The Canadian Agricultural Income Stabilization Program: Margins

Payments under the CAIS program are triggered when a producer's income falls below the producer's average income from previous years. Under the program, income is calculated using margins. The following is an explanation of how margins are calculated under CAIS.

What is a production margin?

The difference between the production margin and gross margin calculations is in the type of expenses deducted from income. Fewer expenses are deducted from the production margin, which results in a higher margin for producers.

When the CAIS program was being designed, governments and industry discussed the income and expense items that could be used to measure a producer's income situation for CAIS purposes. Experience with previous farm programs such as the Canadian Farm Income Program (CFIP) indicated that including a high number of allowable expenses often resulted in reference margins being low and in many cases negative. This often resulted in producers being ineligible for benefits.

Based on these observations, the decision was taken to use a production margin for CAIS. Allowable income items are generally limited to the sales of agricultural commodities and Production Insurance payments. Allowable expense items are generally expenses directly related to the production of agricultural commodities.

The production margin is calculated by subtracting only those expense items directly related to the primary production of agricultural commodities on the farm (for example, feed costs, fertilizer and pesticides).

* Note: all program payments, with the exception of production insurance/crop insurance indemnities, are considered non-eligible income in the production margin.

What is a reference margin?

A reference margin reflects the producer's margin history. The reference margin is calculated using an Olympic Average (taking the last five years of the producer's margin, omitting the highest and lowest margins within that time period, and averaging the remaining three years). The reference margin is compared to the program year margin to calculate the producer's CAIS benefit.

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What is a program year margin?

The program year margin is the producer's margin during the year for which the producer is applying for CAIS.

- It is calculated by adjusting the producer's cash margin for changes in purchased inputs, accounts receivable, accounts payable, crops inventory, and livestock inventory.
- This calculation includes adjustments affecting all or some years, such as whole farm and structural change.
- It is measured against the reference margin to determine if there has been a margin decline.

What is a margin decline?

A margin decline occurs when the producer's program year margin drops below the reference margin.

How can I calculate my production margin?

To help you estimate your production margin, an on-line calculator is available on the CAIS Program Web site at **www.agr.gc.ca/caisprogram.** You can insert your own numbers and see how the CAIS Program will work for your operation. Results are estimates only. If you farm in Alberta, Ontario, Quebec and P.E.I. contact your provincial CAIS Administration for more information.

For more information on the CAIS Program:

- In British Columbia, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, and Newfoundland and Labrador, and Yukon call (toll free) at 1-866-367-8506 or visit our Web site at **www.agr.gc.ca/caisprogram**.
- In Alberta, call Agriculture Financial Services Corporation (AFSC) (toll free) at 1- 877-744-7900 or visit **www.AFSC.ca**.
- In Ontario, call the Agricore (toll free) at 1-877-838-5144 or visit **www.gov.on.ca/OMAFRA**.
- In Quebec, call la FinanciPre agricole du Québec (toll free) at 1-800-749-3646 or visit **www.financiereagricole.qc.ca**.
- In Prince Edward Island, call 1-902-368-4842 or visit **www.gov.pe.ca/go/cais**.