Technical Information Circulars for AgriStability
Inventory Valuation

Contents

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All program participants must use the hybrid inventory valuation method for the program year. The hybrid method involves the assessment of market and non-market inventories.

Market Inventories
Market inventory valuation will be determined based on prices at the opening price (P1) and end of the year (P2). This is referred to as the P1/P2 Hybrid Inventory Valuation method. Examples of marketable commodities include all crops and livestock intended for sale.

Adjustments for market inventory will be made by calculating the variance between the ending inventory valuation and the opening inventory valuation.
[(Ending Inventory x End of the Year Price P2) – (Opening Inventory x Opening Price P1)]

Non-Market Inventory
Non-market inventory will be valued based on the price at the end of the year price (P2) only. This includes non-market inventory such as breeding cows, bulls, sows, boars, ewes, rams, does, bucks, all culled breeding stock, and laying poultry. Any animal that could be considered part of the above list, even if it is solely intended for sale, is considered non-market inventory for the purposes of the hybrid method of inventory valuation.

Non-market inventory adjustments will be made by calculating the difference between the ending inventory less beginning inventory multiplied by the year-end price.

(Ending Inventory - Opening Inventory) x End of the Year Price P2

Perishable Commodities
The P1/P2 Hybrid Inventory Valuation method is not used to value perishable commodities. Adjustments will be made to perishable commodities (e.g., potatoes, apples, carrots) on an accounts receivable basis rather than an inventory valuation basis, because perishable commodities can spoil or decay easily, and cannot normally be stored for more than 10 months.

Breeding Animals for Accrual Livestock Filers
If you reported to the CRA on the accrual basis, any livestock inventory values you reported will be adjusted to ensure the value of breeding animals and culling breeding animals reflects the end of the year (P2) price only. The adjustment will be based on the participants' end of the year (P2) price they used to value their inventory to CRA.

Fair Market Values (FMV)

The administration uses fair market values (FMV) to value changes in inventory for crop and livestock production. FMV's are established for each month and are used to value inventory for

any day within that month. For example, the ending inventory value for an individual with a tax year end of December 31 will use the December FMV for that program year.

Published Commodities

A set of industry standard FMVs are published for high volume, openly traded commodities. For those who wish to use a value other than the published FMV, you must demonstrate that:

- Your commodity is different than the commodity listed on the published price list; or
- Your method of marketing the commodity was different from the general marketing practice reflected in the published price list.

In either case, you must provide arm's length documentation of either sales or purchases occurring within 30 days either before or after your fiscal year end.

The Administration will make best efforts to ensure that the FMV's used to value opening and closing inventory within, and operation are from the same data source (for example, that a published FMV is not used for the opening while a personal FMV is used for the closing.)

Unpublished Commodities

To value unpublished commodities (e.g., thinly traded commodities) that do not appear on the AgriStability price list, you must provide year-end prices based on the estimated market prices at year-end. Prices supplied for unpublished commodities should be based on sales or purchases within 12 months either before or after your fiscal year-end. Providing supporting documentation for these commodities will assist with processing your application. Supporting documentation includes:

- receipts from sales or purchases of the commodity; or
- specific commodity price information from appropriate commodity marketing agencies.

Individuals should submit any supporting documents to SCIC while submitting their application.

Purchased Commodities

Purchased input inventory (e.g., seed, purchased feed, fertilizer), will be valued using the actual purchase cost of that inventory. It is not to be included as part of your produced inventory instead as ending purchase input.