

AGRI-QUÉBEC

2019

GENERAL PRINCIPLES

The Agri-Québec program allows participating operations to annually deposit an amount in an account in their name and to receive a matching contribution from La Financière agricole du Québec.

Participating operations can withdraw amounts of money from their account based on their needs. Given the similarities and complementarity between the Agri-Québec and AgrilInvest programs, the management of the financial information, the issuing of the Deposit Notice and the administration of account operations are undertaken jointly.

The participant's deposit, the government contribution and the accrued interest are deposited into an individual account administered by La Financière agricole.

The participant's account has two funds. Fund 1 corresponds to the amounts deposited by the participant. Amounts withdrawn from Fund 1 are not taxable. Fund 2 corresponds to the amounts deposited by La Financière agricole, to which the interest generated by Funds 1 and 2 is added. Amounts withdrawn from Fund 2 are taxable as investment income.

Operations that are in their first participation year or that want to re-register must contact their service centre and transmit their financial information by the required deadlines.

The 2019 participation year concerns the participating operation's fiscal period or periods ending in 2019.

ELIGIBILITY CONDITIONS

The participating operation must:

- Undertake farming or aqua-farming activities in Québec and report farming income or loss for the participation year for income tax purposes.
- Be domiciled (individual) or have the head office and main place of business in Québec (corporation, cooperative and trust).
- Provide a Social Insurance Number (SIN) or Québec Business Number (NEQ) and/or a federal business number (BN).
- Be registered with the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, and provide the operation's registration number (NIM).
- Market a product subject to the regulations and conventions in effect.
- Submit a valid phosphorus report (cross-compliance measures).
- Abide by program requirements with regard to deadlines.

ALLOWABLE PRODUCTS

Most agricultural and aquacultural products are allowable, except for:

- products covered or associated with the Farm Income Stabilization Insurance Program (ASRA) or supply-management;
- forestry products;
- racehorses;
- peat moss;
- cannabis (except for industrial hemp);
- wild animals in their natural environment.

Moreover, the resale of products that do not come from the farming operation and income derived from farming activities carried on outside of Canada are not eligible.

TRANSMISSION OF FINANCIAL INFORMATION

Participants may transmit their financial information once their fiscal year has ended or, at the latest, by the deadline shown in the financial information transmission document. When participants send their financial information late, but within three months after the deadline, their maximum allowable deposit is reduced by 5% per month or part of month late.

The financial information transmitted by participants will be used for all the AGRI programs in which they participate or to meet the requirements financing

ALLOWABLE NET SALES (ANS)

ANS correspond to the sales of allowable agricultural or aquacultural products minus the purchases of allowable products. ANS are calculated separately for the agricultural and aquacultural sectors.

Income and purchases for activities carried on outside Québec are not considered.

ANS are calculated using an accrual method of accounting and the sales of allowable agricultural products are adjusted to include changes in inventory. In addition, payments from certain other programs that compensate for the loss of allowable agricultural or aquacultural products are taken into account when calculating ANS (e.g. crop insurance, private insurance).

Particularities may apply to the calculation of ANS for some productions.

DEPOSIT

Upon receiving a participant's financial information, La Financière agricole calculates its ANS and the amount of its maximum deposit in order to receive the matching government contribution. A joint and the amount of its maximum deposit in order to receive the matching government contribution. A joint Deposit Notice for the Agri-Québec and AgrilInvest programs confirms such amounts.

Once participants receive their deposit notice, they can deposit an amount up to the maximum allowed. To make a deposit, a transfer can be made from money in their account. The transfer must cover the entire amount the participant wishes to deposit, which is considered a withdrawal from the accounts.

Participants may make only one deposit for every Deposit Notice issued, within 90 days following the date of the notice. Under the Agri-Québec program, participants who make their deposit after this period, but up to the 180th day following the date of the Deposit Notice, will have their maximum allowable deposit reduced by 25%. The minimum amount that can be deposited is \$150.

Following a deposit, La Financière agricole pays the government contribution into the participant's account and confirms, in writing, the amount along with the new balance in the account.

The government contribution is equivalent to the participant's deposit. The following table presents the different rates used to calculate the maximum deposit amount.

WITHDRAWAL

At any time, participants can withdraw the amount they wish, up to the balance in the account. The minimum amount that can be withdrawn is \$75. A withdrawal may, however, be below \$75, if it brings the account balance to zero, or if it is used to pay an amount owed to La Financière agricole.

When a withdrawal is made, the amounts are taken from the accounts in the following order:

1. Fund 2 AgrilInvest
2. Fund 1 AgrilInvest
3. Fund 2 Agri-Québec
4. Fund 1 Agri-Québec

ADMINISTRATIVE FEES

Annual administrative fees apply to all participants entitled to a government contribution, whether or not they make a deposit into their account.

MAIN DIFFERENCES BETWEEN AGRI-QUÉBEC AND AGRINVEST

	Agri-Québec	AgrilInvest
Living in...	Québec only	Canada
Eligibility	Agricultural and aquacultural operations	Agricultural operations
Government contributions come from...	Government of Québec 100%	Government of Canada 60% Government of Québec 40%
The government contribution is equivalent to the participant's deposit. It is calculated as follows:	<ul style="list-style-type: none"> • 3.2% of agricultural ANS and 3.9 % of aquacultural ANS up to \$1.5 million of ANS; • 2.0% of ANS from \$1.5 million to \$2.5 million; • 1.5% of ANS from \$2.5 million to \$5.0 million; • 1.0% of ANS over \$5.0 million; 	<ul style="list-style-type: none"> • 1% of ANS, up to \$1.5 million of ANS; • The maximum amount of government contributions is \$15,000 (1% X \$1.5 million of ANS).
For processed products	<ul style="list-style-type: none"> • Only the value of allowable products before processing is considered for sales of processed products over \$1.5 million. 	<ul style="list-style-type: none"> • Nothing specific

INCREASES

Specific increases apply:	Government contribution rate
Operations transitioning to organic agriculture	<ul style="list-style-type: none"> • 7.2% of agricultural ANS and 7.9% of aquacultural ANS, for ANS from \$0 to \$100,000; • 5.2% of agricultural ANS and 5.9% of aquacultural ANS, for ANS from \$100,000 to \$1.5 million.
Small operations (income and ANS < \$100,000) transitioning to organic agriculture	<ul style="list-style-type: none"> • 8.2% of agricultural ANS and 8.9% of aquacultural ANS.
Small operations (income and ANS < \$100,000)	<ul style="list-style-type: none"> • 4.2% of agricultural ANS and 4.9% of aquacultural ANS.

OTHER INFORMATION

- A list of preparers for the transmission of financial information of participants is available on our website (www.fadq.qc.ca).
- Participants that wish to make changes in financial information transmitted can do so within 18 months after the issue of the first Deposit Notice for the participation year in question.

This summary, valid for 2019, in no way takes precedence over the provisions of the Agri-Québec program or of the policy of La Financière agricole. In addition, the terms and conditions in the summary are subject to amendments that could be made to the program during the participation year.