

**NEWFOUNDLAND AND LABRADOR  
CROP INSURANCE AGENCY**

**ANNUAL PERFORMANCE REPORT**

**APRIL 1, 2010 - MARCH 31, 2011**



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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, 2010 to March 31, 2011.

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 third year in fulfillment of objectives established under the 2008-2011 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** – Provincial Representative

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 \$413,000 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 prepared 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 2010-11 totaled \$133,765. This figure includes the governments' premiums as well as the producers' premiums. Appendix A shows the base rate premiums for 2010-11.

In 2010-11 there were 29 producers enrolled in the AgriInsurance program with \$96,770 paid by the Agency for crop losses. Indemnity payments were below the ten year average. Although there were a relatively high number of claims, most claims were for small reductions in crop yields. An unusually cool and wet June followed by a dry July and wet August and September in 2010 led to reduced production for some crops across the province. A breakdown of each commodity is provided in Table 1.

**Table 1: 2010-2011 AgriInsurance Contract Summaries**

	Potato	Turnip	Cabbage	Carrot Mineral	Carrot Peat	Beet	Parsnip	TOTAL
<b>Contracts by crop</b>	15	19	18	12	0	5	2	71
<b>Acres insured</b>	125.83	122.09	63.98	35.36	0	7.87	6.1	361.23
<b>Coverage (\$)</b>	198,806	417,614	276,138	97,038	0	21,901	22,382	1,033,879
<b>Total Premiums Collected (\$)</b>	15,142	55,643	36,488	15,264	0	7,184	4,044	133,765
<b>Indemnity Claims</b>	5	9	1	1	0	0	1	17
<b>Indemnity Payments (\$)</b>	19,562	74,008	166	1,716	0	0	1,318	96,770
<b>Insured Producers</b>	29							

**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 instance, 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 of a province that is realizing 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 planning cycle. It represents the key longer term result that the public body and the responsible minister will work towards to achieve a component of government’s Strategic Directions. The statement also identifies the measures and indicators that will assist a public body and the public in monitoring and evaluating success.

During the 2007-08 and 2008-11 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, 2011, the Forestry and Agrifoods Agency will have:

- (i) implemented programs necessary to sustain the province's forest ecosystems;
- (ii) identified and facilitated further opportunities for sustainable agriculture and agrifoods resource development; and
- (iii) optimized the benefits received from these resources.

The Crop Insurance Agency determined that it has no material impact on the 2008-11 mission measures and indicators of the Forestry and Agrifoods Agency.

The complete mission of the Forestry and Agrifoods Agency is found in its strategic plan for the period covering April 1, 2008 to March 31, 2011. The Agency's progress toward achievement of its mission and associated measures and indicators is included in its annual performance report for 2010-11. Both documents can be found on the Department of Natural Resources web site at [www.nr.gov.nl.ca](http://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 2008-11 Activity Plan, the administration of the AgriInsurance Program was identified as the key priority of the Agency for the 2008-11 planning period. Through the administration of this program, the Agency's activities during 2010-11 directly supported primary agriculture production, thus supporting Government's broader strategic direction to work toward increased forestry, agrifoods, and agriculture development and diversification. The Agency's 2008-11 Activity plan can be found on the Publications section of the Department of Natural Resources website at [www.nr.gov.nl.ca](http://www.nr.gov.nl.ca).

**Issue 1: Administered the AgriInsurance Program**

**Objective:** The Newfoundland and Labrador Crop Insurance Agency will have processed applications for crop insurance under the *Crop Insurance Act*.

**Measure:** Processed applications

**Indicators:**

- **Registered applications for Crop Insurance**

The Crop Insurance Agency sent applications to all vegetable producers by March 31, 2010. Twenty nine producers returned a completed application by April 30, 2010. 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 29 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 361 acres was insured in 2010-11.

- **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 18 claims for crop losses. The Board of Directors of the Newfoundland and Labrador Crop Insurance Agency held a meeting to review each claim and to decide whether or not the claim was valid.

- **Decisions communicated to applicants and indemnities paid**

The 18 claims for 16 participants were submitted, 17 of which claims were approved and paid out. One claim was rejected due to poor seed bed preparation. The

Secretary/Manager of the Crop Insurance Agency communicated the decisions of the Board to the respective participants. A total of \$94,660 in indemnities was paid by the Board.

- **Commenced appeal process**

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 2010-11. The appeal process awarded an additional \$2,110 in indemnities.

## **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, 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

### 2010-2011 Premium Base Rate (%)

POTATO			TURNIP			CABBAGE		
Coverage (%)			Coverage (%)			Coverage (%)		
60	70	80	60	70	80	60	70	80
8.40	16.45	18.50	16.88	16.23	19.51	14.33	13.20	14.95

CARROT - Mineral			BEET			PARSNIP		
Coverage (%)			Coverage (%)			Coverage (%)		
60	70	80	60	70	80	60	70	80
16.84	21.45	20.10	31.35	31.81	35.06	13.74	18.62	22.57

CARROT - Peat		
Coverage (%)		
60	70	80
34.70	37.23	40.16

**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY**  
**NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2011**



OFFICE OF THE AUDITOR GENERAL  
St. John's, Newfoundland and Labrador

**AUDITOR'S REPORT**

To the Board of Directors  
Newfoundland and Labrador Crop Insurance Agency  
Corner Brook, Newfoundland and Labrador

**Report on the Financial Statements**

I have audited the accompanying financial statements of the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund which comprise the statement of financial position as at 31 March 2011, and the statement of revenues, expenses and deficit for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

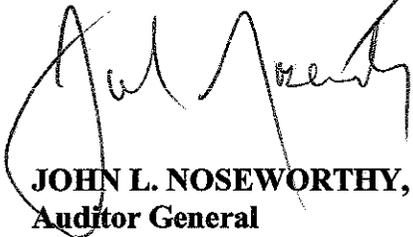
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Auditor's Report (cont.)**

### *Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund as at 31 March 2011, and its financial performance for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "John L. Noseworthy", is written over the printed name and title.

**JOHN L. NOSEWORTHY, CA**  
**Auditor General**

St. John's, Newfoundland and Labrador  
28 June 2011

**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY  
 NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND  
 STATEMENT OF FINANCIAL POSITION**

31 March

2011

2010

**ASSETS**

**Current**

Cash	\$ 163,823	\$ 130,332
Accounts receivable (Note 2)	4,010	1,902
	\$ 167,833	\$ 132,234

**LIABILITIES AND EQUITY**

**Current**

Accounts payable and accrued liabilities (Note 3)	\$ 3,710	\$ 6,591
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**Equity**

Contributions – Province of Newfoundland and Labrador	280,000	280,000
Deficit	(115,877)	(154,357)
	164,123	125,643
	\$ 167,833	\$ 132,234

*See accompanying notes*

Signed on behalf of the Board:

C. MacDonald  
 Chair

Serald Weeks  
 Member

**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY**  
**NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND**  
**STATEMENT OF REVENUES, EXPENSES AND DEFICIT**  
**For the Year Ended 31 March**

2011

2010

**REVENUES**

Government of Canada (Note 4)	\$ 138,726	\$ 195,044
Province of Newfoundland and Labrador (Note 4)	92,484	130,029
Premiums from insured persons	53,506	58,351
Conference registration fees	2,230	-
Late payment fees	1,387	-
Appeal administration fee	100	100
	<b>288,433</b>	<b>383,524</b>

**EXPENSES**

Administration (Note 5)		
Bank charges	20	17
Board expenses	1,780	1,597
Equipment supplies	-	9,463
Professional services	1,600	2,904
Purchased services	10,771	5,626
Salaries and employee benefits	111,631	190,108
Supplies	10,783	10,903
Transportation and communications	14,366	16,928
	<b>150,951</b>	<b>237,546</b>
Conference expense	2,232	-
Indemnity claims	96,770	72,768
	<b>249,953</b>	<b>310,314</b>
<b>Excess of revenues over expenses</b>	<b>38,480</b>	<b>73,210</b>
<b>Deficit, beginning of year</b>	<b>(154,357)</b>	<b>(227,567)</b>
<b>Deficit, end of year</b>	<b>\$ (115,877)</b>	<b>\$ (154,357)</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY**  
**NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 2011**

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**Authority**

The Newfoundland and Labrador Crop Insurance Agency (the Agency) operates under the authority of the *Crop Insurance Act*. The purpose of the Agency is to operate the Newfoundland and Labrador Crop Insurance Fund which provides insurance to farmers of the Province through restricting the amount of financial loss due to crop failure. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. These statements are a representation of the activities of the Newfoundland and Labrador Crop Insurance Fund.

**1. Summary of accounting policies**

These financial statements have been prepared by the Agency's management in accordance with Canadian generally accepted accounting principles. The Agency does not prepare a statement of cash flows since the changes in cash flows are readily apparent from the other statements.

**2. Accounts receivable**

	<u>2011</u>	<u>2010</u>
Province of Newfoundland and Labrador	\$ 1,620	\$ 1,902
<u>Premiums from insured persons</u>	<u>4,530</u>	<u>2,140</u>
	6,150	4,042
<u>Less: allowance for doubtful accounts</u>	<u>2,140</u>	<u>2,140</u>
	<u>\$ 4,010</u>	<u>\$ 1,902</u>

**3. Accounts payable and accrued liabilities**

	<u>2011</u>	<u>2010</u>
Indemnity claim payable to insured persons	\$ 2,110	\$ 5,191
<u>Province of Newfoundland and Labrador</u>	<u>1,600</u>	<u>1,400</u>
	<u>\$ 3,710</u>	<u>\$ 6,591</u>

**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY**  
**NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 2011**

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**4. Premium contributions and administration expenses**

Under an agreement with the Government of Canada, the Province of Newfoundland and Labrador recovers 60% of the total government contribution for premiums and eligible administration expenses.

	<u>2011</u>	<u>2010</u>
Government of Canada		
Premiums contributions	\$ 48,155	\$ 52,516
Payments for administration	90,571	142,528
	<u>\$ 138,726</u>	<u>\$ 195,044</u>
Province of Newfoundland and Labrador		
Premiums contributions	\$ 32,104	\$ 35,011
Payments for administration	60,380	95,018
	<u>\$ 92,484</u>	<u>\$ 130,029</u>

**5. Payments on behalf of the Agency for administration**

Agency staff are employees of the Department of Natural Resources. Excluding bank charges, salaries and other costs of \$150,931 (2010 - \$237,529) applicable to the operation of the Agency have been paid by the Department and are reflected in these financial statements as expenses of the Agency and as revenue in the form of payments made by the Province and the Government of Canada.

**6. Economic dependence**

As a result of the Agency's reliance on provincial funding to meet its operating costs, the Agency's ability to continue viable operations is dependent upon continued funding from the Province.

**7. Financial instruments**

The Agency's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them. Any estimated impairment of accounts receivable has been provided for through an allowance for doubtful accounts and no further credit risk exists in relation to the financial instruments.

**8. Income taxes**

The Agency is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.