

Limited Reference Margins

Starting in the 2013 program year, AgriStability benefits will be calculated using the **lower** of:

- the reference margin, or
- the average allowable expenses in the years used to calculate the reference margin.

To determine whether your reference margin will be limited, the total allowable expenses in each of the three years used in your reference margin are averaged and compared to the reference margin.

The lower of either your average of total allowable expenses or the reference margin will be used in the calculation of benefits.

Step 1 Calculate each of the five program margins in the reference period (if available).

Step 2 Apply structure change adjustment (if required).

Step 3 Use the Olympic average to select the three years used to calculate the reference margin.

Step 4 Using the same three years selected above, determine the allowable expenses reported in each year.

Step 5 Apply accrual adjustments to expenses (you would add opening purchased inputs, subtract opening accounts payable, subtract ending purchased inputs and add ending accounts payable).

Step 6 Apply structure change adjustment to expenses (if required).

Step 7 Compare the reference margin to the average allowable expenses.

Step 8 Determine whether the reference margin or the average allowable expenses are lower.

Step 9 Use the lower amount in the final calculation of benefits.

Example: New Margin Calculation

	2008	2009	2010	2011	2012
Total Allowable Income	\$226,400	\$257,600	\$445,900	\$364,600	\$703,500
Total Allowable Expense	\$248,500	\$198,900	\$198,300	\$217,500	\$236,700
Accrual Adjustments	\$55,400	\$104,800	\$34,800	\$169,900	\$(115,000)
Margin	\$33,300	\$163,500	\$282,400	\$317,000	\$351,800
Reference Margin for 2012	\$254,300				
Accrual Adjusted Expenses					
<i>Plus opening purchased inputs</i>	\$15,900	\$13,000	\$31,000	\$42,900	\$46,000
<i>Less ending purchased inputs</i>	\$13,000	\$31,000	\$42,900	\$46,000	\$44,700
<i>Less opening accounts payable</i>	\$0	\$0	\$0	\$0	\$0
<i>Plus ending accounts payable</i>	\$0	\$0	\$0	\$0	\$0
Accrual Adjusted Expenses	\$251,400	\$180,900	\$186,400	\$214,400	\$238,000
Average Expenses with Accrual Adjustment	\$193,900				
Limited Reference Margin used for 2013	\$193,900				