Calculating the target price

The Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) calculates target prices and premiums using methods developed in consultation with the grain and oilseed industry and the Ontario Federation of Agriculture.

The target price for each crop represents the industry average cost of producing a crop and is calculated by OMAFRA as follows:

- Take the average of the most recent three years of cost and production data.
- For each year, use cost and production data from a sample of farms that meet specific criteria to determine the average cost of producing each crop. Index the average forward current year equivalents using the Eastern Canada Crop Production Farm Input Price Index to account for inflation.

Farm sample

Farms are included in the sample if they:

- Earned at least 90 per cent of their AgriStability allowable income from the sale of grains and oilseeds in those three years.
- Submitted all required income, expense and inventory information to AgriStability for those years.
- Grew at least 300 acres of grains and oilseeds for the years mentioned above. This requirement may be adjusted to achieve an average of 700 acres per farm for each year in the sample. The average of 700 acres per farm is consistent with Quebec’s Farm Income Stabilization Insurance program (ASRA).

Highest cost producers (those with production costs in the top 30 per cent), on a per unit basis, are removed from the sample to be consistent with how the target price is calculated for many supply-managed commodities in Ontario.
Cost data
The target price calculation uses expense information from the AgriStability database, including:

- seed purchases of spring grain, coloured beans, canola, seed corn, soybeans, white beans and wheat
- containers and twine
- fertilizer and lime
- pesticides
- insurance premiums
- veterinary fees
- minerals and salts
- machinery repair and fuel
- advertising and marketing costs
- building and fence repair
- contract work
- electricity
- freight and trucking
- other insurance
- memberships
- office expenses
- legal fees
- hired labour
- motor vehicle expenses
- small tools
- soil testing
- storage and drying
- licences
- telephone
- machinery leases
- land clearing
- interest
- property tax
- rent
- capital cost allowance
- heating fuel

Production data
Target price calculations are taken from the Agricorp database, including acreage, total production and yield data for canola, coloured beans, corn, soybeans, spring grain, spring wheat, white beans and winter wheat.

Seed
Actual seed purchases from the sample farm's AgriStability form are used to calculate the target price. AgriStability records do not distinguish between winter and spring wheat seed costs, since they are about the same per acre.

Drying and storage
Electricity, heating fuel, and storage and drying costs are allocated on an 80:10:10 basis among corn, soybeans and wheat.

Labour
Hired labour costs are included as reported on the sample farm's AgriStability form. Family labour costs are removed and replaced by a salary to the producer that is equal to 90 per cent of the average earnings for an Ontario equipment operator, based on information from Statistics Canada. The labour costs are allocated across crops based on the relative cost of labour per acre between the crops listed and the crop mix of the operation.

Other costs
The following costs are allocated across crops based on the relative cost per acre between the crops listed and the crop mix of the operation:

- Cost per acre for fertilizer is based on information taken from OMAFRA crop budgets.
- Costs per acre of capital cost allowance, machinery fuel and machinery repairs are based on information taken from Quebec’s ASRA crop budgets.

All other costs are allocated based on acreage.
### Payment periods and price sources

<table>
<thead>
<tr>
<th>Crop</th>
<th>Pre-harvest pricing period</th>
<th>Post-harvest pricing period</th>
<th>Source of forward contract and harvest spot prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black beans</td>
<td>March 2016 – August 2016</td>
<td>September 2016 – February 2017</td>
<td>Average of monthly prices for delivery at a cross-section of Ontario elevators</td>
</tr>
<tr>
<td>Cranberry beans</td>
<td>March 2016 – August 2016</td>
<td>September 2016 – February 2017</td>
<td>Average of monthly prices for delivery at a cross-section of Ontario elevators</td>
</tr>
<tr>
<td>Hard red winter wheat and hard white winter wheat</td>
<td>January 2016 – June 2016</td>
<td>July 2016 – December 2016</td>
<td>Daily delivery prices used to find a weighted average price from: Grain Farmers of Ontario Terminal (25% weight), private terminals (25% weight) and country elevators (50% weight)</td>
</tr>
<tr>
<td>Japan, adzuki and other beans</td>
<td>March 2016 – August 2016</td>
<td>September 2016 – February 2017</td>
<td>Average of monthly prices for delivery at a cross-section of Ontario elevators</td>
</tr>
<tr>
<td>Kidney beans</td>
<td>March 2016 – August 2016</td>
<td>September 2016 – February 2017</td>
<td>Average of monthly prices for delivery at a cross-section of Ontario elevators</td>
</tr>
<tr>
<td>Organic winter wheat and soft red winter wheat</td>
<td>January 2016 – June 2016</td>
<td>July 2016 – December 2016</td>
<td>Daily delivery prices used to find a weighted average price from: Grain Farmers of Ontario Terminal (25% weight), private terminals (25% weight) and country elevators (50% weight)</td>
</tr>
<tr>
<td>Soft white winter wheat</td>
<td>January 2016 – June 2016</td>
<td>July 2016 – December 2016</td>
<td>Daily delivery prices used to find a weighted average price from: Grain Farmers of Ontario Terminal (25% weight), private terminals (25% weight) and country elevators (50% weight)</td>
</tr>
<tr>
<td>White beans</td>
<td>March 2016 – August 2016</td>
<td>September 2016 – February 2017</td>
<td>Average of monthly prices for delivery at a cross-section of Ontario elevators</td>
</tr>
</tbody>
</table>

*Note: There may be days when the price source does not offer bids or forward contracts. These days will be omitted from the actual market prices. The market price for organic wheat is based on the value for soft red winter wheat. The market price for hard white winter wheat is based on the value for hard red winter wheat. The market price for organic corn is based on the value for grain corn. For popping corn, the market price is two and half times the price of grain corn.*
Complete details about RMP: Grains and Oilseeds are available in the participant handbook and accompanying information sheets, described below:

- **RMP: Grains and Oilseeds Participant Handbook** – The participant handbook outlines what you need to know about RMP: Grains and Oilseeds, how to enrol and your responsibilities as a participant. The participant handbook applies starting with the 2015 program year and will continue to apply for subsequent program years, until it is cancelled, amended or replaced. You should retain the participant handbook as it will not be updated annually. If there is any conflict between the participant handbook and an information sheet, the information sheet takes precedence.

- **Rates, Dates and Program Changes Information Sheet** – This information sheet works as part of your participant handbook to provide details specific to the program year, and is updated annually. You will receive the information sheet when you enrol in the program and with your annual renewals. It is also available on agricorp.com.

- **Calculating Target and Market Prices Information Sheet** – This information sheet shows how the target and market prices are set and is a complementary document to the participant handbook. The data is specific to the program year and is updated annually. You can find the information sheet on agricorp.com or request a copy by calling Agricorp.

For full particulars of RMP terms and conditions, refer to the documents listed below in effect for the current program year:

- **RMP: Grains and Oilseeds Guidelines**
- **Order-in-Council No. 1309/2011, as amended** (Ontario Risk Management Program)
- **Order-in-Council No. 1310/2011, as amended** (Business Risk Management Review Committee)

Where there is any conflict between the handbook, information sheets, and the guidelines, the guidelines take precedence. To obtain copies of the guidelines, please contact the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA).