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# Applicant's eligibility

## To be eligible for a pre-harvest advance (using crop insurance coverage):

- the applicant must have all-risk provincial crop insurance coverage in good standing for all grains declared on the pre-harvest advance application. Crop insurance coverage is calculated by multiplying the per cent coverage level by the long-term yield. Applicants should contact their provincial agency for confirmation of coverage. If more than one insurance rate applies to land seeded/to be seeded to a class of grain, show all acres for the class of grain on the appropriate line of the application form. The average crop insurance coverage can be calculated by multiplying the different rates of coverage by the number of acres covered by each rate, adding all values together, and dividing by the total number of acres for the class. (See example on page 13).

## (using CAIS coverage):

- CAIS can be used as security when the agricultural product has not been secured by crop insurance. Applicant must participate in the CAIS program. CAIS security is based on the government portion of the producer's selected coverage of the reference margin. The CAIS 2006 Options Notice can be used to confirm program coverage.

## (using crop insurance or CAIS coverage):

- the applicant must be the actual producer of the grain or be entitled to a share of the grain as a landlord, vendor or mortgagee (interested party);
- the applicant and any related producers must not have any outstanding defaulted accounts;
- applicants who have defaulted in three separate crop years/production periods (starting with the 1997-98 crop year), under *SCAP*, *ESCAP* or *AMPA*, are ineligible for an advance in the production period following the production period the defaulted advance was repaid. This applies to all farming operations in which the applicant has an interest.
- the applicant must have reached the age of majority, which is 18 in Manitoba, Saskatchewan and Alberta and 19 in British Columbia;
- if the applicant is a corporation, partnership (includes joint producers and business enterprises), cooperative or a colony, at least one of the shareholders, partners, or members must have reached the age of majority and must be principally occupied in the farming operation; and
- if the applicant is an individual, he or she must be a Canadian citizen or permanent resident of Canada (see non-residents on page 13).

**Example:**

A producer is planning to grow 200 acres of CWRS. The crop will be planted on two different parcels of land, receiving two different levels of crop insurance coverage. To determine a single level of crop insurance coverage for advance payment purposes, the two separate rates must be combined without changing the level of coverage.

200 total acres  
 50 acres are insured at 0.8 t/acre  
 150 acres are insured at 1 t/acre  
 50 acres X 0.8 t/acre = 40 t  
 150 acres X 1 t/acre = 150 t  
 $(40 \text{ t} + 150 \text{ t}) = 0.95 \text{ t/acre}^*$   
 200 acres

\*enter this amount for crop insurance coverage

**Note:** The same method can be used for advances secured by CAIS for different land parcels to determine average yield. Substitute estimated yield for crop insurance coverage.

## Non-residents

Corporations, partnerships (includes joint producers), cooperatives or other associations having participants who are non-residents can apply for an advance.

### Corporation

A majority of the voting shares are held by Canadian citizens or permanent residents.

### Partnership (includes joint producers)/other business enterprise

At least 50 per cent of the profits belong to Canadian citizens or permanent residents

### Cooperative

A majority of members must be Canadian citizens or permanent residents of Canada.

**Note:** If the applicant is applying for another advance and is repaying a previous advance by cheque, the cheque must be certified.

## Eligibility and previous advances

An applicant's eligibility for a 2007-08 pre-harvest advance can be affected by previous advances:

### 2006-07 outstanding SCAP, ESCAP or AMPA advance (not in default)

The applicant is eligible. Total outstanding (including 2006-07 advance balance) cannot exceed \$400,000 during the six-month overlap from April 1 to September 30.

### Outstanding defaulted SCAP, ESCAP and AMPA advance that is repaid before April 1, 2007

The applicant and any related producers are eligible for a pre-harvest advance.

### Outstanding defaulted SCAP, ESCAP and AMPA advance that is repaid before September 30, 2007.

The applicant is not eligible for a 2007-08 pre-harvest advance. Applicant is eligible for a 2007-08 after-harvest advance on October 1, 2007. Related producers become eligible once the defaulted account is repaid in full.

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# Related producers

The Related Producers' Provision requires applicants having a financial interest in other farming operations to identify all of those farming operations by completing a Related Producers' Declaration form(s).

## Who is a related producer?

- applicants who have applied for or received a pre-harvest advance under any other farming operation(s) for the 2007-08 production period, as an individual, corporation or partnership (includes joint producers and other business enterprises).
- applicants who share the reporting of income or losses from the farming operation named in their pre-harvest advance application or any other farming operation with anyone else for the purposes of the Income Tax Act (Canada).

Applicants have a legal obligation to disclose all farming operations in which they have a financial interest.

### Examples:

- A** Spouses Joe and Mary Producer farm separately. They file separate income tax returns and do not claim income or losses from each other's farming operations. Joe and Mary do share some farm machinery, however the grain produced is delivered in their own names. Joe and Mary Producer **are not affected** by the *Related Producers' Provision*.
- B** Spouses Bob and Beth Canada farm separately. Bob and Beth also farm another parcel of land together as Canada Farms Ltd. Bob and Beth Canada and Canada Farms Ltd. **are all affected** by the *Related Producers' Provision* because Bob and Beth report income or losses from more than one farming operation for income tax purposes. Each of these applicants must complete a *Related Producers' Declaration* form.
- C** Brothers Gord and James West farm together. Neither Gord nor James has a financial interest in any other farming operation. Gord and James report their shares of the farm income separately for income tax purposes. Gord and James do not have to complete a *Related Producers' Declaration* but must complete a *Declaration and Guarantee* form. All cash advance applications to Gord and James must be completed under their joint CWB ID number. The maximum advance available for Gord and James under the pre-harvest advance program for wheat and barley and all other agricultural products is \$400,000.
- D** Company Green Acres has two guarantors, Bob Greene and Jim Greene. Bob Greene also has a permit book in his own name. Jim Greene is not affected by the *Related Producers' Provision* however, Bob is affected. A *Related Producers' Declaration* form is required for Bob Greene. The elevator manager should attach a note stating that Jim Greene is not involved in any other farming operations. It is not necessary for Jim Greene to complete a *Related Producers' Declaration*.

### Landlords

A Landlord/Tenant lease agreement **does not** make the landlord and tenant related producers.

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## Attribution

The amount issued to related producers can affect an applicant's eligibility and the amount that can be issued to that applicant. Since advance limits are determined by producer, the maximum any producer can be attributed is \$100,000 interest-free, and \$400,000 overall, for advances on all agricultural products. These maximums apply regardless of the number of farming operations the producer has a financial interest in as an individual or as a member of a corporation, partnership (includes joint producers and other business enterprises), or a cooperative.

### Determining attribution

Advances to related producers are attributable to the applicant as follows:

<b>If the related producer is a(n):</b>	<b>Amount attributable to the applicant is:</b>
<b>Individual</b>	100 per cent.
<b>Corporation</b>	based on the participant's percentage of voting shares.
<b>Partnership (includes joint producers)/Business enterprise</b>	based on the percentage of profits to which the participant is entitled.

### Example:

Three producers are partners and the partnership applies for a \$100,000 pre-harvest advance. None of the partners have a previous advance. Each is entitled to 1/3 of the profits, so each is attributed 1/3 of the \$100,000 cash advance. Each producer is attributed \$33,333.

Producer A has his own permit ID number and wants to receive the total \$400,000 he is eligible for, so he applies for the balance ( $\$400,000 - \$33,333 = \$366,667$ ) through his own permit ID number. In total, Producer A is attributed or is eligible to receive:

	<b>Maximum</b>	<b>Interest-free</b>
Through partnership	\$33,333	\$33,333
As an individual	<u>\$366,667</u>	<u>\$66,667</u>
<b>TOTAL</b>	\$400,000	\$100,000

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# Amount of eligible advance

The maximum advance available under *APP* for wheat, durum, barley and all other agricultural products is \$400,000, regardless of the number of farms in which the applicant has an interest.

The CWB administers the *APP* for wheat, durum and barley grown in Western Canada. Pre-harvest advances on other crops are also available under their respective program administrators.

The maximum advance that an applicant can receive using crop insurance coverage is based on anticipated or actual seeded acres and provincial crop insurance coverage levels.

The maximum advance that an applicant can receive using CAIS coverage is the lesser of anticipated or actual seeded acres and the estimated yield OR the government's portion of the producer's selected coverage of the CAIS reference margin.

Applicants can receive 60 per cent of the total eligible amount based on anticipated seeded acres, and the remaining portion after seeding.

Applicants who have completed spring seeding can provide their completed provincial crop insurance Seeded Acreage Report and receive the entire eligible amount. If using CAIS coverage, an applicant can receive the entire eligible amount upon making a declaration on the advance application that the land has been seeded.

The cash advance can be affected by the amount attributed to the applicant for advances applied for or received by related producers.

## Joint producers

Joint producers are considered a partnership under the advance payments program and must complete Declaration and Guarantee forms. Joint producers are not affected by the *Related Producers' Provision* unless one or more producers have a financial interest in other farming operations. If affected, a *Related Producers' Declaration* must be completed by each partner of the joint farming operation to ensure the maximum entitlement is not exceeded.

Applicants who are joint producers must take out the cash advance jointly, as each joint producer is responsible for the entire amount advanced.

**Do not issue the advance cash ticket under the individual numbers assigned for delivery purposes. If one is issued, it will be returned to your company for correction.**

A refund must be deducted from any deliveries made under either the joint CWB ID number or their individual numbers.

Applicants can receive up to \$100,000 interest-free under the *Advance Payments Program* and \$400,000 overall.