Federal Court of Appeal | Cour d'appel fédérale

Date: 20261027

Docket: A-109-25

Citation: 2026 FCA 178

2026 FCA 178 (CanLII)

CORAM: **GLEASON J.A.**
LOCKE J.A.
MCHAFFIE J.A.

BETWEEN:

HYOTA FARMS LTD.,

Appellant

and

HIS MAJESTY THE KING,

Respondent

Heard at Winnipeg, Manitoba, on October 27, 2026.
Judgment delivered from the Bench at Winnipeg, Manitoba, on October 27, 2026.

REASONS FOR JUDGMENT OF THE COURT BY: LOCKE J.A.

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REASONS FOR JUDGMENT OF THE COURT
(Delivered from the Bench at Winnipeg, Manitoba, on October 27, 2026).

LOCKE J.A.

[1] Hyota Farms Ltd. (Hyota) appeals a decision of the Federal Court (2025 FC 304) that dismissed its application for judicial review of a decision of the Farm Income Programs Directorate (FIPD) of Agriculture and Agri-Food Canada. The FIPD's decision, communicated by letter dated March 11, 2024, denied Hyota's application for benefits under the 2019 AgriStability Program.

[2] Paragraph 4(1)(a) of the *Farm Income Protection Act*, S.C. 1991, c. 22 (FIPA) provides that the Governor in Council may, by order, authorize the Minister of Agriculture and Agri-Food to enter into an agreement with one or more provinces to provide for the establishment of a net income stabilization account program. Paragraphs 5(1)(a) and (c) of the FIPA provide, respectively, that such an agreement shall provide for "the criteria for determining the eligibility of producers for participation in the program" and "the manner of determining the income of producers and the manner of determining the value of the eligible agricultural products produced by them".

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[3] Pursuant to the FIPA, Canada and the provinces and territories entered into the Canadian Agricultural Partnership (CAP Agreement). Paragraph 18.1 of the CAP Agreement refers to Annex A thereto, and paragraph 5.7 of Annex A provides that

> Program Guidelines shall be established to specify the details of eligibility and payment calculations and any other interpretation or clarification required for the proper operation of AgriStability and AgriInvest on a basis that is consistent with this Agreement and consistent across participating Provinces or Territories … The Administrator and the Administering Party shall adhere to the Program Guidelines.

[4] Program Guidelines as contemplated in paragraph 5.7 of Annex A (the Guidelines) are entitled "AgriStability: Canadian Agricultural Partnership – Program Guidelines", and are found in the appeal book beginning at page 188.

[5] In 2019, Hyota indicated its intention to participate in the AgriStability Program, and in 2020, it made its application for benefits under the program. The wrinkle in this case arises from the fact that Hyota's fiscal year-end changed, with the result that it had two year-ends in 2019,

one on June 30 and the other on December 28. This introduced a complication to the calculation of Hyota's benefits under the program. Fortunately, paragraph 4.6 of the Guidelines contemplates this situation. That paragraph provides that the income statement for the fiscal period representing less than 12 months "will be combined with the information from preceding statements until a minimum period of 12 months is available." Then, "[t]he combined income and expenses will be prorated to reflect a 12-month period."

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[6] There is no dispute that the FIPD used the approach contemplated in paragraph 4.6 of the Guidelines, as well as paragraph 4.4.1 (Hybrid Inventory Adjustment), to conclude Hyota was not eligible for benefits. However, Hyota argues, as it did before the Federal Court, that it was unreasonable for the FIPD to rely on routine calculation methods in its case because it failed to consider the volatility of hog prices (high in June and low in December). Hyota argues that it was denied benefits based on calculations that skewed the data to indicate that it had a more successful year than it did. In doing so, Hyota submits, the FIPD ignored reality and departed from the intent of the program. It argues that the FIPD fettered its discretion by rigidly applying the Guidelines. Indeed, the FIPD's March 11, 2024 decision letter suggests that it felt bound to determine eligibility for benefits according to the Guidelines, noting that "there is no authority that allows for an exception to the Guidelines in this case."

[7] The question in this appeal is whether the Federal Court, first, identified the appropriate standard of review, and second, applied it correctly: *Agraira v. Canada (Public Safety and Emergency Preparedness)*, 2013 SCC 36 at para. 45. This Court steps into the shoes of the Federal Court and focuses on the FIPD's decision. The parties do not dispute that the Federal

Court identified the appropriate standard of review as reasonableness. The task for this Court then is to determine whether the Federal Court was correct in finding that the FIPD's conclusion that Hyota was not entitled to any benefits under the AgriStability Program was reasonable.

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[8] In our view, it was reasonable. The FIPD's reliance on the Guidelines was reasonable because the CAP Agreement, which is the basis for the AgriStability Program, contemplates that the details of eligibility and payment calculations will be specified by the Guidelines. The Guidelines even contemplate Hyota's situation, in which its fiscal year-end has changed, and provide for adjustments to calculations accordingly. As the FIPD noted, nothing permits it to stray from the Guidelines on the basis that Hyota is allegedly disadvantaged by the prescribed method of calculation. Indeed, because the Guidelines stem from an interjurisdictional agreement that is itself grounded in federal statute, the FIPD's discretion to depart from them is significantly constrained. That statement is no less true if Hyota suffers because of the use of this method.

[9] We do not agree with Hyota's argument that the Guidelines permit the distinct method of calculation it proposes. We also do not agree that the Federal Court decision in *Mac Berry Farms Limited v. Canada (Agriculture and Agri-Food)*, 2022 FC 264, is helpful. That decision granted an application for judicial review of a refusal by the FIPD to grant benefits under the AgriStability Program, but for inadequacy of reasons. Hyota acknowledges that the reasons for the FIPD's decision in this case are not inadequate.

[10] For these reasons, this appeal will be dismissed with costs.

"George R. Locke"
J.A.

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FEDERAL COURT OF APPEAL

NAMES OF COUNSEL AND SOLICITORS OF RECORD

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