



## Calculating Target and Market Prices

### 2023 Information Sheet Risk Management Program

Complete details about RMP: Grains and Oilseeds are available on [agricorp.com](http://agricorp.com) and in the participant handbook and accompanying information sheets. See the last page for more information.

#### 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 to account for inflation.

#### Farm sample

Farms are included in the sample if they:

- Participated in both AgriStability and Production Insurance in 2021.
- Earned at least 90% of their AgriStability allowable income from the sale of grains and oilseeds in 2021.
- Submitted all required income, expense and inventory information to AgriStability for 2021.
- Grew at least 350 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%), 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% 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

Crop	Pre-harvest pricing period	Post-harvest pricing period	Source of forward contract and harvest spot prices
Barley	February 2023 – July 2023	August 2023 – January 2024	Average of monthly prices for delivery at a cross-section of Ontario elevators
Black beans	March 2023 – August 2023	September 2023 – February 2024	Average of monthly prices for delivery at a cross-section of Ontario elevators
Canola	January 2023 – June 2023	July 2023 – December 2023	Average of monthly prices for delivery at a cross-section of Ontario elevators
Corn and organic corn	April 2023 – September 2023	October 2023 – March 2024	Daily averages for Chatham delivery
Hard red winter wheat and hard white winter wheat	January 2023 – June 2023	July 2023 – December 2023	Daily delivery prices used to find an average price of Ontario elevators
Oats	February 2023 – July 2023	August 2023 – January 2024	Average of monthly prices for delivery at a cross-section of Ontario elevators
Soft red winter wheat, pedigreed seed and organic winter wheat	January 2023 – June 2023	July 2023 – December 2023	Daily delivery prices used to find an average price of Ontario elevators
Soft white winter wheat	January 2023 – June 2023	July 2023 – December 2023	Daily delivery prices used to find an average price of Ontario elevators
Soybeans (including organic, tofu, natto and pedigreed seed)	April 2023 – September 2023	October 2023 – March 2024	Daily averages for Chatham delivery
Spring grain	February 2023 – July 2023	August 2023 – January 2024	Average of monthly prices for delivery at a cross-section of Ontario elevators
Spring wheat (including pedigreed seed)	January 2023 – June 2023	July 2023 – December 2023	Daily averages of Ontario elevators
White beans (includes cranberry, kidney, Japan, adzuki and other beans)	March 2023 – August 2023	September 2023 – February 2024	Average of monthly prices for delivery at a cross-section of Ontario elevators

*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. Values such as premiums, support levels, and market prices may be based on other crops. Values for organic wheat and pedigreed seed winter wheat equal the values for soft red winter wheat. Values for hard white winter wheat equal the values for hard red winter wheat. Values for seed corn and organic corn equal the values for grain corn. For popping corn, premiums equal the premiums for grain corn, while support levels and the market price are 2.5 times the price of grain corn. Values for pedigreed seed soybeans equal the values for soybeans. Values for pedigreed seed spring wheat equal the values for spring wheat. Support levels and market prices for cranberry beans, kidney beans and Japan/adzuki/other beans equal the values for white beans.*

## 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 2022 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 Updates 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](http://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](http://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
- Minister's Order 0006/2021: Risk Management Program
- Order-in-Council: 103/2021: 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).

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