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Grain Financial Protection Board Annual Report 2013 / 14

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1. Message from the Chair

This year the Board continued to focus on managing the Funds to ensure their long-term sustainability to provide producers/owners with an effective risk management tool.

The Board did not receive any claim applications this year.

The Board conducts an annual review each June on the performance of the Funds. The balances and growth rates are compared to the recommendations in the 2011 actuarial report. In 2012, all of the Funds, with the exception of the soybean Fund, met their target balance. A result of the review was that the Board recommend that the Minister increase the soybean check-off fee and decrease the wheat check-off fee to help the Funds meet the recommendations in the actuarial report.

In July 2013, to support the Board in meeting it's mandate of effectively managing the Funds, the Minister amended Regulation 321/11 to increase the soybean check-off fee and to decrease the wheat check-off fee.

Based on the 2013/14 audited financial statements, the soybean Fund achieved a growth rate of seven per cent, which meets the recommendations in the actuarial report. If the Fund continues to receive check-off fees at this level, and does not pay any claims, the soybean Fund should reach it's target balance.

The Board worked with the Minister through out the year on re-appointing a number of members to the Board. Four Board members were re-appointed in 2013-14 including the Chair. By working collaboratively with the Ministry, the Board was able to remain at full complement and ensure appropriate governance was in place to fulfill its mandate.

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

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 administering the Funds, investigating, granting and refusing claims, and recovering money is directly linked to one of the Ministry's 2013/14 goals of supporting a strong rural Ontario that strengthens the province.

2. Governance

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 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 Food and Rural Affairs (OMAFRA)

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 one of OMAFRA's goals to make Ontario a better place to do business.

3. 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 and owners who conduct business with licensed dealer and/or operators. The program provides protection to producers in the event that a buyer defaults on payment. It also provides protection to owners of grain who store their grain with grain elevators. The Program has two components. They are:

- A. 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 OMAFRA to administer the licensing component of the program.
- B. The administration of the Funds. The Board is responsible for the administration of the Funds as established under the FPPA. 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, 2013 to March 31, 2014.

Description of Activities

The Board's main activities are 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 required
- The Board makes decisions on claims based on the evidence and the law
- Payment to producers and owners is made after the Board has approved the claim for payment.

Mandate

The Board is responsible to the Minister and is constituted under the authority of the FPPA, 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 2013-14, 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 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. All Board policies, guidelines and By-laws were reviewed and updated as required this year.
- 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. No claims were received this year.
- 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 is available to assist the Board with any needed agreements.
- D. Ensure a high performing Board - Tenures of members are regularly reviewed and the Board works with OMAFRA 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. This year, the Chair and three members were re-appointed to the Board.
- E. To consult with industry stakeholders- The Board participates in meetings with stakeholders as required. Two meetings were held with stakeholders this year.

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 four to five months after the fiscal year end.

Board Key Activities

The Board held two meetings over the 2013/14 fiscal year that focused on:

- reviewing quarterly financial statements
- business planning & risk assessment
- performance reporting
- appointment process management
- reviewing the adjudication guidelines
- staying current regarding stakeholder issues
- reviewing and updating policies and by-laws

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, OMAFRA. The assigned 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 OMAFRA 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 been traditionally comprised of nominees from each of the Ontario Canola Growers' Association, the Ontario Agri Business Association and the Grain Farmers of Ontario. Both the chair and the vice chair position are a Minister's appointment.

Four members including the Chair were re-appointed to the Board in 2013-14. Listed below are the appointees for April 1, 2013 to March 31, 2014.

Member Name	Position	Tenure
Jim Campbell	Chair	12 April 2005 - 03 April 2017
Fred Wagner	Vice Chair	06 March 2007 - 12 December 2015
David Buttenham	Member	22 March 2011 - 21 March 2017
Jeff Kobe	Member	19 July 2007 - 18 July 2016
Darcy Oliphant	Member	30 July 2011 - 29 July 2014
Barry Senft	Member	22 April 2011 - 21 April 2017
Jeff Davis	Member	19 April 2012 - 18 April 2015
Henry Van Ankum	Member	19 April 2012 - 18 April 2015
Mark Brock	Member	22 August 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 June 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 per cent 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 worked with stakeholders and provided a recommendation to the Minister to adjust the check-off fees for soybeans and wheat. In July 2013, the Minister approved an amendment to the regulations that increased the soybean check-off fees and reduced the wheat check-off fees. For 2013-14, the soybean Fund achieved a growth rate of seven per cent, and if the current level of check-off fees continue and the Fund does not pay any claims, it should reach its targeted minimum balance in two to three years. The other three Funds continue to meet their minimum targeted balance, and no further adjustments to the check-off fees are anticipated to be requested at this time.

The Board annually reviews their established policies to ensure they are current. This year, all policies were reviewed and the Board agreed to further review the expense allocation policy to ensure it remains relevant. A number of scenarios for the allocation of expenses were reviewed and the Board agreed to work with stakeholders to review all options prior to considering any adjustments to the allocation policy. The Board's investment policy is aligned with the MOU and the Board conducted a review of the policy and MOU to ensure it remains relevant.

The Board annually reviews the claim adjudication guidelines to ensure members are familiar with the claim process. The Board infrequently (once every four or five years on average), 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 is now 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 in 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, 2014 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, policies 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.

Objective 1: To maintain a solvent compensation Fund managed in the interest of grain producers

Performance Measure	Baseline	Target 13 / 14	Actual 13 / 14	Target 14 / 15	Target 15 / 16	Target 16 / 17
Annual financial audit achieves an unqualified audit opinion in accordance with Canadian generally accepted accounting principles	Unqualified	Unqualified	Achieved	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	Achieved - Balance \$5,974,015	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	Achieved - Balance \$3,312,490	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	Achieved - Balance \$977,101	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 maintained	Minimum Fund balance \$4,400,000 maintained	Not Achieved - Balance \$3,880,625 Check-off fees increased and Fund increasing	Minimum Fund balance \$4,400,000 maintained	Minimum Fund balance \$4,400,000 maintained	Minimum Fund balance \$4,400,000 maintained
Soybean target Fund balance	2% Annual growth in Fund	2% Annual growth in Fund	Achieved - actual annual	2% Annual growth in Fund	2% Annual growth in Fund	2% Annual growth in Fund balance

	balance	balance	growth rate of 7%	balance	balance	
Receipt and review Fund financial statements from Agricorp	Quarterly	Quarterly	Achieved	Quarterly	Quarterly	Quarterly
Objective 2: To conduct adjudicatory hearings and issue decisions in a fair and timely manner						
Claims processed with minimal delays	Claimants notified within 2 days, dealer and elevators within 4 days of receipt of claim	Claimants notified within 2 days, dealer and elevators within 4 days of receipt of claim	Achieved - no claims submitted	Claimants notified within 2 days, dealer and elevators within 4 days of receipt of claim	Claimants notified within 2 days, dealer and elevators within 4 days of receipt of claim	Claimants notified within 2 days, dealer and elevators within 4 days of receipt of claim
Claims are adjudicated fairly	Claims are reviewed individually, and follow adjudication guidelines established	Claims are reviewed individually, and follow adjudication guidelines established	Achieved - no claims submitted	Claims are reviewed individually, and follow adjudication guidelines established	Claims are reviewed individually, and follow adjudication guidelines established	Claims are reviewed individually, and follow adjudication guidelines established
Claimants received notification of Board decision	Within 10 days of a Board decision	Within 10 days of a Board decision	Achieved - no claims submitted	Within 10 days of a Board decision	Within 10 days of a Board decision	Within 10 days of a Board decision
Objective 3: To grant or refuse claims and to seek recovery of amounts paid						
Claims are reviewed to determine their validity	Board refers to FPPA and uses legal counsel as required to determine validity of claims	Board refers to act and uses legal counsel as required to determine validity of claims	Achieved - no claims received.	Board refers to act and uses legal counsel as required to determine validity of claims	Board refers to act and uses legal counsel as required to determine validity of claims	Board refers to act and uses legal counsel as required to determine validity of claims
Recover any money to which the Board is entitled to under the FPPA	Legal counsel is consulted when proceeding with any recovery action	Legal counsel is consulted when proceeding with any recovery action	N/A	Legal counsel is consulted when proceeding with any recovery action	Legal counsel is consulted when proceeding with any recovery action	Legal counsel is consulted when proceeding with any recovery action
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	Not applicable	Updated MOU To be signed prior to March 31 2016	Updated MOU To be signed prior to March 31 2016
Submit Annual Report	Annually	July 31, 2014	August 2014	July 31, 2015	July 31, 2016	July 31, 2017
Submit Business Plan	Annually	March 2013	Achieved March, 2013	March 2014	March 2015	March 2016
Submit Quarterly AEAD Report	Quarterly	Quarterly	Achieved	Quarterly	Quarterly	Quarterly
Submit Quarterly Risk Assessment Report	Quarterly	Quarterly	Achieved	Quarterly	Quarterly	Quarterly

7. Analysis of Financial Performance

The Office of the Auditor General of Ontario finalized the 2013/14 financial statements in July and the Board submitted the Annual Report to the Minister shortly there after.

Annually, the Board conducts a full review of their investment strategies, including the investigation of alternate strategies, to ensure that returns are maximized within the investment framework. The Board concluded that they are maximizing their return on investments, and no changes in investment strategies were recommended this year. The amount of interest earned this year is similar to previous years.

The Board conducts an annual review each June on the performance of the Funds. The balances and growth rates are compared to the recommendations in the 2011 actuarial report. In 2012, all of the Funds with the exception of soybeans met their target. As a result of the review, the Board recommended to the Minister to increase the soybean check-off fee and decrease the wheat check-off fee to help those Funds meet the recommendations in the actuarial report.

In July 2013, to support the Board in meeting its mandate of effectively managing the Funds, the Minister amended Regulation 321/11 to increase the soybean check-off fee and to decrease the wheat check-off fee. The result of the adjustments were realized in this year's financial statements, and accounted for the increase in soybeans revenues and the decrease in revenues for wheat.

For 2013-14, the soybean Fund achieved a growth rate of seven per cent which meets the recommendations in the actuarial report.

The Board only incurred expenses for the administration of the Funds this year. The Board did not receive or pay any claims. Increased efficiencies resulted in the total expenses for both secretariat services and financial services to be less than in previous years. The Board anticipates that these efficiencies will continue to be realized in future years.

2013 / 14 Fiscal Year	Budget 2012 / 13	Actual 2012 / 13	Budget 2013 / 14	Actual 2013 / 14
Revenue				
Fees	250,000	249,938	250,000	413,584
Interest	283,000	295,584	271,748	293,551
Recoveries	0	0	0	0
Total Revenue	533,000	545,522	521,748	707,135
Expenses				
Claims	0	0	0	0
Governance/Secretariat Services	60,000	42,761	61,200	34,485
Financial Services	47,000	27,209	47,940	15,408
Costs of Determining Financial Responsibility	180,680	179,177	181,170	179,327
Total Expense	287,680	249,147	290,310	229,220
Beginning of Year Fund Balances	13,285,766	13,324,864	13,587,387	13,501,425
Adjustment on the adoption of the financial instrument standard	0	-119,814	0	0
End of Year Fund Balance	13,531,086	13,501,425	13,818,825	13,979,340

Funds for Producers of Grain Corn, Soybeans, Canola and Wheat - Financial Statements For the Year Ended March 31, 2014

Funds for Producers of Grain Corn, Soybeans, Canola and Wheat - Statements of Financial Position as at March 31, 2014

	Grain Corn \$	Soybeans \$	Canola \$	Wheat \$	2014 \$	2013 \$
Assets						
Current Cash	(5,925)	63,941	7,959	5,609	71,584	52,359
Current Accounts receivable	592	14,203	494	2,830	18,119	10,924
Current Short-term investments (Note 4)	2,080,564	1,439,332	436,537	1,549,922	5,506,355	6,220,167
Total Current Assets	2,075,231	1,517,476	444,990	1,558,361	5,596,058	6,283,450
Long-term investments (Note 4)	3,898,784	2,363,149	532,111	1,754,129	8,548,173	7,410,396
Total Assets	5,974,015	3,880,625	977,101	3,312, 490	14,144,231	13,693,846
Liabilities and Fund Balances						

Accounts payable	28,164	24,231	449	5,067	57,911	65,425
Total Liabilities	28,164	24,231	449	5,067	57,911	65,425
Fund Balances	5,897,014	3,826,793	970,025	3,285,508	13,979,340	13,501,425
Accumulated re-measurement gains	48,837	29,601	6,627	21,915	106,980	126,996
Total Liabilities and Fund Balances	5,974,015	3,880,625	977,101	3,312,490	14,144,231	13,693,846

See accompanying notes to financial statements.

Funds for Producers of Grain Corn, Soybeans, Canola and Wheat - Statement of Operations and Fund Balances for the year ended March 31, 2014

	Grain Corn \$	Soybeans \$	Canola \$	Wheat \$	2014 \$	2013 \$
Revenues						
Fees from Producers	7,269	272,117	8,600	125,598	413,584	249,938
Interest Income	129,207	78,582	19,808	65,954	293,551	295,584
Total Revenue	136,476	350,699	28,408	191,552	707,135	545,522
Expenses (Note 3)						
Financial Responsibility Review	87,162	74,729	1,420	16,016	179,327	179,177
Governance and Secretariat	16,729	14,178	291	3,287	34,485	42,761
Financial Services	7,467	6,324	141	1,476	15,408	27,209
Total Expenses	111,358	95,231	1,852	20,779	229,220	249,147
Excess of revenues over expenses	25,118	255,468	26,556	170,773	477,915	296,375
Fund balances, beginning of year	5,871,896	3,571,325	943,469	3,114,735	13,501,425	13,324,864
Adjustment on adoption of the financial instrument standard	-	-	-	-	-	(119,814)
Fund balances, end of year	5,897,014	3,826,793	970,025	3,285,508	13,979,340	13,501,425

See accompanying notes to financial statements.

Funds for Producers of Grain Corn, Soybeans, Canola and Wheat - Statement of Remeasurement Gains and Losses for the year ended March 31, 2014

	Grain Corn \$	Soybeans \$	Canola \$	Wheat \$	2014 \$	2013 \$
Accumulated remeasurement gains, beginning of year	59,514	36,060	7,325	24,097	126,996	119,814
Unrealized gains (losses) during the year: Change in value of	(10,677)	(6,459)	(698)	(2,182)	(20,016)	7,182

portfolio investments						
Accumulated remeasurement gains, end of year	48,837	29,601	6,627	21,915	106,980	126,996

Funds for Producers of Grain Corn, Soybeans, Canola and Wheat - Statement of Cash Flows for the Year Ended March 31, 2014

	Grain Corn \$	Soybeans \$	Canola \$	Wheat \$	2014 \$	2013 \$
Cash provided by operating activities: Excess of revenues over expenses	25,118	255,468	26,556	170,773	477,915	296,375
Changes in non-cash working capital: Accounts receivable	(175)	(9,759)	429	2,310	(7,195)	46,372
Changes in non-cash working capital: Accounts payable	(3,090)	1,827	(457)	(5,794)	(7,514)	(27,662)
Total	21,853	247,536	26,528	167,289	463,206	315,085
Financing activities: Increase in investments	(16,291)	(190,822)	(38,654)	(178,198)	(423,965)	(375,654)
Financing activities: Unrealized gain (loss) on investments	(10,677)	(6,459)	(698)	(2,182)	(20,016)	7,182
Total	(26,968)	(197,281)	(39,352)	(180,380)	(443,981)	(368,472)
Increase (decrease) in cash	(5,115)	50,255	(12,824)	(13,091)	19,225	(53,387)
Cash, beginning of year	(810)	13,686	20,783	18,700	52,359	105,746
Cash, end of year	(5,925)	63,941	7,959	5,609	71,584	52,359

Funds for Producers of Grain Corn, Soybeans, Canola and Wheat - Notes to Financial Statements
March 31, 2014

1. Establishment of the Funds

The purpose of the Funds (through Regulations made under the Farm Products Payments Act) is to protect producers (grain corn, soybean, canola and wheat) against loss through default in payment by a dealer. Effective July 1, 2012, all producers are reimbursed 95% (previously 90 % for Soybean and Canola) of an approved claim for any defaults by dealers. The Board attempts to recover any claims paid from the dealers.

These regulations also designated the Grain Financial Protection Board (Board) as the Board to administer the Funds. The following Funds were established to operate on a not-for-profit basis on behalf of producers:

- Funds for Producers of Grain Corn and Soybeans - established effective November 3, 1984;
- The Fund for Producers of Canola - established effective July 22, 1989; and
- The Fund for Producers of Wheat - established effective December 13, 2004. The Ontario Wheat Producers' Marketing Board made a \$1 million non-recurring unrestricted contribution to establish the Fund.

The Funds are funded by producer "check off fees" that they receive under the Farm Products Payments

Act and the interest earned thereon. On the sale of grain by a producer (i.e. canola, grain corn, soybeans and wheat), check off fees are paid to either the Ontario Canola Growers Association (OCGA) or the Grain Farmers of Ontario (GFO), as designated by the Regulation. The OCGA and GFO then remit the fees to the Board.

As recommended by the Board, effective July 1, 2013, the Farm Products Payments Act was amended to adjust the check off fees for soybeans from \$0.02/tonne to \$0.10/tonne and to reduce the check-off fee for wheat from \$0.10/tonne to \$0.05/tonne to better reflect the changing risks to producers and ensure the continuing financial stability of the applicable fund.

2. Significant Accounting Policies

(A) Basis of Accounting

The financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards.

(B) Financial Instruments

The Funds' financial instruments consist of cash, short-term investments, long-term investments, accounts receivable and accounts payable.

All financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

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.

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 gain or loss on investments is adjusted through the statement of remeasurement gains and losses. When the asset is sold, the 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.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- i. Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- ii. 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
- iii. 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

All transactions are recorded on the accrual basis except for claim recoveries which are recorded when received due to the inherent uncertainty regarding the amount and timing of the recovery.

(D) Expense Allocation

Expenses, excluding claims, are allocated to the four funds based on the proportionate value of each crop sold.

(E) Use of Estimates

The preparation of these financial statements in accordance with Canadian Public Sector Accounting Standards 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. Significant estimates include the fair value of investments and the allocation of expenses across funds.

3. Related Party Transactions

Effective November 1, 2010, a Memorandum of Understanding between the Board and the then Minister of Agriculture, Food and Rural Affairs established that the Funds are financially responsible for the cost of their Governance, Secretariat and Financial Support Services. The Funds are also responsible for determining financial responsibility for grain dealers and contributing to the Financial Responsibility Review Committee. The Board negotiated an agreement with Agricornp to supply these services. These costs are included in the statement of operations and fund balances.

Certain administrative expenses, such as the cost of the Board of Directors meetings, were absorbed by

the Ministry of Agriculture and Food (previously Ministry of Agriculture, Food and Rural Affairs) and were not included in the statement of operations and fund balances.

4. Investments

(A) Portfolio Profile

	Grain Corn and Soybeans		Canola		Wheat		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	Carrying Amount and Fair Value \$	Carrying Amount and Fair Value \$	Carrying Amount and Fair Value \$	Carrying Amount and Fair Value \$	Carrying Amount and Fair Value \$	Carrying Amount and Fair Value \$	Carrying Amount and Fair Value \$	Carrying Amount and Fair Value \$
Short Term	3,519,896	3,941,254	436,537	509,432	1,549,922	1,769,481	5,506,355	6,220,167
Long-term: Province of Ontario	4,316,820	3,731,542	402,373	293,704	1,359,104	970,118	6,078,297	4,995,364
Long-term: Province of Quebec	1,945,113	1,901,920	129,738	126,858	395,025	386,254	2,469,876	2,415,032
	6,261,933	5,633,462	532,111	420,562	1,754,129	1,356,372	8,548,173	7,410,396
Total	9,781,829	9,574,716	968,648	929,994	3,304,051	3,125,853	14,054,528	13,630,563

(B) Maturity Profile

	Grain Corn and Soybeans		Canola		Wheat	
	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$
<1 Year	3,519,896	3,941,253	436,537	509,432	1,549,922	1,769,481
1-3 Years	4,464,343	3,731,543	300,316	293,704	945,213	970,118
3-5 Years	1,797,590	1,901,920	231,795	126,858	808,916	386,254
Total	9,781,829	9,574,716	968,648	929,994	3,304,051	3,125,853

(C) Investment Performance

As of March 31, 2014, interest rates on investments ranged from 1.5% to 3.151% (2013: 1.06% to 3.5%) for all Funds.

5. Financial Instruments Risk Management

The main objective of the Board is to safeguard the Funds ability to remain as a going concern, so that they can continue to deliver financial protection to producers of grain corn and soybeans, canola and wheat in Ontario.

a) Fair value of financial assets and financial liabilities

The carrying value of cash, accounts receivable and accounts payable are recorded at cost which approximates fair value given the short term nature of the maturities. The fair value of investments is based on quoted market values.

b) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Funds' cash flows, financial position and their operations. Fluctuations in interest rates have a direct impact on the market valuation of the Funds' fixed income securities portfolio. The average return on investments is 2.15% (2013 was 2.2%). Fluctuations in interest rates could have a significant impact on the fair value of the bond portfolio. Although bonds are generally held to maturity, realized gains or losses could result if liquidation of long-term investments are required to meet obligations. In order to ensure liquidity and manage interest rate risk, the Board allocates a significant amount of the fund to investments in short-term financial instruments, with the remainder of the fund invested on a ladder basis for 2 to 5 years.

c) Credit risk

Credit risk is the risk that other parties fail to perform as contracted. The Funds are exposed to credit risk principally through balances receivable from the OCGA and GFO as well as through investment securities.

Credit risk on balances receivable arises from the possibility that the entities which owe money to the

Funds may not fulfill their obligation. Collectability is reviewed regularly and an allowance for doubtful accounts, if necessary, is established to recognize the impairment risks identified.

Credit risk on investment securities arises from the Fund's positions in government bonds and other investments. 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, which significantly reduces credit risk.

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