Qs & As for APP Administrators

2024 Increased APP Interest-Free Limit

**Q#1 What are the new increased interest-free limits?**

**A#1** **For the 2024 Program Year only,** eligible producers with sufficient security may request advances of up to $1,000,000, with the interest on the first $250,000 paid by the Government of Canada. This is a temporary measure to support producers facing cash flow issues that will sunset at the end of program year 2024.

**Q#2 Why is the increase in limits only for 2024?**

**A#2** The increases to the Advance Payments Program’s interest-free limit in 2022 and 2023 were always intended to be temporary measures to help producer deal with increasing input and interest costs resulting from factors such as the Covid-19, the Russia-Ukraine conflict, and disrupted input supply chains. As in 2022 and 2023, the increase for 2024 is a temporary measure to provide producers with additional assistance as input costs continue to soften and the sector recovers.

**Q#3 When does the new interest-free limit come into force?**

**A#3** The new interest-free limit is effective on the day the regulatory changes came into force on March 25, 2024.

**Q#4 When will the interest-free limit return to current levels?**

**A#4** The interest-free limit is currently scheduled to return to $100,000 for the 2025 program year.

**Q#5 Why is the increased interest-free limit not retroactive to the start of the program year?**

 **A#5** The APP’s interest-free limit is set in the *Agricultural Marketing Programs Regulations*. There are no provision in the Agricultural Marketing Programs Act or the Regulation that allow for retroactive interest-free benefits. As such, producers will still be responsible for paying the interest that accrued on the interest-free portion (i.e. above $100,000) from the day they received the advance to the day before the regulatory changes come into force. The temporary $250,000 interest-free limit for 2024 is only in place as of the date the regulatory amendments came into force, on March 25, 2024, Additionally, amended AGAs and system changes must be in place before the new interest-free limit can be applied.

**Q#6 What is required by AAFC/Administrators to implement the new interest-free limit?**

**A#6** Administrators will be authorized to issue advances at the increased 2024 interest-free limit once the Administrator’s 2024 AGAs or AGA amendments (as applicable) have been signed by all parties, returned to AAFC and completed in the Advance Payments Program Electronic Delivery System (APPEDS). Key items that must be in place prior to advancing on the new limits:

* + Calculations to determine increases to interest-free advance amounts
	+ Amended AGAs (as required); and
	+ IT requirements (i.e., AAFC and Administrator system updates)

For greater clarity, to implement the new interest-free limit:

**AAFC Program staff** must amend current AGAs, provide an amendment template for existing producer Application/Repayment Agreements, apply upgrades to APPEDS, and provide guidance to APP Administrators as changes are implemented.

**Administrators** will need to review and possibly increase their 2024 guarantee amount, review and possibly change their 2024 application fee structure and sign amended AGAs. For any 2024 advances issued based on the previous interest-free limit ($100,000), Administrators will also be required to provide a list of APP IDs and advance amounts that are switching from Interest-Bearing to Interest-Free. A template will be provided.

**Q#7 How will the AGAs be amended?**

**A#7** All clauses referencing the new interest-free limit will be adjusted and if required, guarantee amounts will be increased and application fee structures adjusted. Additional time may be provided for the submission of Monthly Interest Claims for the first two months after the Regulations have changed. All other clauses outlining obligations will remain the same.

**Q#8 Will the APP Guidelines be updated?**

**A#8** The most recent APP Guidelines still apply along with all subsequent policy bulletins. As the 2024 interest-free limit increase is temporary, there will not be any changes made to the Guidelines.

**Q#9 Will APPEDS be updated to manage the new interest-free limit?**

**A#9** APPEDS will be updated to manage the increased 2024 interest-free limit. Batch upload functionality will not be impacted.

**Q#10 What if the Administrator’s own system requires changes in order to accommodate the new 2024 interest-free limit?**

**A#10** If the Administrator’s own system requires changes in order to accommodate the new 2024 interest-free limit, they must inform AAFC Program Staff immediately should this cause any delays in issuing advances at the new limit. The Government of Canada will not be covering the cost of upgrades.

**Q#11 What do producers already participating in the 2024 APP have to do to take advantage of the increased interest-free limit?**

**A#11** Administrators will be required to clearly inform all of their producers of the regulatory changes and the fact that producers are responsible for the interest above $100,000 from the day they received their advance to the day before regulatory changes come into force. Producers who do not wish to have the interest-free limit increase applied to their existing 2024 advance must be asked to communicate their decision with the Administrator. Producers requesting additional funds will be required to sign an amended repayment agreement (template will be provided).

**Q#12 How will the interest that has accrued up to date on the 2024 program year $100,000 to $250,000 portion of advances be handled?**

**A#12** Producers will still be responsible for paying the interest that accrued from the day they received the advance to the day before the regulatory changes came into force.

The Minister will pay the interest from the effective date forward.

**Q#13 Will existing Interest-Bearing amounts automatically be switched to Interest Free in APPEDS?**

**A#13** Administrators will be responsible for moving amounts in APPEDS from Interest-Bearing to Interest-Free. As there must also be a transfer of funds between bank accounts accompanying this task, Administrators will be required to manage this process manually, and document these transfers for future interest claim reconciliations*.* Administrators will have **seven (7) days** to transfer a producer’s Interest Bearing debt from the Interest-Bearing account to the Interest-Free account once the amended AGA has been signed and the systems changes have been completed.

**Q#14 How do existing 2024 repayment agreements need to change?**

**A#14** Understanding that many Administrators have already created and published their forms for 2024, program staff will provide Administrators with a document that can be used to amend any existing 2024 repayment agreements already in place (for producers requesting additional funds). An updated producer application template will also be provided to the Administrators.

**Q#15 What will happen in cases of default?**

**A#15** The increased interest-free limit for 2024 will not have any impact on when or why a producer is declared in default. Further, a producer will be declared in default in accordance with the terms and conditions stipulated in the most recent repayment agreement signed by both the producer and the Administrator.

**Q#16 How will Administrators address Producer questions and concerns?**

**A#16** There will be an AAFC news release which will provide producers with information regarding the increased interest-free limit for 2024 program year. The approach for implementation and the effective date for the changes to the interest-free limit will need to be communicated to producers by APP Administrators. AAFC Program Staff have drafted Q&As for producers which will be distributed to all Administrators for their use. Furthermore, Administrators can direct producers to the APP Website and the toll-free number 1-866-367-8506, if they require additional information.

**Q#17 Can Administrators change their fee structure for 2024 in cover their administrative costs?**

 **A#17** As there is no flexibility in the *Agricultural Marketing Programs Regulations* that permit the Minister to compensate Administrators for costs, the Administrators will have the flexibility of changing their fee structure for 2024. Amendments to current 2024 AGAs will be required in order for that change to take place.