Grain Financial Protection Board

2019-2020 Annual Report

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Message from the Chair

As the Chair, on behalf of the Grain Financial Protection Board (GFPB), I am pleased to present to you the Annual Report for the year ending March 31, 2020.

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. This is directly linked to one of the Ministry's goals of ensuring the sustainability of agriculture in Ontario.

The Grain Financial Protection Program (GFPP or program) was introduced in the mid-1980's following a series of grain elevator bankruptcies. The GFPP consists of two components which are:

1. The annual licensing of grain dealers and elevator operators under the *Grains Act.* Agricorp, is under contract with OMAFRA to administer the program.
2. The administration of the Funds. The Board is responsible for the administration of the Funds. All income held in the Funds comes from producer check-off fees and investment income. 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.

The Board continued to focus on managing the Funds to ensure sustainability and the ability to provide farmers with an effective risk management tool.

Ontario's 2019 budget committed the government to a review of the financial protection programs to ensure that grains (and beef cattle) producers have access to stable risk management tools that provide the confidence to invest in and grow their businesses. As part of this review, a new Minister's regulation (O. Reg. 467/19) under the *Farm Products Payments Act* (FPPA) effective January 1, 2020 was introduced that enables the Board and industry to pay for all administrative program delivery costs (licensing, enforcement, fund management and claims adjudication) under the Grains Act.

A provision included in the regulation requires the GFPB to pay legal and investigative costs under the FPPA effective April 1, 2020. The Board has indicated to OMAFRA that they intend to continue to use the ministry to support its legal and investigative services.

The Board conducted an annual review on the performance of the Funds. The balances and growth rates are compared to the recommendations in the 2011 and 2016 actuarial reports. As of 2018-19 all of the Funds have met the established target balances. The next actuarial review is planned for 2021-22 fiscal, however with the new Minister's regulation requiring the Board to cover off all the GFPP program delivery costs, the Board is considering completing an actuarial review earlier than planned in order to examine this impact to the Funds.

In 2019-20, the Board received one claim application from a producers or owner, however this application was later withdrawn by the claimant and required no investigation and no discussion or adjudication from the Board. There were no claims paid out from the Funds in 2019-20.

The Board worked with the Minister throughout the year on appointing members to the Board. In 2019-20, there were three new members appointed to the board and two members re-appointed which included the Vice-Chair, bringing the compliment to twelve active members on the Board. Looking ahead to 2020-21, the Board has submitted recommendations to the Minister for consideration for any upcoming vacancies and is working actively to fill any in a timely manner. By continuing to work collaboratively with the Ministry, the Board will remain effective in its operations and ensure appropriate governance is in place to fulfill its mandate.

Looking forward, the Board will continue to focus on ensuring the sustainability of the Funds as we continue to meet our mandate.

Respectfully submitted,

Dave Buttenham

Dave Buttenham
Chair, Grain Financial Protection Board

Governance

The Grain Financial Protection Board (Board) was established in 1985 and is classified as a Board-Governed Provincial Agency under the Agencies and Appointments Directive (AAD). The Board under the AAD, “administers funds or other assets for beneficiaries named under statute”.

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 the authority of the *FPPA* and in accordance with the Memorandum of Understanding (MOU) between the Minister and the Chair.

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 or refusing claims, and recovering money is directly linked to one of the Ministry’s goals of ensuring the sustainability of agriculture in Ontario.

Memorandum of Understanding

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

In July 2019, the Chair and the Minister affirmed the continued use of the existing MOU. The MOU will be effective until it is revoked or a new MOU is signed by the Parties.

Board mandate, objectives and activities

The Board's primary focus is on the prudent management of the Funds and preparing for claims when they occur. The Board remains current on the claims procedure and is prepared to adjudicate claims when required. New Board members complete claims adjudication training which includes an overview of the claims adjudication guidelines. The Board makes decisions on claims based on the evidence and the law and, if applicable, payments to producers and owners are made after the Board has approved a claim.

Mandate

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

- *Ontario Regulation 70/12 Payments From Funds For Grain Producers*
- *Ontario Regulation 321/11 Fees Payable to Boards*
- *Ontario Regulation 467/19 Boards' Payment of Expenses*

The Board's legislative mandate is outlined in section 4 (1) 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; and

(e) to carry out the functions, and exercise the powers, prescribed by regulation.

Business Plan

To assist the Board with achieving their mandate, they have established goals with corresponding objectives and activities. For 2019-20, the Board established the following five goals which are reported on below:

1. **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 annually measures the performance of the Funds against established targets. The Board will request Actuarial Reviews on the Funds periodically (minimum every 5-years) or as required and they will only invest the Funds in instruments that are approved in the MOU. The Board has an established *Statement of Investment Policy* (SIP) that is reviewed annually. As part of the Board's annual policy review in 2019-20, the Board approved an update to the SIP that an investment report will be provided to the Board on a quarterly basis (or as needed), a change from annual.

2. **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. These activities will assist

the Board to ensure that the adjudication process is fair and has minimal delays. In 2019-20 the Board received no claims from producers or owners.

3. **Ensure agreements and directives are understood and documentation required under the MOU is in place** –The Board reviews the documentation required under the MOU to ensure that it is both understood and that the appropriate documentation is on file to remain in compliance with the MOU. Legal counsel is available to assist the Board with any needed agreements and regarding claims as required. The Board met all obligations and timelines under the AAD. See page 10-11 for details.

4. **Ensure a high performing Board** – The Board regularly reviews tenures of members and works with OMAFRA and stakeholder groups to seek recommendations of qualified candidates for appointments to the Board. The Board also maintains an orientation manual and provides new members with training. This year, three new members were appointed and two members reappointed. See page 9 for a list of board members.

5. **Consultation with Industry Stakeholders -** The Board participates in meetings with stakeholders as required, generally every two to three years or more frequently, as needed. A grain program stakeholder meeting was last held on July 11, 2018.
   The Ministry has engaged board members and stakeholder groups to participate in discussions of the ministry's review of the financial protection programs.

Board key activities

The Board held four meetings over the 2019-20 fiscal year that focused on:

- reviewing quarterly financial statements;
- business planning and risk assessment;
- reviewing and making investment decisions;
- continuing to support the ministry's review of the financial protection program by participating in industry consultation sessions; and
- reviewing and updating the Board's guidelines and policies include the *SIP.*

Board staff

The Board does not have staff. The Board has entered into an agreement with Agricorp to provide the Board with Secretariat, Governance and Financial Services support. Staff that provide the services to the Board are not involved in the review and licensing of grain dealers/elevators. These functions are separate to avoid any perception of a possible conflict of interest when supporting the Board in its adjudicating of claims that arise.

In 2017-18, the Board entered into a service agreement with Agricorp for Governance, Secretariat and Financial Support Services for three-years with the option to extend for two additional one-year terms. The agreement was set to expire on March 31, 2020. In December 2019 the Board approved a one-year extension agreement between Agricorp and the Board for 2020-21 with the option to still extend for another one-year additional term. The current service agreement is set to expire March 31, 2021.

Legal services and investigative services

Under the new Minister's regulation (O. Reg. 467/19) under the *FPPA* the Board is required to pay legal and investigative costs effective April 1, 2020 (except costs related to any judicial reviews to the Divisional Court of the Board's decisions on claims and any appeals beyond). The Board has indicated to OMAFRA that they intend to continue to use the ministry to support its legal and investigative services.

Legal services are retained through Ministry of the Attorney General, Legal Services Branch, OMAFRA. The assigned lawyer provides the Board with advice regarding agreements, claims, any judicial reviews of Board decisions, and regarding the recovery of monies owed to the Board, and also assists in the continual education of Board members.

The Regulatory Compliance Unit of OMAFRA provides investigative services for the Board upon the Board's request for investigation services.

About the Board

Board structure

The *Farm Products Payments Act (FPPA)* requires that the Board be composed of no fewer than five members appointed by the Minister. Board members are generally appointed for terms of two or three years and may be reappointed.

The membership of the Board has been traditionally comprised of dealer and producer nominees from the grain industry: Ontario Canola Growers' Association, the Ontario Agri Business Association and the Grain Farmers of Ontario. Both the chair and the vice chair position are filled by the Minister's appointment. The Board continued to work collaboratively with the Minister and stakeholder groups to fill any upcoming vacant positions.

There were three new members appointed to the board and two members re-appointed which included the Vice-Chair. The Board continues to monitor its vacancies and act proactively to make recommendations to ensure it has the appropriate governance in place to fulfill its mandate.

Listed below are the appointees for the fiscal year 2019-20 (as of March 31, 2020).

Member Name	Position	Tenure
Dave Buttenham	Chair	22-Mar-2011 – 17-Sept-2020
Henry Van Ankum	Vice Chair	19-Apr-2012 – 30-Aug-2023 *reappointed in Aug. 2019
Darcy Oliphant	Member	30-July-201 – 29-July-2020
Lindsay Menich	Member	27-Oct-2017 – 26-Oct-2020
Nadine Schwandt	Member	27-Oct-2017 – 26-Oct-2020
Chuck Amyot	Member	25-Jan-2018 – 24-Jan-2021
Ron Campbell	Member	29-Jan-2018 – 28-Jan-2021
Markus Haerle	Member	29-Jun-2015 – 1-Jan-2022
Jennifer Macdonald	Member	13-Mar-2017 – 2-Mar-2023 *reappointed in March 2020
Tyler McBlain	Member	21-Aug-2019 – 20-Aug-2021 New member in 2019-20 fiscal
Jeff Harrison	Member	22-May-2019 – 21-May-2022 New member in 2019-20 fiscal
Jennifer Doelman	Member	26-Jun-2019 – 25-Jun-2022 New member in 2019-20 fiscal

Operational performance

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

The Office of the Auditor General conducts an annual audit of the accounts and financial transactions of the Board. The audit of the 2019-20 fiscal year was completed in December 2020 with an unqualified opinion. The Funds (grain corn, soybean, wheat and canola) continue to meet the minimum target balances as outlined in the 2011 and 2016 actuarial report.

The Board annually reviews their established policies to ensure they are current. Minimal changes (not material) to the established policies were recommended this year. The Board also approved updates to their *SIP,* requiring that an investment report to be provided to the Board on a quarterly basis (or as needed), a change from annual.

In 2019-20, the Board received one claim application from producers or owners, however this application was later withdrawn by the claimant and required no investigation and no discussion from the Board. There were no claims paid out of the Funds in 2019-20.

The Board conducted an actuarial review on the Funds in November 2016 and continues to consider the results and recommendations of this review during this business plan period and will to continue to monitor all the Funds annually and make the appropriate changes as needed. The next review is scheduled to occur in the 2021-22 fiscal year.

Over the past year, the Board implemented its business plan and has delivered on its goals and objectives. The table on page 11 summarizes the Board's performance targets and results. The Board met all of its objectives.

The GFPB remains compliant with directives, policies and agreements including meeting AAD requirements for submission of the MOU, Business Plan and Annual Report to the Minister. These documents are translated and publically posted by OMAFRA on its website.

The April 11, 2019 provincial budget announcement included updates to the financial protection programs and changes to the *FPPA* through Bill 100. The ministry is using a phased approach for the review to assess opportunities to update the Grain Financial Protection Program and the Beef Cattle Financial Protection Program to reduce burden to stakeholders, seek efficiencies and align the programs, while maintaining the programs' proven effectiveness at managing risk.

OMAFRA held engagement sessions where Board members participated in discussions on how these amendments could impact the Board. The first phase of the review focused on amendments to the FPPA to enable the Boards to take on a broader range of roles and responsibilities to address financial risk management and to cover a broader range of program administration costs from the Funds. This phase has been implemented with the new Minister's regulation.

OMAFRA is the policy lead for the ongoing review and will be continuing to work with the board Chairs to identify specific next steps and to focus on identifying opportunities to reduce burden to stakeholders, seeking efficiencies and aligning the programs while maintaining the programs' proven effectiveness at managing risk.

Performance measures and 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, 2020 were as follows:

1. Maintain a solvent compensation Fund managed in the interest of grain producers and owners;
2. Conduct adjudicatory proceedings and issue decisions in a fair and timely manner;
3. Grant or refuse claims and seek recovery of amounts paid; and
4. Ensure that the Board is compliant with directives, policies, and agreements.

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 2019-20	Actual 2019-20	Target 2020-21	Target 2021-22	Target 2022-23
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	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 $6,130,272	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	Achieve: Balance $4,167,662	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 $1,069,511	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	Achieved: Balance $5,787,700	Minimum Fund balance $4,400,000 maintained	Minimum Fund balance $4,400,000 maintained	Minimum Fund balance $4,400,000 maintained
Receipt and review Fund financial statements from Agricorp	Quarterly	Quarterly	Achieved	Quarterly	Quarterly	Quarterly
Objective 2: To conduct adjudicatory proceedings and issue decisions in a fair and timely manner.						

Performance measure	Baseline	Target 2019-20	Actual 2019-20	Target 2020-21	Target 2021-22	Target 2022-23
Claims processed with minimal delays	Claimants notified within 2 calendar 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 – there were no claims in 2019-20.	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 – there were no claims in 2019-20.	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 calendar days of a Board decision	Within 10 days of a Board decision	Achieved - there were no claims in 2019-20.	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 FPPA and uses legal counsel as required to determine validity of claims	Achieved - there were no claims in 2019-20.	Board refers to FPPA and uses legal counsel as required to determine validity of claims	Board refers to FPPA and uses legal counsel as required to determine validity of claims	Board refers to FPPA and uses legal counsel as required to determine validity of claims
Recover any money to which the Board is entitled to under the *FFPA*	Legal counsel is consulted when proceeding with any recovery action	Legal counsel is consulted when proceeding with any recovery action	Achieved – No pay-outs were made from the Funds in 2019-20 to recover as there were no claims	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	Updated as per the Agencies and Appointments Directive section 1.9.1	Updated as per the Agencies and Appointments Directive section 1.9.1 (if applicable).	In July 2019, the Chair and the Minister re-affirmed the continued use of the existing June 2017 MOU.	Updated as per the Agencies and Appointments Directive section 1.9.1 (if applicable)	Updated as per the Agencies and Appointments Directive section 1.9.1 (if applicable)	Updated as per the Agencies and Appointments Directive section 1.9.1 (if applicable)
Submit Annual Report to Minister	Annually	Within 90 days of the agency's receipt of the audited financial statement.	Achieved; met AAD requirement. Report was submitted to Minister through the OMAFRA liaison on Oct. 30, 2019	Within 90 days of the agency's receipt of the audited financial statement meeting AAD requirements.	Within 90 days of the agency's receipt of the audited financial statement meeting AAD requirements.	Within 90 days of the agency's receipt of the audited financial statement meeting AAD requirements.

Performance measure	Baseline	Target 2019-20	Actual 2019-20	Target 2020-21	Target 2021-22	Target 2022-23
			within 90-days of completing the financial audit (Oct. 4, 2019) meeting the AAD requirements.			
Submit Business Plan to Minister	Annually	March 2019	Achieved. Submitted 2019-2022 Business Plan on February 28, 2020.	March 2020	March 2021	March 2022
Submit Quarterly Risk Assessment Report to OMAFRA	Quarterly	Quarterly	Achieved. Submitted to Ministry liaison	Quarterly	Quarterly	Quarterly
Submit Agency Attestation to Minister (New requirement since 2015-16)	Annually	Annually	Achieved. Submitted to Agency liaison on April 27, 2020.	Annually	Annually	Annually

Analysis of financial performance

The Office of the Auditor General of Ontario finalized an audit of the 2019-20 financial statements in December 2020 and the Board submitted the Annual Report to the Minister shortly thereafter. The GFPB's fiscal year is April 1 to March 31.

Revenue

Revenue from producer check-off fees that are received when a producer sells one of the four commodities is lower than 2018-19, however this is not a significant variance from the budget (which is based on an average of check-offs received from the last five-years).

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 conducts a review of their investment portfolio every quarter as well as when an investment is maturing. The Board makes any changes necessary to ensure that they are maximizing their return on investments.

This year, the Board's investments in Guaranteed Investment Certificates (GICs) are providing a higher rate of return. The interest earned on investments was higher by 60 basis points or 26%. The average return on investment in 2019-20 was 2.91% as compared to 2.31% in 2018-19. This is due to much of the investment portfolio being invested into higher yielding GICs .

Total revenue for 2019-20 was $908,089, compared to $857,330 in 2018-19.

The Board will continue to monitor the check-off fees and annual growth rate of all four Funds to ensure they continue to meet the targeted Fund balances.

Expenses

The Board continues to effectively manage expenses over the past several years.

In 2019-20, there were no claims resulting in no pay-outs made from the Funds. As well, the expenses for Governance, Secretariat and Financial Services were lower compared to 2018-19 as no support was needed for claims adjudication.

Since November 2010 and as indicated in the current MOU, the Board is obliged to pay the person or persons who are responsible for determining whether grain dealer license applicants and grain dealer licensees are financially responsible (determining financial responsibility). Agricorp provides these program services.

With the new Minister's regulation, effective January 1, 2020 the Board is paying the full program delivery costs. Prior to the regulation, the Board paid the costs related to: administering the financial protection funds; adjudication and payment of claims; and a portion of the costs of determining the financial responsibility of dealers and operators (part of licensing). Under the new regulation, the Board is also paying for costs associated with licensing, inspections and enforcement under the Grains Act, previously paid by OMAFRA. To help with the transition of this regulation change, OMAFRA agreed to continue to cover their traditional share of the program costs until end of February 2020. As of March 1st, the Board is paying for all administrative program delivery costs which is the result in an increase in Board expenses compared to budget for 2019-20.

Total expenses for 2019-20 were $238,376, compared to $234,865 in 2018-19.

Financial table:

	Budget ($)	Actual ($)	Budget ($)	Actual ($)
Fiscal Year	2018-19	2018-19 [2]	2019-20	2019-20 [2]
Revenue				
Fees	375,000	486,063	436,823	430,116
Investment Interest	252,672	371,267	366,968	477,973
Claim Recoveries	0	0	0	0
Total Revenue	**627,672**	**857,330**	**803,791**	**908,089**
Expenses				
Claims	263,000	0	263,000	0
Governance/Secretariat Services	47,000	26,177	47,000	11,235
Financial Services	33,000	21,519	33,000	17,683
Professional fees (e.g.: actuarial review)	0	0	0	0
Determining Financial Responsibility (see Note 1)	181,900	187,169	185,364	209,458
Total Expenses	**524,900**	**234,865**	**528,364**	**238,376**
Net Balance (Total Revenue – Expenses)	102,772	622,465	275,427	669,713
Fund Balance Beginning of Year	15,862,967	15,862,967	$16,472,253	16,485,432
Fund Balance End of Year	**$15,965,739**	**16,485,432**	**16,747,680**	**17,155,145**

Notes:

[1] Expenses included in financial responsibility review includes the Cost of Determining Financial responsibility, one Financial Responsibility Review Committee (FRRC) member and other administration (ie: bank charges). As of March 1st, the Board is paying for all administrative program delivery costs including determining financial responsibility, licensing and enforcement.

	Budget ($)	Actual ($)	Budget ($)	Actual ($)
	2018-19	2018-19 [3]	2019-20	2019-20 [3]
Cost of Determining Financial Responsibility	$169,200	171,569	172,584	194,074
FRRC (see Note 3)	$12,500	15,357	12,500	15,160
Other Administration	$200	243	280	224
Total	**$181,900**	**187,169**	**185,364**	**209,458**

[2] The numbers have been rounded-up to the nearest dollar for ease of reporting purposes only.

[3] Expenses included in FRRC are invoices from the firm of Graham, Scott and Enns LLP and from Gee, Lambart and Courtney less any dealer FRRC fees.

Appendix 1: History of claims (as of March 31, 2020).

Fiscal Year (Apr. 1 - Mar. 31)	# of claims reviewed by Board/ decision made	# of Claims Paid	Total Claim Amount Paid from Funds	Dollars Recovered to the Funds	Amount Paid Out by the Funds
1985-1986	264	92	$1,059,602.00	$312,699.00	$746,903.00
1986-1987	7	6	$27,603.04	$26,280.00	$1,350.04
1987-1988	Nil	Nil	-	-	-
1988-1989	2	2	$15,806.69	$0.00	$15,806.69
1989-1990	13	13	$249,748.02	$0.00	$249,748.02
1990-1991	20	18	$279,367.75	$2,000.00	$277,367.75
1991-1992	Nil	Nil	-	-	-
1992-1993	11	11	$266,814.40	$40,000.00	$226,814.40
1993-1994	27	24	$270,500.59	$0.00	$270,500.59
1994-1995	5	1	$15,993.09	$8,000.00	$7,993.09
1995-1996	Nil	Nil	-	-	-
1996-1997	51	45	$434,282.39	$0.00	$434,282.39
1997-1998	Nil	Nil	-	-	-
1998-1999	Nil	Nil	-	-	-
1999-2000	21	21	$57,786.98	$0.00	$57,786.98
2000-2001	Nil	Nil	-	-	-
2001-2002	Nil	Nil	-	-	-
2002-2003	Nil	Nil	-	-	-
2003-2004	8	8	$147,204.67	$11,379.00	$135,825.67
2004-2005	Nil	Nil	-	-	-
2005-2006	Nil	Nil	-	-	-
2006-2007	Nil	Nil	-	-	-
2007-2008	Nil	Nil	-	-	-
2008-2009	19	18	$731,797.00	$267,000.00	$464,797.00
2009-2010	Nil	Nil	-	-	-
2010-2011	Nil	Nil	-	-	-
2011-2012	3	0	$0.00	$0.00	$0.00
2012-2013	Nil	Nil	-	-	-
2013-2014	Nil	nil	-	-	-
2014-2015	Nil	Nil	-	-	-
2015-2016	5	4	$7,617.23	$7,617.23	$0.00
2016-2017	Nil	Nil	-	-	-
2017-2018	15	2	$29,132.89	$29,132.89	$0.00
2018-2019	8	0	$0.00	$0.00	$0.00
2019-2020	0	0	-	-	-
Total	479	265	$3,593,283.74	$704,108.12	$2,889,175.62

Financial Statements of

The Grain Financial Protection Board
(Funds for Producers of Grain Corn, Soybeans, Canola, Wheat)

Year Ended March 31, 2020

Management's responsibility for financial reporting

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

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

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

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

Becky Philpott
Chief Financial Officer, Agricorp

Theresa Moisan
Controller, Agricorp

December 15, 2020

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

INDEPENDENT AUDITOR'S REPORT

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

Opinion

I have audited the financial statements of the Grain Financial Protection Board (the Funds for Producers of Grain Corn, Soybeans, Canola and Wheat) (the Board), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and my auditor's report thereon, in the Board's 2020 Annual Report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

Toronto, Ontario
December 15, 2020

Susan Klein, CPA, CA, LPA
Assistant Auditor General

The Grain Financial Protection Board
(Funds for Producers of Grain Corn, Soybeans, Canola, Wheat)
Statement of financial position
As at March 31, 2020

	Grain Corn		Soybeans		Canola		Wheat		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Current assets										
Cash	$ 410,577	$ 309,239	$ 680,374	$ 431,831	$ 78,806	$ 52,571	$ 366,198	$ 287,968	$ 1,535,955	$ 1,081,609
Short term investments (note 4)	3,205,637	1,773,781	2,726,155	1,517,308	555,387	279,814	2,016,002	1,008,256	8,503,181	4,579,159
Accounts receivable (note 3)	412	460	13,947	14,110	1,828	1,094	1,744	2,226	17,931	17,890
Total current assets	**3,616,626**	**2,083,480**	**3,420,476**	**1,963,249**	**636,021**	**333,479**	**2,383,944**	**1,298,450**	**10,057,067**	**5,678,658**
Long term investments (note 4)	2,555,823	3,988,129	2,410,949	3,461,033	438,523	713,324	1,793,450	2,706,284	7,198,745	10,868,770
Total assets	**6,172,449**	**6,071,609**	**5,831,425**	**5,424,282**	**1,074,544**	**1,046,803**	**4,177,394**	**4,004,734**	**17,255,812**	**16,547,428**
Liabilities										
Accounts payable	42,177	24,273	43,725	28,203	5,033	3,099	9,732	6,421	100,667	61,996
Total liabilities	**42,177**	**24,273**	**43,725**	**28,203**	**5,033**	**3,099**	**9,732**	**6,421**	**100,667**	**61,996**
Fund balances	6,130,272	6,047,336	5,787,700	5,396,079	1,069,511	1,043,704	4,167,662	3,998,313	17,155,145	16,485,432
Liabilities and fund balances	**6,172,449**	**6,071,609**	**5,831,425**	**5,424,282**	**1,074,544**	**1,046,803**	**4,177,394**	**4,004,734**	**17,255,812**	**16,547,428**

See accompanying notes to financial statements

Approved on behalf of the Board

Dave Buttenham

Dave Buttenham
Board Chair

Henry Van Ankum
Board Vice-Chair

The Grain Financial Protection Board
(Funds for Producers of Grain Corn, Soybeans, Canola, Wheat)
Statement of operations and fund balances
Year ended March 31, 2020

	Grain Corn		Soybeans		Canola		Wheat		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue										
Fees from producers	$ 6,717	$ 7,782	$ 339,875	$ 357,424	$ 7,497	$ 8,396	$ 76,027	$ 112,461	$ 430,116	$ 486,063
Investment income	176,066	141,087	155,201	117,215	30,288	23,715	116,418	89,250	477,973	371,267
Claim recoveries	-	-	-	-	-	-	-	-	-	-
Total revenue	**182,783**	**148,869**	**495,076**	**474,639**	**37,785**	**32,111**	**192,445**	**201,711**	**908,089**	**857,330**
Expenses										
Financial responsibility review	87,730	73,258	90,894	85,082	10,534	9,419	20,300	19,410	209,458	187,169
Governance and secretariat	4,707	10,250	4,880	11,908	562	1,309	1,086	2,710	11,235	26,177
Financial services	7,410	8,427	7,681	9,790	882	1,076	1,710	2,226	17,683	21,519
Claims paid	-	-	-	-	-	-	-	-	-	-
Total expenses	**99,847**	**91,935**	**103,455**	**106,780**	**11,978**	**11,804**	**23,096**	**24,346**	**238,376**	**234,865**
Excess of revenue over expense	**82,936**	**56,934**	**391,621**	**367,859**	**25,807**	**20,307**	**169,349**	**177,365**	**669,713**	**622,465**
Fund balances, beginning of year	6,047,336	5,990,402	5,396,079	5,028,220	1,043,704	1,023,397	3,998,313	3,820,948	16,485,432	15,862,967
Fund balances, end of year	**$6,130,272**	**$6,047,336**	**$5,787,700**	**$5,396,079**	**$1,069,511**	**$1,043,704**	**$4,167,662**	**$3,998,313**	**$17,155,145**	**$16,485,432**

See accompanying notes to financial statements

The Grain Financial Protection Board
(Funds for Producers of Grain Corn, Soybeans, Canola, Wheat)
Statement of cash flows
Year ended March 31, 2020

	Grain Corn		Soybeans		Canola		Wheat		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Operating Activities										
Excess of revenue over expenses	$ 82,936	$ 56,934	$ 391,621	$ 367,859	$ 25,807	$ 20,307	$ 169,349	$ 177,365	$ 669,713	$ 622,465
Non-cash items										
(Increase) decrease in accrued interest	(3,839)	21,248	(10,345)	(69,626)	(902)	(4,922)	(11,433)	(20,141)	(26,519)	(73,441)
Working Capital										
Decrease (increase) in accounts receivable	48	35	163	7,747	(734)	(895)	482	2,153	(41)	9,040
Increase (decrease) in accounts payable	17,904	(8,842)	15,522	(12,124)	1,934	(1,199)	3,311	(1,802)	38,671	(23,967)
Cash provided from operating activities	**97,049**	**69,375**	**396,961**	**293,856**	**26,105**	**13,291**	**161,709**	**157,575**	**681,824**	**534,097**
Investing Activities										
Purchase of investments	(1,744,485)	(5,690,100)	(1,644,644)	(4,932,300)	(275,870)	(982,300)	(1,078,479)	(3,675,300)	(4,743,478)	(15,280,000)
Proceeds from investments	1,748,774	5,641,013	1,496,226	4,490,787	276,000	941,624	995,000	3,492,789	4,516,000	14,566,213
Cash provided from investing activities	**4,289**	**(49,087)**	**(148,418)**	**(441,513)**	**130**	**(40,676)**	**(83,479)**	**(182,511)**	**(227,478)**	**(713,787)**
Increase (decrease) in cash	**101,338**	**20,288**	**248,543**	**(147,657)**	**26,235**	**(27,385)**	**78,230**	**(24,936)**	**454,346**	**(179,690)**
Cash, beginning of year	309,239	288,951	431,831	579,488	52,571	79,956	287,968	312,904	1,081,609	1,261,299
Cash, end of year	**$ 410,577**	**$ 309,239**	**$ 680,374**	**$ 431,831**	**$ 78,806**	**$ 52,571**	**$ 366,198**	**$ 287,968**	**$ 1,535,955**	**$ 1,081,609**

See accompanying notes to financial statements

1. Establishment of the Funds

The Grain Financial Protection Board (the Board) was established in 1984 as an agency of the Ontario Government under the *Farm Products Payments Act* (FPPA). It is an agency responsible for administering the funds for producers of grain corn, soybeans, canola and wheat (the Funds). The Funds were established to operate on a not-for-profit basis on behalf of the producers:

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

The purpose of the Funds, established through regulations, under the FPPA is to protect producers (of grain corn, soybeans, canola and wheat) against losses resulting from dealer payment default. Effective July 1, 2012, producers can be reimbursed 95% of an approved claim for any defaults by dealers. The Board attempts to recover any claims paid from the dealers.

As a board-governed provincial agency, the Grain Financial Protection Board is exempt from income taxes.

2. Significant accounting policies

a) Basis of accounting

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS) for governments as recommended by the Public Sector Accounting Board of Chartered Professional Accountants of Canada (CPA Canada). The Board has also elected to apply the section 4200 standards for Government Not-For-Profit Organizations.

b) Revenue recognition

The Funds' revenue includes fees from producers paid under the FPPA, investment income and claim recoveries. Fees from producers are paid to either the Ontario Canola Growers Association (OCGA) or the Grain Farmers of Ontario (GFO), as designated by Regulation. Revenue is recognized when fees from producers are receivable from the OCGA and GFO. Investment income is recognized as earned and amounts not yet received are included in the carrying value of investments. Claim recoveries are recorded when entitled to receive payment, unless uncertainty exists regarding the amounts and timing of the recovery. When uncertainty exists, claim recoveries are recorded when received.

c) Expense allocation

Expenses, excluding claims, are allocated to the four funds based on the proportionate value of each crop sold, with a minimum set at 5% (2019 - 5%).

d) Financial instruments

The Funds' financial instruments consist of cash, investments, accounts receivable and accounts payable.

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

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

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

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

Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities;
Level 2 – observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

e) Use of estimates

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. Significant items subject to such estimates and assumptions include the carrying amounts of accounts receivable funds. Actual results could differ from those estimates.

3. Accounts receivable

Accounts receivable represent fees from producers due from the GFO or OCGA.

4. Investments

2020	Fair Value Hierarchy	Grain Corn	Soybeans	Canola	Wheat	Total
Short-term (< 1 year)						
Financial institutions - deposits	Level 1	$ 875,878	$ 735,200	$ 131,520	$ 449,366	$ 2,191,964
Financial institutions - GICs	Level 2	2,329,759	1,990,955	423,867	1,566,636	6,311,217
Total short-term		**$ 3,205,637**	**$ 2,726,155**	**$ 555,387**	**$ 2,016,002**	**$ 8,503,181**
Long-term (1 - 5 year)						
Financial institutions - GICs	Level 2	2,555,823	2,410,949	438,523	1,793,450	7,198,745
Total long-term		**$ 2,555,823**	**$ 2,410,949**	**$ 438,523**	**$ 1,793,450**	**$ 7,198,745**
Total investments		**$ 5,761,460**	**$ 5,137,104**	**$ 993,910**	**$ 3,809,452**	**$ 15,701,926**

2019	Fair Value Hierarchy	Grain Corn	Soybeans	Canola	Wheat	Total
Short-term (< 1 year)						
Financial institutions - GICs	Level 2	$ 1,773,781	$ 1,517,308	$ 279,814	$ 1,008,256	$ 4,579,159
Total short-term		**$ 1,773,781**	**$ 1,517,308**	**$ 279,814**	**$ 1,008,256**	**$ 4,579,159**
Long-term (1 - 5 year)						
Financial institutions - GICs	Level 2	3,988,129	3,461,033	713,324	2,706,284	10,868,770
Total long-term		**$ 3,988,129**	**$ 3,461,033**	**$ 713,324**	**$ 2,706,284**	**$ 10,868,770**
Total investments		**$ 5,761,910**	**$ 4,978,341**	**$ 993,138**	**$ 3,714,540**	**$ 15,447,929**

There were no transfers of investments between Level 1 and Level 2.

5. Financial instruments risk management

a) Market risk

Market risk is the risk that changes in market prices will affect the fair value of reported assets and liabilities. Market factors include three types of risk: interest rate risk, currency risk and equity risk. The Funds are not exposed to significant currency or equity risk as they do not transact in foreign currency or hold equity financial instruments. The Funds operate within the constraints of the investment policy, which restricts the investments to highly liquid, high-grade instruments such as deposit notes, bonds, debentures, and other forms of indebtedness, issued by federal and provincial governments, and domestic financial institutions.

b) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Funds' financial position, operations and cash flow. Fluctuations in interest rates have a direct impact on the market valuation of the Funds' fixed income securities portfolio. The average return on investments is 2.91% (2019 – 2.31%).

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

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 its investment securities.

Credit risk on balances receivable arises from the possibility that the entities that 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 Funds' position in term deposits, corporate debt securities, and government bonds. Board investment policy restricts the types of investments to high-grade Canadian debt instruments, which significantly reduces credit risk.

6. Related party transactions

Effective April 1, 2017, an updated Memorandum of Understanding between the Board and the Minister of Agriculture, Food and Rural Affairs (OMAFRA) re-established that the Funds are responsible for expenses related to governance, secretariat, financial services, and a portion of the costs of financial responsibility review.

As a result of a new regulation (O.Reg 476/19) under the FPPA effective January 1, 2020, the Board shall pay for all expenses relating to the administration of funds for grain producers under FPPA. Under the new regulation, the board will also pay expenses associated with licensing, inspections and enforcement under the *Grains Act*, previously paid by OMAFRA.

The Board acquires the above services from Agricorp; these services totaled $238,154 (2019 – $234,865), and are included in the statement of operations and fund balances.

Certain administrative expenses, specifically the cost of Board meetings and investigative services, are absorbed by OMAFRA and legal services are provided at no cost by the Ministry of the Attorney General and are not included in the statement of operations and fund balances.

7. Comparative Figures

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