financial Controller	Annually	Annually	Achieved	Annually	Annually	Annually
	Not applicable	Not applicable	Not applicable	Complete d by end of fiscal year	Not applicable	Not applicable
Objective 2: To be self-sustaining paying all legitimate Board expenses from the Fund						
All Board expenses[1] and claims are met from the Fund	100%	100%	100%	100%	100%	100%
Annual meeting with the Agricorp Controller	Annual	Completed by the end of fiscal year	Completed by the end of fiscal year	Completed by the end of fiscal year	Completed by the end of fiscal year	Completed by the end of fiscal year
Agricorp Controller provide update of expenses	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly
Review and approve the Boards' audited financial statements[2]	Annually	Jan 2012	May 2012	Jan 2013	Jan 2014	Jan 2015
Objective 3: To conduct adjudicatory hearings and issue decisions in a timely and fair manner						
Number of days from the conclusion of investigation to issue decisions on cases in which hearings are held	30	30	Not applicable[3]	30	30	30
Board adjudication training plan developed and implemented	Not applicable	Draft completed	Achieved	Manual completed and 1 training session conducted	1 training session conducted	1 training session conducted
Stakeholders updated and informed of Board activities	Not applicable	1 update	1 update	1 update	1 update	1 update
The Board provide the evidence upon which they will base their decision to the parties	Not applicable	Within 10 days of Board decision	Not applicable[3]	Within 10 days of Board decision	Within 10 days of Board decision	Within 10 days of Board decision
The Board provide an opportunity for all parties to be heard	Not applicable	Not applicable	Not applicable[3]	Update claim application form	Claim information made available	Claim information made available
Objective 4: To ensure that the Board is compliant with directives, policies and agreements						

[1] Board Expenses defined for this purpose include: Governance/Secretariat, Financial and Adjudication Services, Determining Financial Responsibility and Capital Expenses

[2] A copy of the annual report is to be submitted to the Minister within 120 days of the Boards fiscal year end. Timeline for completion of the Annual Report and the financial statements are dependent on the Auditor General.

[3] No claim applications were submitted in 2010-11.

Performance measure	Baseline	Target 10/11	Actual 10/11	Target 11/12	Target 12/13	Target 13/14
	Not applicable	June 2010	Board approved Feb 2011	Not applicable	Not applicable	Not applicable
Submit Annual Report	Annually	Jan 2012	May 2012	Jan 2013	Jan 2014	Jan 2015
Submit Business Plan including risk assessment strategy	Annually	July 2010	November 2010	March 2011	March 2012	March 2013
Preparation of policy documents (e.g.) Procurement policy	Not applicable	June 2010	Not Achieved-Completed in 2011-12	June 2011	Not applicable	Not applicable
Objective 5: to develop and implement a Board member governance strategy						
Develop a GFP Board Succession Plan	Not applicable	Draft complete Fall 2010	Achieved	June 2011	Not applicable	Not applicable
Work with OMAFRA to ensure that the Board is at quorum. Ensure Information with regard to appointment is submitted to the ministry on time.	Not applicable	As required	Achieved	As required	As required	As required
Develop and deliver a Board Member Orientation Plan	Not applicable	Draft complete Winter 2010	Draft March 31, 2011	Completed by June 2011	Not applicable	Not applicable

6. Analysis of Financial Performance

The Auditor General finalized the 2010/11 financial statements in May 2012, and the Board submitted its Annual Report to the Minister shortly there after.

Total revenues were slightly (2%) under budget for the 2010/11 year. Overall fee's and interest earned were both lower than budgeted and fees were lower than realized in the previous years. It is anticipated that fees for future years will remain constant, however, a drop in interest rates will most likely result in lower interest earned. The Board has committed to review the investments held regularly to ensure solvency of the funds continues. Expenses for the year matched what was budgeted.

Financial Statement

2010/11 Fiscal Year	Budget	Actual	Budget	Actual
Year	2009/10	2009/10	2010/11	2010/11
Revenue				
Fees	248,000	264,311	257,000	251,536
Interest (budget @ 5%)	603,000	405,171	435,000	423,387
Recoveries	0	0	0	0
Total Revenue	851,000	669,482	692,000	674,923

Expenses				
Board expenses[1]	9,000	9,020	Paid by OMAFRA	
Claims	0	0	0	0
Governance/Secretariat Services	n/a	n/a	24,167[1]	26,682
Financial Services	n/a	n/a	20,830[2]	19,619
Costs of Determining Financial Responsibility	n/a	n/a	74,767[3]	72,932
Total Expense	9,000	9,020	119,767	119,233
Fund balance – B of Y	12,056,000	12,056,000	12,664,685	12,551,889
Increase in Funds	842,000	660,462	509,000	424,518
Fund balance – E of Y	12,898,000	12,716,462	13,173,585	12,976,407

[1] Governance/Secretariat Services are pro-rated @ 41.66% of $58,000 to cover the period of November 1st 2010 – March 31, 2011

[2] Financial Services are pro-rated @ 41.66% of $50,000 to cover the period of November 1st 2010 – March 31, 2011

[3] Costs of Determining Financial Responsibility Services are pro-rated @ 41.66% of $156,240 to cover the period of November 1st 2010 – March 31, 2011. Costs for FRRC services are pro-rated @ 41.66% of $23,200 to cover the period of November 1st 2010 – March 31, 2011