

Qs & As

2023 Increased Interest-Free Limit

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 \$1,000,000 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. In June 2022, the Minister announced that the interest-free portion of advances would be temporarily increased from \$100,000 to \$250,000 for the 2022 and 2023 program years. APP advances are available through 30 industry associations across Canada. Contact one of our [Advance Payments Program Administrators](#).

Q2 What are the changes to the APP?

Budget 2023 proposed a further temporary increase to the interest-free limit from \$250,000 to \$350,000 for advances under the APP. The increased interest-free limit is only valid for the 2023 program year, wherein the Government of Canada will pay the interest on the first \$350,000 in advances, once this program change is in force.

Q3 What are the implementation timelines?

The Government of Canada has is in the process of amending the *Agricultural Marketing Programs Regulations* to temporarily increase the interest-free advance limits. Federal program officials are currently working with the 30 APP Administrators to ensure that the changes can be implemented in a timely manner. Producers will be notified by Administrators once the new interest-free limit is available to them.

Q4 Why is the increased interest-free limit not retroactive to the start of the program year?

Until the Regulation changes come into force, the Minister does not have the legal authority to pay the interest on amounts over \$250,000 for the interest-free portion of the advances. As the Regulation changes came into force on May 8, 2023, producers will still be responsible for paying the interest that accrued from the day they received the advance to May 7, 2023 - the day before the new interest-free limit became available. The government will begin covering the interest on the additional amounts over \$250,000 up to \$350,000 for existing advances as of May 8, 2023.

Q5 Why is the increase on the interest-free limit temporary?

The Russia-Ukraine conflict has had a global impact, disrupting supply chains and increasing farm input costs, including fuel, fertilizer and feed. As a result, Canadian producers are facing increased financial pressures that are expected to continue into 2023. The increase to interest-free advance limits is a temporary solution that leverages the APP to support producers to bridge the unexpected price increases and address cash flow pressures. The increase on the interest-free limit for the 2023 growing season provides flexibility over mounting financial pressures and supports producer efforts to produce agricultural commodities for Canada and the world.

Q6 Why is the APP the preferred choice to temporarily address increased financial pressures?

The APP is a federal-only program that is designed to provide cash flow support to Canada's agricultural producers as they develop their marketing plans for the upcoming crop year. It provides agricultural producers access to low-interest cash advances and marketing flexibility so they may make decisions based on market conditions in lieu of immediate financial needs. As such, it is deemed the best tool to address immediate financial challenges.

Q7 What do producers already participating in the 2023 APP have to do to take advantage of the increased interest-free limit?

Outstanding 2023 advance amounts that fall between \$250,000 and \$350,000 will become interest-free, barring the interest accrued on advances up to the effective date of the limit change (i.e. from the day the producer received the advance to May 7, 2023). Producers will continue to be responsible for paying the interest on advance amounts above \$350,000 as well as meeting other program requirements as set out in their repayment agreements. APP Administrators will provide official documentation regarding the implementation of the increase in the coming days.

Q8 When will the interest-free limit return to its previous level?

The APP interest-free limit is currently scheduled to return to the \$100,000 level for the 2024 program year.

General APP Information

Q9 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.

Q10 How do producers apply?

Producers can apply by contacting one of the 30 [Advance Payments Program \(APP\) Administrators](#) across Canada. Their staff will guide producers through the application process.

Q11 Who delivers the program?

APP advances are available through 30 industry associations across Canada. Contact one of our [APP Administrators](#).

Q12 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.

Q13 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 all instances, the producer must agree to offer up the agricultural product(s) being advanced on as security. Additionally, for pre-production and livestock advances, coverage under one or a combination of the eligible business risk management programs will be required (e.g., AgriInsurance and AgriStability).

Q14 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).

Q15 How are the advances repaid?

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

Q16 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.

Q17 What is the role of the Federal Government?

The Federal Government pays the interest on the first \$100,000 of the advances. For the 2022 program year, the interest-free advance limit was increased from \$100,000 to \$250,000 of the advances. Budget 2023 proposes another increase to the interest-free limit for the 2023 program year, from \$250,000 to \$350,000. Furthermore, 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, as well as the Agricultural Marketing Programs Act and its Regulations.

Q18 How many producers participate in the program?

There were close to 18,700 producers who participated in the program in 2022.