

NEWFOUNDLAND AND LABRADOR
CROP INSURANCE AGENCY

Annual Performance Report

April 01, 2011- March 31, 2012



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Chairperson's Message

Honourable Jerome Kennedy
Minister of Natural Resources
Natural Resources Building
P.O. Box 8700
St. John's, NL
A1B 4J6

Dear Minister:

I am pleased to submit the Annual Performance-Based Report for the Newfoundland and Labrador Crop Insurance Agency, a category 3 public body under the *Transparency and Accountability Act*. This report covers the period April 1, 2011 to March 31, 2012.

The Newfoundland and Labrador Crop Insurance Agency recognizes its legislative role under the *Crop Insurance Act* to establish and carry out a crop insurance plan under the direction, supervision and control of the Minister. The Agency has prepared this report to outline its activities during the first year in fulfillment of objectives established under the 2011-2014 Activity Plan.

My signature below is on behalf of the Newfoundland and Labrador Crop Insurance Agency Board and is indicative of the Board's accountability for the preparation of this report and the results reported on its activities.

Respectfully submitted,

A handwritten signature in black ink that reads "C. MacDonald".

Cynthia MacDonald, P. Ag.
Chairperson

Overview

The Newfoundland and Labrador Crop Insurance Agency is a Crown Corporation of the Province of Newfoundland and Labrador. In June 2009, officials from both the Provincial and Federal governments signed the Growing Forward Agreement. A subsection of this Agreement states the parameters of and allows for the cost-sharing of the AgriInsurance program. Under this Agreement, the name “Production Insurance” was officially changed to “AgriInsurance”. The Agency provides an affordable and effective AgriInsurance program for vegetable producers and operates within the *Crop Insurance Act*, R.S.N. 1990, c.C-39. The membership of the Agency shall consist of not less than three and not more than seven members to be appointed by the Lieutenant-Governor to hold office at pleasure.

The Agency presently consists of the following Board members:

Cynthia MacDonald – Chairperson, Director of Agriculture Business Development Division, Forestry and Agrifoods Agency, Department of Natural Resources

Junior Eveleigh – Producer Representative

Elaine Wells – Producer Representative

Gerald Wicks – Agriculture Development Officer, Agriculture Business Development Division, Forestry and Agrifoods Agency, Department of Natural Resources

The headquarters of the Agency is in Corner Brook. A branch office for Eastern region field work is located at the Provincial Agriculture Building in St. John’s, and this office services all locations east of the Bay D’Espoir highway. There is one other Western region office located in Pynn’s Brook, and this office services areas west of the Bay D’Espoir highway and Labrador. An Agricultural Development Officer with the Department of Natural Resources also assists producers in the Happy Valley-Goose Bay area.

The Agency operates under the umbrella of the Forestry and Agrifoods Agency with an independent annual budget of approximately \$420,000 before accounting for revenue received from the Federal Government of Canada. Since the Newfoundland and Labrador Crop Insurance Agency is part of a National Crop Insurance Program, the administration costs of the program are cost-shared on a 60:40 federal-provincial basis. The annual financial statements of the Crop Insurance Agency are audited by the Office of the Auditor General of Newfoundland and Labrador.

Up to four Agricultural Inspectors employed with the Forestry and Agrifoods Agency assist

the Crop Insurance Agency with field inspections. Also, the Secretary/Manager of the Newfoundland and Labrador Crop Insurance Agency is an employee of the Forestry and Agrifoods Agency. The Crop Insurance Agency may be contacted at (709) 637-2077.

In years where crop losses occur, through one or more insurable perils, financial compensation is provided to help alleviate the financial strain these losses may cause. The amount of compensation paid to producers is dependant upon the coverage level and the per unit value chosen by the producer at the beginning of the crop season. AgriInsurance premiums are paid on a cost-shared basis with producers paying 40 percent, the federal government paying 36 percent and the provincial government paying 24 percent. These premiums are deposited into a fund from which indemnities are drawn. Premiums collected in 2011-12 totaled \$97,860. This figure includes the governments' premiums as well as the producers' premiums. Appendix A shows the base rate premiums for 2011-12.

In 2011-12 there were 16 producers enrolled in the AgriInsurance program with \$131,898 paid by the Agency for crop losses. Indemnity payments were approximately 20% greater than the ten year average. There were a relatively high number of claims and most claims were fairly significant due to reductions in crop yields. Unusually cool and wet conditions throughout the growing season led to reduced production for some crops across the province; cabbage in particular was considerably distressed. A breakdown of each commodity is provided in Table 1.

Table 1: 2011-2012 AgriInsurance Statistics

	Potato	Turnip	Cabbage	Carrot Mineral	Carrot Peat	Beet	Parsnip	TOTAL
Producers insured	8	13	8	9	0	4	1	43
Contracts Prepared	8	13	8	9	0	4	1	43
Acres insured	108.69	87.27	44.01	39.03	0	5.83	6.94	291.77
Coverage (\$)	203,398	326,962	204,696	126,934	0	19,231	23,867	905,088
Total Premiums Collected (\$)	18,900	34,896	21,709	15,112	0	4,713	2,530	97,860
Indemnity Claims	2	3	6	2	0	2	0	15
Indemnity Payments (\$)	4,034	19,704	85,320	13,593	0	9,247	0	131,898

Mandate:

The mandate of the Newfoundland and Labrador Crop Insurance Agency is to establish and carry out a crop insurance plan under the direction, supervision and control of the Minister of Natural Resources. The Agency shall;

- administer plans of crop insurance established under the *Crop Insurance Act* or the regulations,
- fix by order and publish in the Gazette a final date in each year for the receipt of applications for insurance under a plan,
- conduct surveys and research programs relating to insurance and obtain statistics for the purposes of the agency,
- evaluate and determine crop losses and pay claims under a plan,
- enter into agreements with or retain persons for the soliciting and receiving of applications for insurance, the collecting of premiums and the adjusting of claims under plans for and on behalf of the agency, and the doing of other things on its behalf that the agency considers necessary,
- reinsure with another insurer the risk or a portion of it under a contract,
- require an applicant for crop insurance or an insured person to provide the information, statements and reports that the agency may require,
- exercise the powers and perform the duties that are conferred or imposed upon it under the *Crop Insurance Act* or another *Act*,
- perform the other functions and discharge the other duties that are assigned to it by the Lieutenant-Governor in Council and,
- make the orders and directions that are necessary to enforce the observance of the *Crop Insurance Act*, the regulations or a plan.

Vision:

Through the AgriInsurance program, the Newfoundland and Labrador Crop Insurance Agency protects investments in crop production. By easing the financial burden in times of crop loss, the AgriInsurance program helps ensure resources are available for future generations and helps ensure prospects for future development. It contributes to the vision of the Department of Natural Resources, stated as follows:

“The vision of the Department of Natural Resources is a province that realizes the full benefit from the sustainable development of its natural resources.”

Mission:

The mission statement is the priority focus area of a public body over its bi-annual planning cycle. It represents the key longer term result that the public body and the responsible minister will support strategic direction outcomes. The statement also identifies the measures and indicators that will assist a public body and the public in monitoring and evaluating success.

During the 2006-08, 2008-11 and 2011-14 planning periods, the Newfoundland and Labrador Crop Insurance Agency determined that the creation of a Mission statement would be unduly repetitive of its mandate. Thus, the Agency opted to forgo development of a mission statement at that time.

Instead, the Newfoundland and Labrador Crop Insurance Agency considered its role in assisting the Forestry and Agrifoods Agency in achieving its mission for the planning period. The Crop Insurance Agency has a role in facilitating opportunities for agricultural and agrifoods resource development by administering the AgriInsurance program, thereby helping protect vegetable farmers from financial losses. Aspects of the following general statement from the mission of the Forestry and Agrifoods Agency related to agriculture and agrifoods sectors apply to the Crop Insurance Agency:

“By March 31, 2017, Forestry and Agrifoods Agency will have supported programs and services to strengthen and sustain forestry, agriculture and agrifoods industry development in an innovative and economically beneficial manner.”

The Crop Insurance Agency has determined that it has no material impact on achievement of measures and indicators of the Forestry and Agrifoods Agency’s mission statement.

The complete mission of the Forestry and Agrifoods Agency is found in its Strategic Plan for the period covering April 1, 2011 to March 31, 2014. Both documents can be found on the Department of Natural Resources web site at www.nr.gov.nl.ca.

Lines of Business

The sole line of business of the Newfoundland and Labrador Crop Insurance Agency is the delivery of AgriInsurance to the vegetable producers of the province.

The AgriInsurance program is voluntary and producers who decide to join each year do so by applying before the April 30 deadline. Currently, there are insurance plans in place for potato, turnip, cabbage, carrot (separate plans are available for carrot grown on mineral soil and peat land), parsnip and beet.

The AgriInsurance program is a provincially delivered program to which the federal government contributes. This cost-shared program stabilizes a producer's income by minimizing the economic effects of crop losses caused by natural hazards like hail, frost, snow, wind, drought, excessive moisture, plant disease, insect infestation, wildlife and any other condition beyond the control of the insured person. Ultimately the producer benefits by reducing the risk involved in farming that is shared between the producer, the province and the federal government.

Crop loss protection is available to producers in the form of a production guarantee and is made more affordable and flexible to producers through government contributions. A production guarantee is based on a producer's probable yield based on the individual's previous production history or on a provincial benchmark for those producers with less than a fifteen year history for an individual crop. If production falls below the guaranteed yield, the producer may be eligible for an indemnity payment.

Producers have the option of insuring their crop at three coverage levels and two price options. The coverage levels are sixty percent, seventy percent and eighty percent. One price option is based on the pre-harvest cost of production value for each crop while the other option is based on the market value of a particular crop. The market value is calculated as seventy percent of the average market value of the previous five years as determined by Statistics Canada.

Insured producers are guaranteed a specified yield in pounds per acre for each insurable commodity. If harvested production falls below the guaranteed production as determined by the Agency at the beginning of the growing season, the producer is paid for the difference at the price option chosen by the insured.

In order to provide producers with an affordable and effective AgriInsurance program, the Governments of Canada and Newfoundland and Labrador provide financial support under the Canada - Newfoundland and Labrador AgriInsurance Agreement. Under the terms of

the Agreement, the Government of Canada provides financial assistance by contributing thirty six percent of the premiums, and the Government of Newfoundland and Labrador contributes twenty four percent of premiums and the producers are responsible for contributing forty percent of the total premiums.

Outcome of Activities

In its 2011-14 Activity Plan, the administration of the AgriInsurance Program was identified as the key priority of the Agency for the 2011-14 planning period. Through the administration of this program, the Agency's activities during 2011-12 directly supported primary agriculture production, thus supporting Government's broader strategic direction to work with relevant stakeholders to ensure the strategic development of our forestry, agriculture and agrifoods sectors. The Agency's 2011-14 Activity plan can be found on the Publications section of the Department of Natural Resources website at www.nr.gov.nl.ca.

Issue 1: Management and Administration of the AgriInsurance Program

The primary issue of the Newfoundland and Labrador Crop Insurance Agency is to deliver the AgriInsurance plan to the vegetable producers of Newfoundland and Labrador who choose to participate and to assess the feasibility of offering new insurance plans upon request by industry.

Objective: By March 31, 2012 the Newfoundland and Labrador Crop Insurance Agency will have continued to offer an insurance plan to vegetable producers and assessed the feasibility of covering additional products, as required.

Measure: Offered insurance plan and assessed feasibility of new products, as required

Indicators:

- **Registered applications for Crop Insurance**

The Crop Insurance Agency sent applications to all vegetable producers by March 31, 2011. Sixteen producers returned a completed application by April 30, 2011. Upon receipt of these applications, the prospective participants were entered into the Crop Insurance Agency's databank.

- **Issued contracts**

A contract with the Crop Insurance Agency was completed for each of the 16 applicants. The signed contract was placed in the participant's file. The contract spelled out, in detail, the terms and conditions of the program, the responsibilities of both the participant and the Crop Insurance Agency, the crops and perils covered and planting deadlines, harvesting deadlines, price options and coverage levels. The contract also included the methodology for determining the premium to be paid by the participant and the deadline for paying the premium.

- **Insured fields measured and inspected**

Agricultural Inspectors measured all insured fields with Global Positioning System units to determine the precise size of each insured field and test dig markers were placed. At the same time each field was inspected to ensure the participant was following generally accepted practices of seedbed preparation and seeding/planting techniques. A total of 291 acres was insured in 2011-12.
- **Test dig and yield calculations completed**

During the harvest season, the Agricultural Inspectors harvested the test digs in each field. By weighing the test dig results and using these results, the Inspectors calculated the marketable yield for each crop insured. These yield calculations were completed for each crop and each participant. The yield calculations were then compared to the guaranteed yield calculated for each participant to determine whether or not the insured producer was in a claim position.
- **Reviewed all claims**

During the fiscal year, 16 participants made a total of 15 claims for crop losses. The Board of Directors of the Newfoundland and Labrador Crop Insurance Agency held an annual general meeting to review all outstanding claims and to decide whether or not the claims were valid.
- **Decisions communicated to applicants and indemnities paid**

The 15 claims for 16 participants were submitted, 14 of which claims were approved and paid out. One claim for abandonment was approved but later revoked as the producer did not adhere to established program plow down requirements. The Secretary/Manager of the Crop Insurance Agency communicated the decisions of the Board to the respective participants. A total of \$131,898 in indemnities was paid by the Board.
- **Commenced appeal process when requested by producers**

Producers who participated in the program and did not agree with the decision of the Board with respect to their claim had the right to appeal. The participants were given two weeks to file a notice of intent to appeal followed by finding an arbitrator agreeable to both parties. One insured producer appealed their claim for 2011-12. The appeal process is currently in progress.
- **Assessed feasibility of covering new crop products, upon request, and carried out development work on insurance plans for new crops approved.**

Preliminary work was carried out on the development of a blueberry insurance product. The Secretary/Manager of the Crop Insurance Agency reviewed blueberry insurance programs available in Canadian provinces. Discussions have been held with AAFC and other maritime provinces through February and March of 2012 on the existing methodologies and policies

regarding blueberry programs. The assessment of these discussions during this period has not yet been able to determine if a new insurance plan is feasible. Additional assessment work will continue through 2012 – 13 on the feasibility of this potential new insurance product in order to move forward on a potential need to develop new insurance plans.

The 2012/13 annual report will be on the same objectives, measures and indicators.

Opportunities and Challenges

The challenges that continue to affect the AgriInsurance program include the yield assessment methodology which is often questioned by producers, retaining well trained staff, increasing producer participation, and large geographical regions within the province where producers are widely spread out.

An important opportunity in attracting clients has been the recent benefit to producers of access to funding assistance programs when producers are enrolled in the AgriInsurance program. Also the ongoing research and development of programs to cover important but previously uninsurable crops is a key opportunity for future development of the AgriInsurance program.

Appendix A

2011-2012 Premium Base Rates

CROP	COVERAGE LEVELS		
	60 per cent	70 per cent	80 per cent
Potato	17.01 %	23.47 %	29.24 %
Turnip	14.89 %	19.81 %	24.55 %
Cabbage	15.28 %	18.79 %	22.07 %
Carrot-mineral	14.71 %	18.27 %	21.64 %
Carrot-peat	34.70 %	37.19 %	40.16 %
Beet	31.99 %	34.48 %	36.69 %
Parsnip	11.35 %	18.48 %	25.04 %