
Default

A pre-harvest advance account is considered to be in default if the applicant:

- has not met all of the obligations of this application on or before September 30, 2008;
- has not made deliveries despite adequate opportunity. The CWB will send a letter requesting that the applicant meet the obligations of the advance application within 20 days of the date of the letter or be placed in default;
- has breached any condition of the application. These include not maintaining all-risk provincial crop insurance in good standing (for advances using crop insurance coverage) and not paying (within 30 days of being notified by the CWB) the shortfall on advances due to discrepancies in crop insurance coverage. For advances using CAIS coverage, not maintaining their participation in the CAIS program in good standing, and not paying (within 30 days of being notified by the CWB) the shortfall due to an overpayment;
- fails to file a Seeded Acreage Report with provincial crop insurance before August 1, 2007 (for advances using crop insurance coverage);
- has supplied false or misleading information or evades repayment;
- files for bankruptcy or a receiving order is made against the applicant; and
- has not applied for a delivery permit book before January 1, 2008, if the advance has not been retired.

Applicants who have defaulted in three separate crop years/production periods on their cash advances are ineligible to receive a cash advance in the production period following the production period the defaulted advance was repaid. This applies to advances issued in or after the 1997-98 crop year under *AMPA*, *SCAP* or *ESCAP*.

Consequences of default

- Applicants who repay a defaulted advance before the start of the next production period (April 1), are eligible for another advance with the start of the new production period. If a defaulted advance is repaid by September 30, the applicant is eligible for an after-harvest advance on October 1;
- When an applicant is defaulted, all related producers are ineligible to receive an advance until the defaulted account is repaid in full;
- After a defaulted account is repaid, the next application the applicant or related producer makes may require CWB approval before issuance. If CWB approval is required before an advance is issued, a sticker will be sent to the elevator manager who issued the current permit book;
- Applicants who default in three separate crop years/production periods (starting with the 1997-98 crop year) are ineligible for an advance in the production period following the production period the defaulted advance was repaid. This applies to all the farming operations in which the applicant has an interest;

The default interest rate for pre-harvest advances is prime plus three per cent.

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- Deductions can be taken from any future CWB payments, provincial crop insurance payments (for advances using crop insurance coverage), and CAIS payments (for advances using CAIS coverage);
 - Deductions can be taken from any payments the applicant receives from other AAFC programs. The federal government may deny the applicant access to other federal agriculture support programs or alternatively, off-set from that support a sum equal to the outstanding amounts and related interest and recovery costs; and
 - Defaulted accounts where no repayment agreement is reached with the CWB will be forwarded to AAFC for collection; applicants will be notified when their account has been transferred to AAFC.

Repayment

Upon default, the applicant must repay:

- outstanding principal;
- default interest charges compounded from the date of the advance cash ticket; and
- any legal and collection costs.

All shareholders, partners or members of a corporation, partnership (includes joint producers and other business enterprises) or a cooperative are individually and collectively responsible for the outstanding amount in the event of default.

Overpayment

An applicant is overpaid when:

- the applicant receives more than the \$400,000 maximum. This applies to all farming operations with which the applicant is involved and all advances received through all organizations on eligible agricultural products;
- the applicant is issued more money than that for which he or she was eligible due to:
 - anticipated seeded acres being higher than actual seeded acres;
 - after harvest report demonstrating that the grain in storage is not sufficient to repay the outstanding amount of the advance;
 - the final CAIS security level/amount being insufficient to justify the advance issued;
 - not maintaining crop insurance policy or participation in CAIS program in good standing.

Overpaid accounts are subject to demand or default action if the overpayment is not repaid within 30 days of being notified by the CWB.

Interest

Interest-free portion

The first \$100,000 issued under a 2007-08 *Advance Payments Program* is interest-free to September 30, 2008 or until the account is defaulted. The federal government pays the interest. The \$100,000 interest-free limit includes amounts issued to related producers and through other program administrators on all agricultural products.

Default interest

Crop years 2007-08 to 1997-98 (including pre-harvest advances)

- Interest is assessed from the date the advance cash ticket was issued on the principal outstanding at the time of default until the advance is repaid.
- Interest is assessed at the applicable rate identified in the table below, set at the beginning of each month, calculated daily and compounded monthly.

Crop years 1996-97 to 1989-90

- Interest is assessed from the date of default on the principal and any interest outstanding at the time of default until the advance is repaid.
- Interest is assessed at the applicable rate identified in the table below, set at the beginning of each month, calculated daily and compounded monthly.

The default interest rate on cash advances is prime plus three per cent.

Production Period

2007-08

Default interest rate

Prime plus three per cent

Crop year

2000-01 to 2006-07 (AMPA, SCAP and ESCAP)

1999-2000, 1998-99

1997-98, 1996-97

1995-96 to 1989-90

Default interest rate

Prime plus three per cent

Prime plus five per cent

Prime plus three per cent

Prime plus one and one-half per cent

For rates before 1989-90, call 1-800-275-4292.