

Qs & As

Increased APP Program Limits

Q1 What is the Advance Payments Program (APP)?

The APP is a federal loan guarantee program which provides agricultural producers with access to low-interest cash advances to help provide marketing flexibility to allow producers to sell their commodity at the most opportune time. Advances are available on over 500 crop and livestock products across Canada.

Producers can access up to \$400,000 per program year based on the value of their agricultural product, with the Government of Canada paying the interest on the first \$100,000 advanced. APP advances are available through 36 industry associations across Canada. Contact one of our [Advance Payments Program Administrators](#).

Q2 What are the changes to the Advance Payments Program?

On May 1, 2019, the Government of Canada announced its intention to change the program to allow eligible producers with sufficient security to receive advances of up to \$1,000,000. The Government of Canada will continue to pay the interest on the first \$100,000 of an advance. For the 2019 Program Year only, canola production will benefit from an additional \$400,000 interest-free, allowing producers to receive up to \$500,000 in total interest-free advances.

Q3 When can canola producers benefit from the new interest-free limit?

As of May 29, canola advances are eligible for up to \$400,000 in interest-free loans. Starting June 26 producers can access advances of up to \$1 million and canola advances up to \$500,000 interest-free.

Q4 Do producers have to reapply for existing advances?

APP administrators will reallocate producers' advances to ensure that producers are maximizing the interest-free loans available to them starting May 29.

Q5 How do producers apply for additional advances?

Producers will be able to apply for the new amounts as early as June 10 and new advances above \$400,000 will be issued as of June 26; producers are encouraged to contact their APP administrator regarding application details and processing timelines. In the meantime, the Government continues to provide all producers access to the current advance limit of \$400,000, which effective immediately, is interest-free on any portion for canola advances.

Q6 When will the increase to the advance limits of the Advance Payments Program become available?

The increase to the advance limits from \$400,000 to \$1 million for all producers, and increase in the interest-free portion of advances on canola up to \$500,000 will be available as of June 26.

Q7 Can producers apply for the new advance limits before the implementation date?

Producers will be able to apply to their Advance Payments Program Administrators for the new advance limits as early as June 10.

Q8 What do producers already participating in the 2019 APP have to do to take advantage of the increased limit to \$1 million?

Participating producers who apply for additional advances will be required to sign amendments to their existing 2019 repayment agreement(s) with their APP Administrator(s). Advances that were issued based on the producers' seeding intentions (60% of the eligible advance amount) will need to be re-calculated by the Administrator.

Q9 Why was the advance limit of \$400,000 increased to \$1 Million?

The increase to the overall advance limit will provide farms an increased opportunity to access additional low cost credit until the producers can market their production.

Q10 Why does the 2019 increase on the interest-free limit only apply to canola?

The increase was established as part of the Government of Canada's ongoing consultations with provinces, territories and stakeholders. Canadian canola farmers are currently facing cash flow pressures as a result of market disruptions after China suspended exporting licenses for Canadian canola seed. The increase on the interest-free limit for 2019 provides flexibility to market their commodity at the best time and the best price.

Q11 Why was the APP the preferred choice to address the market disruptions?

The Advance Payments Program is a federal-only program that is designed to provide cash flow support to Canada's agricultural producers as they adjust their marketing plans

Q12 Will other program requirements be changing as a result of the 2019 limit increase?

Producers applying for advances over \$400,000 may be subject to additional advance (i.e., loan) approval procedures. All other producer requirements such as providing proof of Business Risk Management coverage, submitting production reports, reimbursing the advance as the commodity is sold, providing proof of sale and meeting the reimbursement deadlines remain the same.

Q13 When will the interest-free limit for canola return to its previous level?

The interest-free limit for canola is scheduled to return to the \$100,000 level under the 2020 program year. A formal program evaluation is currently underway which will consider current program limits, as well as other potential changes to the program.

Q14 Who is eligible for the program?

To be eligible, a producer must be a Canadian Citizen or permanent resident; or a corporation, cooperative or partnership of which the majority interest is held by Canadian citizens or permanent residents. Eligible producers must also be the age of majority in the province where the farm operates; have produced/be producing and own the agricultural product; and be responsible for its marketing.

Q15 How do producers apply?

Producers can apply by contacting one of the 36 [Advance Payments Program Administrators](#) across Canada. Their staff will guide producers through the application process.

Q16 Who delivers the program?

APP advances are available through 36 industry associations across Canada. Contact one of the [Advance Payments Program Administrators](#).

Q17 How are the amounts of the advances established?

APP advances are based on the anticipated value of the eligible agricultural products that are either being produced or that are in storage. Producers can receive up to 50% of the expected value of their production.

The advance amounts producers are eligible to receive will be limited by the level of security the producer is able to provide.

Q18 Why is a security required for an advance?

APP advances must be secured to ensure a producer will be able to reimburse their advances. In most instances, the security will be one or a combination of the Federal-Provincial Business Risk Management programs (e.g., AgriInsurance and AgriStability). Once a commodity is of marketable condition (e.g., harvested crop), then the commodity itself can become the security for the advance.

Q19 What are the loan (advance) terms?

The full advance must be repaid within the production period as noted in the repayment agreement signed with the APP administrator. The production period is 18 months for most agricultural products (24 months for cattle and bison).

Q20 How are the advances repaid?

Producers must repay their APP advance as they sell the agricultural products on which the advance was made.

Q21 What is the role of APP Administrators?

APP Administrators sign annual tripartite agreements with their Financial Institution and the Minister of Agriculture, which authorizes them to deliver the program to producers. Once their agreement is signed, APP Administrators become responsible for the day-to-day delivery of the program. They assess a producer's eligibility, coordinate the application process, determine advance amounts and manage the producer's file until full repayment, while respecting the terms and conditions of their agreements.

Q22 What is the role of the Federal Government?

The Federal Government pays the interest on the first \$100,000 of the advances. For the 2019 program year, the interest-free portion for canola advances will increase from the first \$100,000 to the first \$500,000 of the advances. Further, the Government guarantees to the lender (i.e., financial institution) the total amounts advanced to the producers, which allows producers to receive advances at a low interest rate. Lastly, the Government provides oversight to help ensure that APP Administrators comply with the requirements of their agreements.

Q23 How many producers participate in the program?

There were approximately 21,000 producers who participated in the program in 2018.

Q24 What is the average value of the advances?

The average advance was approximately \$108,000 in 2018.