

# CAIS Inventory Transition Initiative (CITI)

## Am I eligible?

Eligible participants are those who participated in CAIS for any of the 2003, 2004, or 2005 program years using the cash-basis of accounting for income tax purposes.

## How do I apply?

There is no need to apply. Payments to eligible producers will automatically be made based on information which they have already submitted on their CAIS application.

## When will payments be issued?

Payments will be issued as applications for each program year are recalculated. To ensure that payments do not exceed the \$900 million spending cap, producers will receive a percentage of their total payment. Payments will be distributed in three installments:

- 2003 participants starting in September 2006 at 50%
- 2004 participants starting in November 2006 at 50%
- 2005 participants starting in early 2007 – final payment percentage to be determined once 2003 and 2004 payments are completed

The \$900 million is a transition initiative to a better method of valuing inventory for 2006 CAIS and future programs. Once agreements with provinces are in place, producers will receive 100% of their program benefits for 2006 CAIS and future income stabilization programs using the new method of valuing inventory.

## What is the maximum CITI payment?

Government contributions under CITI are limited to an individual payment of \$500,000 for each program year. A participant's total payment from CITI and CAIS cannot exceed the overall CAIS payment cap of \$3,000,000 or 70% of a program year margin decline for each program year.

## How does the new inventory valuation method work?

As a transitional measure to more responsive programs, the method for calculating inventory changes is being amended so that losses in inventory values caused by declining commodity prices are reflected in a producer's payment.

Currently, changes in inventory quantities are valued using a year end price. With the new inventory valuation method, an opening price (P1) and an end of year price (P2) will be used to value inventory. The decline or increase in value of inventory will be included in the calculation of a producer's production margin (i.e. farm income) for the year. This method will be applied to market commodities but will not be applied to productive assets such as breeding livestock. This is because breeding livestock is not intended for market and therefore no actual market loss can be realized.

If producers are entitled to more money after the recalculation, they will receive additional payments. Recalculations will be done beginning with the 2003 program, followed by 2004 and finally 2005.



## **What is the difference between market commodities and productive assets?**

Market commodities are intended for sale. Examples include feeding and finished livestock, as well as in-field and harvested grains. Productive assets (non-market commodities) are intended for use in the production of other commodities and are commonly kept-over for several production periods. Examples include breeding livestock.

## **Are perishable commodities included?**

Perishable commodities spoil or decay easily and cannot be stored for more than 10 months. Examples include potatoes, apples, and carrots. These commodities are valued using actual sales. As a result, they do not need to be recalculated.

## **Adjustments and Appeals**

CITI payments are calculated based on the information previously provided to the CAIS administration to calculate CAIS benefits. The CITI recalculation cannot be used as an opportunity to make adjustments or to appeal information on prior CAIS years. Adjustments and appeals of the information for CAIS must be submitted according to CAIS program rules.

As CITI is based on information used for CAIS, adjustment requests are restricted to the opening price used for CITI. Opening price adjustment requests must meet the CAIS program rules for Fair Market Values and can not be made to previously published prices. Verifiable adjustments to information used for CITI which was not previously used for CAIS may be accepted for up to **30 days** from the date of the original CITI Statement for each program year. For more information, refer to the CAIS Guide to Completing the Supplementary Form.

If participants feel CITI program policies were not properly applied in the processing of their payment, they have **30 days** from the date marked on their original CITI Statement for each program year to send an appeal in writing to the CAIS administration at:

**CITI Program Appeals**  
P.O. Box 2759 Station Main  
Winnipeg, MB R3C 4B4

When requesting an appeal, participants must identify the program guidelines which they feel have not been correctly applied in the processing of their CITI benefit.

## **Deferral of CAIS Overpayments**

CITI may reduce or eliminate any overpayments producers have received. As a result, the collection of CAIS overpayments is being deferred and no interest is being charged until January 1<sup>st</sup>, 2007 so that producers do not repay an overpayment, only to receive a program payment shortly after. Producers in an overpayment situation will have their CITI benefit reduced by the outstanding amount.