



Advance Payments Program PLUS APP Interest Relief

What is the Advance Payments Program?

Federal Financial Guarantee Program that gives producers easier access to credit through cash advances on a producer's agriculture products

Livestock has now been added on to the list of agricultural products

It is accessed through producer associations that administer the program through an Agreement with Agriculture and Agri-Food Canada. BCBFA BC Breeder & Feeder Association is administering both programs for BC cattle producers.

Who Can Apply - Eligibility?

To be eligible for a cash advance under the Advance Payments Program (APP) you must be:

- A Canadian citizen or permanent resident
- Be of the age of majority in your province
- Be principally occupied in farming
- Must own the agricultural product
- Must be responsible for its marketing

APP Program Details

The limit on cash advances is \$400,000.00 of which the first \$100,000.00 is interest free.

The cash advance rate cannot exceed 50% of the average market price that the Minister estimates will be payable to producers of the agricultural product in that area.

For livestock advances, a producer must be involved in a BRM program (Agri-Stability/Agri-Invest – formerly CAIS)

The livestock itself will be used as security unless the producer goes in to default on their loan at which time a security would be registered against their BRM program.

The cash advance must be repaid within the 18 month production period. The present period is from May 1, 2009 to October 31, 2010. The next period begins May 1, 2010 and ends October 31, 2011.

You must repay your cash advance as your agricultural product is sold.

Cash advances that are not paid back by the October 31st, 2010 end date of the production period go in to default, and are charged interest at prime + 3%.

The APP Programs

1) Interest Relief Program

Members of feeder associations in BC who purchase feeder cattle this fall will be eligible for interest relief on the eligible portion of their livestock purchases (up to \$100,000.00).

Members will have to complete and sign a simple application and submit a \$150.00 application fee to their feeder association. The application fee will be used to offset the additional reporting requirements that will be an added responsibility of the association's loan administrators.

The interest relief portion of the Advance Payments program follows the same guidelines as the APP. 50% of the future value of your feeders, are eligible for interest relief. You will need to provide on your application what your estimated average sale weight will be. You will also need to disclose if you have accessed the Advance Payments Program during the production period and the amount.

The current production period ends on Sept. 30, 2010. The member would then be responsible for interest accrued after that date until the livestock are sold. However a new production period starts on April 1, 2010. A member could purchase feeder cattle after that date and have interest relief on those purchases. This production period ends on Sept. 30, 2011. A member could have concurrent contracts and have interest relief on both as long as the purchases were made in the corresponding production periods.

The Advance Amount (50%) that has been determined for our agreement is \$45.35/cwt. (per hundred weight). This rate is the same for both steers and heifers. For example: A producer says that his expected live selling weight will be 1000 lbs. He pays \$500.00 for a 500 pound steer calf. (1000 lbs x \$45.35/cwt = \$453.50) That means that \$453.50/head will be eligible for interest relief and the producer will pay interest on \$46.50/head.

2) Full Advance Payments Program

Applications are available on the BCBFA website or from your local feeder/breeder association.

APP Rates

Feeder Calf (400-700 lbs).....	\$302.16
Feeder Cattle (700-900 lbs).....	\$356.55
Finished Cattle (900-1250lbs).....	\$445.77
Finished Cattle (Over 1250 lbs).....	\$549.44

Your application would be based on which category you would be selling the livestock at. For example you could apply for an advance on your calves, which when sold would fit into the feeder calf category (400-700 lbs)

On your APP Application, you would be eligible for interest relief up to \$100,000.00 of your loan. On loan amounts over \$100,000.00 your interest rate would be prime-.25%.

However, if you default on your loan, (for example do not pay it back when you sell calves, do not provide a sales receipt with payment or have a balance at the end of the production period you would pay prime + 3% on the entire loan balance.

Producers may only access up to \$100,000.00 of interest relief per production period from all APP programs from all Administrators. For example if you apply for interest relief on your feeder contract and apply for a cash advance on your calves the total on both for interest relief cannot exceed \$100,000.00. Any amounts over that you would be responsible for paying the interest.

The interest rate on Interest Free and Interest Bearing Advances is prime less .25% unless a producer defaults on their loan. If this happens the producer would pay prime + 3% on the entire cash advance.

There is a 1% holdback on all cash advances that will be payable back to producer when the loan has been paid out.

BCBFA APP Program Fees

Advance Requested	Admin %
\$1.00-\$24,999.00	1.5%
\$25,000.00-\$49,999.00	1.25%
\$50,000.00-\$74,999.00	1.00%
\$75,000.00-\$149,999.00	.75%
\$150,000-\$400,000.00	.5%

Minimum Fee \$375.00

Advances are due within 7 days of the sale of the livestock accompanied by a sales receipt or by September 30, 2009 if a regular advance or 12 months after an emergency advance is issued, whichever comes first. If you apply for an advance after May 1, 2009 then your advance would be due by October 31, 2010 or within 7 days of the livestock being sold (accompanied by a sales receipt), whichever comes first.

Producers may access up to \$100,000.00 interest relief in each production period. Production periods overlap for 6 months every year so a producer can access the interest free \$100,000.00 in each production period but their total advances combined for both production periods cannot exceed \$400,000.00.

Questions/Answers

1) If I buy and sell contract cattle on a regular basis how will that affect interest relief

"This program does not operate like a Line of Credit. When you sell the sale amount is applied to the loan. You cannot access that portion again until the next production period. You may only access up to \$100,000.00 of interest relief in a production period"

2) If I do not sell my cattle until November 15, 2010 which is after the Oct. 31, 2010 production period end, how will that affect me?

"For members accessing the interest relief with a feeder contract, that member will be responsible for the interest on their entire contract after the production period end date until the cattle are sold. For those beef producers accessing the full APP program, after October 31, 2010 you would be in default on your loan."

3) Who do I contact to access the Interest Relief program on a feeder contract I plan to start?

"You would contact the loan administrator of your feeder association"

4) If I am a member of a bred heifer association, am I eligible for interest relief on my bred heifer contract?

"No, any animals that are or have been used as breeding animals are not eligible for interest relief. You could however apply for an APP cash advance on the calves."

5) If I am a bred heifer association member and have a contract, how will applying for a cash advance on my calves affect me?

"Members of bred heifer co-ops may apply for a cash advance on their calves but as the calves are security for the Dec. 1st contract loan payment the Dec. 1st payment would need to be made early from the cash advance loan proceeds"

6) Do I have to pay the administration fee up front when I apply for a cash advance?

"NO, the administration fee will be deducted from your cash advance proceeds. The 1% holdback will also be deducted from your cash advance proceeds."

7) What is meant by "defaulting on the loan – cash advance"?

"If a producer applies for an advance and the balance is not paid back by Oct. 31st (production period end date) the producer would be in default. Their entire loan/cash advance would revert to prime + 3%."

8) If I sell cattle that I have received a cash advance on, can I payout my cash advance from the proceeds?

"All repayments against the cash advance must be accompanied by the sales receipt. The amount that must be applied against the advance would be the cash advance rate/head (minimum) or the average amount/head received (maximum)."

For further information contact the loan administrator of your feeder or breeder cooperative or contact:

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