Grain Financial Protection Board 2012/13 Annual Report

Table of Contents

Message from the Chair

This year the Board continued to focus on managing the Funds to ensure long-term sustainability. Although the Board did not receive any claim applications this year, the Board continues to focus on administering the Funds in a sound manner to provide producers/owners with an effective risk management tool that will allow producers/owners to remain competitive.

In April 2012, the Board conducted its annual review of the each of the Funds and compared the performance to the recommendations of the 2011 actuarial study. The review revealed that the soybean Fund was not achieving the recommended annual target growth rate, and the wheat Fund was achieving a growth rate higher than targeted. The Board requested OMAF and MRA to engage stakeholders to discuss the performance of the four Funds. Meetings were held with stakeholders in September to review the status of the Funds and the current level of check-off fees. The Board provided the Minister with their recommendations to increase the check-off fee for soybeans and reduce the check-off fee for wheat in November 2012.

The Board worked collaboratively over the past year with the Minister to fill a number of vacant member positions. Four Board members were appointed in 2012-13 and by December 2012, the Board was at full complement. The position of Vice Chair was also filled in December enabling the Board to ensure the appropriate governance is in place to fulfill its mandate.

Regulatory amendments in June of 2012 made it possible for farmers to enter into deferred payments. With the introduction of deferred payments, the Board needed to update their claims adjudication guidelines to ensure it reflected the regulatory changes. The guidelines, as well as claim application forms, were reviewed and amended in the fall of 2012.

The vision of the Board is to protect the financial interests of Ontario producers/owners. Looking forward the Board will continue to focus on ensuring the long-term sustainability of the Funds.

Respectfully submitted,

Jim Campbell
Chair, Grain Financial Protection Board

2. Preface

The Grain Financial Protection Board (Board) was established in 1985 and is classified as a Trust Agency. As described in the Agency Establishment and Accountability directive, as a Trust Agency the Board , "administers funds or other assets for beneficiaries named under statute." The Board's mandate, strategies, and activities have always been focused on prudent management of the Funds to ensure financial compensation is available to grain corn, soybean, wheat, and canola producers/owners when required. The Board's mandate of administrating the Funds, investigating, granting and refusing claims, and recovering money is directly linked to the Ministry's 2012/13 goal of increasing the competitiveness and productivity of Ontario's agri-food businesses.

Governance

The Board members are accountable to the Minister, through the Chair, for setting goals, objectives, and the strategic direction for the Board. It operates under authority as outlined by the Farm Products Payments Act (FPPA) and in accordance with the Memorandum of Understanding (MOU) between the Minister and the Chair. The Board and Minister approved a revised MOU in March 2011 for a term of five years. The MOU sets out the operational and reporting relationship between the Board and the Minister, and also outlines the administrative, financial, and auditing arrangements with the Ontario Ministry of Agriculture and Food (OMAF) and Ministry of Rural Affairs (MRA).

The vision of the Board is to protect the financial interests of Ontario producers who have sold grain corn, soybeans, wheat, and canola and owners who stored grain with elevator operators. The Board's vision supports OMAF and MRA's goal of increasing competitiveness and productivity of Ontario's agri-food businesses.

How the Program, the Funds and the Board work together

Grain Financial Protection Program

The Grain Financial Protection Program (the Program) was introduced in the mid-1980s, following a series of grain elevator bankruptcies. The Program was designed to reduce the risk to producers who conduct business with licensed dealer and/or operators. The program provides protection to producers in the event that a licensed buyer defaults on payment. It also provides protection to owners of grain who store their grain with licensed grain elevators. The Program has two components. They are:

1. The annual licensing of grain dealers and elevator operators under the Grains Act. To receive a licence, dealers must prove financial responsibility and/or post security. Agricorp, a Crown Agency, is under contract with OMAF and MRA to administer the licensing component of the program.
2. The administration of the Funds. The Board is responsible for the administration of the Funds as established under the FFPA. All income held in the Funds comes from producer check-off fees and investment income. There are four Funds, one for each of grain corn, soybeans, canola and wheat. The purpose of the Funds is to provide producers/owners with financial compensation in the event that a dealer or elevator defaults on their obligation or if there is a storage shortfall.

As an agency, the Board's annual report is subject to the following mandatory reporting requirements established in the Agency Establishment and Accountability Directive, including:

- a description of activities over the year;
- an analysis of operational performance;
- an analysis of financial performance;
- a discussion of performance measures, targets achieved/not achieved and action to be taken;
- the names of appointees, including the date when first appointed and when the current term of appointment expires; and
- the audited financial statements

This report covers the fiscal year April 1, 2012 to March 31, 2013.

3. Description of Activities

The Grain Financial Protection Board's main activity is to manage the Funds effectively and prepare for claims when they occur.

- The Board's primary focus is on the prudent management of the Funds
- Claims are infrequent, however, the Board remains current on the claims procedure and is prepared to adjudicate claims when presented
- The Board makes decisions on claims based on the evidence and the law
- The Funds are distributed to producers and owners after the Board has approved the claim for payment.

Mandate

The Board is responsible to the Minister of Agriculture and Food (Minister) and is constituted under the authority of the Farm Products Payments Act, R.S.O. 1990, c. F. 10, as amended and its regulations:

- Reg. 70/12 Payments From Funds For Grain Producers
- Reg. 321/11 Fees Payable to Boards

The Board's legislative mandate is outlined in section 4 of the FPPA as:

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

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

To assist the Board with achieving their mandate as listed above, they have established goals with corresponding objectives and activities. For 2012-13, the Board established the following five goals:

A. Long-term sustainability of the Funds - The Board has hired Agricorp for the day to day administration functions of the Funds; however, the Board is ultimately responsible for the oversight and management of the Funds. The Board regularly reviews and approves policy decisions, quarterly reviews financial statements and risk assessment reports.
B. Maintain an adjudication process that is simple, fair and accessible with minimal delays- The Board has approved claim adjudication guidelines and has established operational procedures to assist with the processing of claims.
C. Ensure agreements and directives are understood and documentation required under the MOU is in place -The Board endeavors to ensure that it remains in compliance with the MOU and that the members fully understood what documentation is required to be on file. Legal counsel assists the Board with their review of the agreements.
D. Ensure a high performing Board - Tenures of members are regularly reviewed and the Board works with OMAF, MRA and stakeholder groups to seek recommendations of qualified candidates at least six months prior to the expiry of a term. The Board also maintains an orientation manual which is reviewed by the Board on an annual basis and is updated as required. New members to the Board will receive training within two months of being appointed.
E. To consult with industry stakeholders- The Board participates in meetings with stakeholders as required.

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

Board Key Activities

The Board held two meetings over the 2012/13 fiscal year that focused on:

- responding to legislation and regulation changes
- reviewing the adjudication guidelines
- performance reporting
- staying current regarding stakeholder issues
- business planning & risk assessment
- appointment process management
- reviewing the investment policy

Board staff and Key activities

The Board does not have staff. The Board has contracted with Agricorp for Governance/Secretariat and Financial Support Services.

Legal services

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

Investigative Services

The Regulatory Compliance Unit of OMAF and MRA provides investigative services for the Board.

4. Board Appointments

Board Structure

The FPPA requires that the Board be composed of no fewer than five members appointed by the Minister. The membership of the Board has traditionally comprised nominees from each of the Grain Farmers of Ontario, the Ontario Canola Growers' Association, and the Ontario Agri Business Association. Both the chair and the vice chair position are Minister's appointments.

Four new members were appointed to the Board in 2012-13. The vice chair's position was also filled in December 2012. Listed below are the appointees for April 1, 2012 to March 31, 2013.

Member Name	Position	Tenure
Jim Campbell	Chair	12 April 2005 - 03 April 2014
Fred Wagner	Vice Chair	06 March 2007 - 12 December 2015
David Buttenham	Member	22 March 2011 - 21 March 2014
Jeff Kobe	Member	19 July 2007 - 18 July 2013
Darcy Oliphant	Member	30 July 2011 - 29 July 2014
Barry Senft	Member	22 April 2011 - 21 April 2014
Jeff Davis	Member	19 April 2012 - 18 April 2015
Henry Van Ankum	Member	19 April 2012 - 18 April 2015
Mark Brock	Member	22 April 2012 - 21 August 2015
Lynne Cohoe	Member	22 April 2008 - 21 August 2015

5. Analysis of Operational Performance

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

The Board conducted its annual review of the Funds in April 2012 and compared the Funds performance to the recommendations from the 2011 actuarial review. The review revealed that the soybean Fund was not achieving the objective of growing by at least two percent per year. It also revealed that the wheat Fund was exceeding its target balance and given the current check-off fee structure, it would continue to exceed the target balance if fees remain unchanged. The Board requested OMAF and MRA to engage stakeholders to discuss the performance of the four Funds. Meetings were held with stakeholders in September to review the status of the Funds and the current level of check-off fees. In November, the Board provided the Minister with a recommendation to increase the check-off fees for soybeans and reduce the check-off fees for wheat. The Board also has established an investment policy that follows the investment policy outlined in the MOU. The Board annually reviews the policy to ensure that it is current.

In October 2012 the Board reviewed and updated the Claim Adjudication Guidelines to reflect the deferred payment regulation changes that took effect in the summer. The Board annually reviews the claim adjudication guidelines to ensure they are relevant and that the members are familiar with the claim process. The Board infrequently (once every four or five years), receives claims and a regular review of the guidelines helps members stay up to date on the claims process and will assist with ensuring that the adjudication process is fair and has minimal delays.

The Board continued to work collaboratively with the Minister and stakeholder groups to fill a number of vacant positions. Four member positions as well as the Vice Chair position were filled in the past year. The Board now is at full complement and with the appropriate governance in place is able to fulfill its mandate.

Over the past year, the Board implemented its business plan and has delivered on its goals and objectives. The table in Section 5 summarizes the Board's performance targets and results. The Board was able to either meet all of its objectives, or was able to implement strategies to assist it meeting its objectives in the future.

Review Performance Targets

The Board's principal activities are to manage the Funds effectively and prepare for claims when they occur.

The Board's principal objectives for the period ending March 31, 2013 were as follows:

A. Maintain solvent compensation Funds managed in the interest of grain producers/owners
B. Be self-sustaining paying all legitimate Board expenses from the Funds
C. Conduct adjudicatory hearings and issue decisions in a timely and fair manner
D. Ensure that the Board is compliant with directives, polices and agreements
E. Develop and implement a Board member governance strategy

6. Performance Measures and Targets

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

Performance Measure	Baseline	Target 12/13	Actual 12/13
Objective 1: To maintain a solvent compensation Fund managed in the interest of grain producers			
Annual financial audit achieves an unqualified audit opinion in accordance with Canadian generally accepted accounting principles	Unqualified	Unqualified	Achieved
Minimum Target Fund Balances are maintained as per Actuarial Review			
Grain Corn target Fund balance	Minimum Fund balance $4,600,000 maintained	Minimum Fund balance $4,600,000 maintained	Achieved
Wheat target Fund balance	Minimum Fund balance $2,200,000 maintained	Minimum Fund balance $2,200,000 maintained	Achieved
Canola target Fund balance	Minimum Fund balance $900,000 maintained	Minimum Fund balance $900,000 maintained	Achieved
Soybean target Fund balance	Minimum Fund balance $4,400,000	Minimum Fund balance $4,400,000	Not Achieved - recommendation to Minister
Soybean target Fund balance	2% Annual growth in Fund balance	2% Annual growth in Fund balance	Not Achieved - recommendation to Minister
Receipt and review Fund financial statements from Agricorp	Quarterly	Quarterly	Achieved
Review investment policies with Agricorp Controller	Annually	Annually	Achieved
Procedure and policy manual for the collection of debt developed and in place	Completed by March 31, 2013	Completed by March 31 2013	Achieved
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%	Achieved
Agricorp Controller provide update of expenses	Quarterly	Quarterly	Achieved
Review and approve the Board's audited financial statements (2)	Annually	Annually	Achieved November 2013
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	30	30	Not Applicable - No claims presented

decisions on cases in which hearings are held			
Board adjudication training plan developed and implemented	Not applicable	Manual completed and 1 training session conducted	Achieved November 2012
Stakeholders updated and informed of Board activities	1 update per year	1 update	Achieved September 2012
The Board provides the evidence upon which they will base their decision to the parties	Not applicable	Evidence Provided	Not applicable - No Claims presented
The Board provide an opportunity for all parties to be heard	Not applicable	Opportunities Provided	Not Applicable - No Claims Presented
Objective 4: To ensure that the Board is compliant with directives, policies and agreements			
Updated MOU in place (expiry March 8, 2016)	Updated MOU To be signed prior to March 2016	Not applicable	N/A - MOU still valid
Submit Annual Report	Annually	January 2014	Achieved December 2013
Submit Business Plan including risk assessment strategy	Annually	March 2012	Achieved March, 2012
Objective 5: To develop and implement a Board member governance strategy			
Work with OMAF and MRA 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
Develop and deliver a Board Member Orientation Plan	As required	As required	Achieved

Performance Measure	Target 13/14	Target 14/15	Target 15/16
Objective 1: To maintain a solvent compensation Fund managed in the interest of grain producers			
Annual financial audit achieves an unqualified audit opinion in accordance with Canadian generally accepted accounting principles	Unqualified	Unqualified	Unqualified
Minimum Target Fund Balances are maintained as per Actuarial Review			
Grain Corn target Fund balance	Minimum Fund balance $4,600,000 maintained	Minimum Fund balance $4,600,000 maintained	Minimum Fund balance $4,600,000 maintained
Wheat target Fund balance	Minimum Fund balance $2,200,000 maintained	Minimum Fund balance $2,200,000 maintained	Minimum Fund balance $2,200,000 maintained
Canola target Fund balance	Minimum Fund balance $900,000 maintained	Minimum Fund balance $900,000 maintained	Minimum Fund balance $900,000 maintained
Soybean target Fund balance	Minimum Fund balance $4,400,000	Minimum Fund balance $4,400,000	Minimum Fund balance $4,400,000
Soybean target Fund balance	2% Annual growth in Fund balance	2% Annual growth in Fund balance	2% Annual growth in Fund balance
Receipt and review Fund financial statements from Agricorp	Quarterly	Quarterly	Quarterly
Review investment policies with Agricorp Controller	Annually	Annually	Annually
Procedure and policy manual for the collection of debt developed and in place	Being Followed	Being Followed	Being Followed
Objective 2: To be self-sustaining paying all legitimate Board expenses from the Fund			
All Board expenses (1)	100%	100%	100%

and claims are met from the Fund			
Agricorp Controller provide update of expenses	Quarterly	Quarterly	Quarterly
Review and approve the Board's audited financial statements (2)	December 2014	December 2015	December 2016
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	30
Board adjudication training plan developed and implemented	1 training session conducted	1 training session conducted	1 training session conducted
Stakeholders updated and informed of Board activities	1 update	1 update	1 update
The Board provides the evidence upon which they will base their decision to the parties	Evidence Provided	Evidence Provided	Evidence Provided
The Board provide an opportunity for all parties to be heard	Opportunities Provided	Opportunities Provided	Opportunities Provided
Objective 4: To ensure that the Board is compliant with directives, policies and agreements			
Updated MOU in place (expiry March 8, 2016)	Not applicable	Not applicable	Not applicable
Submit Annual Report	January 2015	January 2016	January 2017
Submit Business Plan including risk assessment strategy	March 2013	March 2014	March 2015
Objective 5: To develop and implement a Board member governance strategy			
Work with OMAF and MRA to ensure that the Board is at quorum. Ensure Information with regard to appointment is submitted to the ministry on time.	As required	As required	As required
Develop and deliver a Board Member Orientation Plan	As required	As required	As required

1. Board Expenses defined for this purpose include: Governance/Secretariat, Financial and Adjudication Services, Determining Financial Responsibility and Capital Expenses
2. Timelines are dependent on the Office of the Auditor General of Ontario

7. Analysis of Financial Performance

The Office of the Auditor General of Ontario finalized the 2012/13 financial statements in November and the Board submitted the Annual Report to the Minister shortly there after.

A decline in the financial markets over the past several years resulted in lower interest earnings than previous years. The Board conducted a full review of their investment strategies and investigated other strategies to ensure they continue to maximize returns.

Following a review of the Fund balances against the targets recommended in the 2011 Actuarial report, a recommendation was made to the Minister to adjust the check-off fees for soybeans and wheat. The result of the check-off fee adjustments will be realized in next year's financial statements.

Due to increased efficiencies as well as reduced work load of not adjudicating claims in 2012/13, the total expenses for both secretariat services and financial services were below the budget. The Board anticipates that these efficiencies will continue to be realized in future years.

2011/12 Fiscal Year	Budget 2011/12	Actual 2011/12	Budget 2012/13	Actual 2012/13
Revenue				

Fees	250,000	296,355	250,000	249,938
Interest	389,000	371,329	283,000	295,584
Recoveries	0	0	0	0
Total Revenue	639,000	667,684	533,000	545,522
Expenses				
Board expenses	Paid by OMAFRA			
Claims	0	0	0	0
Governance/Secretariat Services	60,000	61,098	60,000	42,761
Financial Services	89,920	96,571	47,000	27,209
Costs of Determining Financial Responsibility	180,000	178,535	180,880	179,177
Total Expense	329,920	336,204	287,680	249,147
Fund balance - B of Y	12,976,407	12,976,407	13,285,766	13,324,864
Change in Fair Market Value of Investments	0	16,977	0	0
Adjustment on the adoption of the financial instrument standard				-119,814
Fund balance - E of Y	13,285,487	13,324,864	13,531,086	13,501,425

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