

**NEWFOUNDLAND AND LABRADOR  
CROP INSURANCE AGENCY**

**ANNUAL PERFORMANCE REPORT**

**APRIL 1, 2007 - MARCH 31, 2008**



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## Chairperson's Message

September 8, 2008

Honourable Kathy Dunderdale  
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, 2007 to March 31, 2008.

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 year in fulfillment of the goal in its Transition Year Activity Plan for the reporting period.

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

Respectfully submitted,

A handwritten signature in blue 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. The Agency provides an affordable and effective production insurance 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 3 and not more than 7 members to be appointed by the Lieutenant-Governor to hold office at his/her 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

**Gary Greenslade** – Vice-Chairperson, Inspection Manager, Canadian Food Inspection Agency

**Junior Eveleigh** – Producer Representative

**Elaine Wells** – Producer Representative

Vacant – 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 Southern Labrador. An Agricultural Representative with the Department of Natural Resources 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 \$250,000.00. 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.

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. Production insurance premiums are paid on a cost-shared basis with producers paying 40 per cent, the federal government paying 36 per cent and the provincial government paying 24 percent. These premiums are deposited into a fund from which indemnities are drawn. Premiums related to 2007-08 totalled \$119,640. This figure includes the governments' premium related to uncollected producer premiums and excludes

adjustments related to prior years.

In 2007-08 there were 25 producers enrolled in the Production Insurance program and \$214,305 was paid out by the Agency for crop losses. Also, Indemnity payments of \$9,508 from the 2006 crop season were approved and paid in fiscal year 2007-08. Indemnity payments were slightly above the ten year average because of reduced crop yields obtained by some of the producers. The weather conditions were unfavourable for growing successful crops which resulted in decreased crop yields during the 2007 crop season. A breakdown of each commodity is provided in Table 1.

**Table 1: 2007-2008 Production Insurance Contract Summary**

	Potato	Turnip	Cabbage	Carrot Mineral	Carrot Peat	Beet	Parsnip	TOTAL
Producers insured by crop	16	17	18	13	1	6	2	73
Contracts by crop	16	17	18	13	1	6	2	73
Acres insured	346.55	86.05	66.24	30.30	8.0	9.2	2.8	549.14
Coverage (\$)	502,843	202,154	203,581	65,791	19,328	18,079	8,063	1,019,839
Total Premiums (\$)	50,043	23,584	22,584	12,689	4,614	3,266	2,860	119,640
Indemnity Claims	2	7	5	3	1	5	2	25
Indemnity Payments (\$)	109,600	32,656	26,328	9,197	19,328	12,454	4,742	214,305
Insured Producers	25							

**Note:** Total premiums of \$119,640 include the governments' premium related to uncollected producer premium and exclude adjustments related to prior years.

### **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. The Agency shall

- administer plans of crop insurance established under the *Crop Insurance Act* or the regulations,
- 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,
- 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 delivery of a cost effective and efficiently delivered crop insurance program for all crop producers, the Newfoundland and Labrador Crop Insurance Agency protects crop producers against losses that could result in financial insolvency. In doing so, the Crop Insurance Agency supports sustainable agricultural production and contributes to the vision of the Department of Natural Resources, Forestry and Agrifoods Agency, stated as follows:

“The vision of the Department of Natural Resources, Forestry and Agrifoods Agency, is of a province that is realizing the full benefit from the use of its forestry and agrifoods resources in a sustainable manner.”

**Mission:**

Through delivery of an insurance program to help protect crop producers against losses that could result in financial insolvency, the Newfoundland and Labrador Crop Insurance Agency supports related aspects of the Mission of the Department of Natural Resources, Forestry and Agrifoods Agency, stated as follows:

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.

Through the Crop Insurance Agency’s work with industry, industry associations and the federal government to address increasing demands for more insurance coverage, the Crop Insurance Agency supports the following indicators of the Forestry and Agrifoods Agency Mission Statement:

- increased collaboration with industry and industry associations
- increased development and implementation of programs and services

For a complete statement of the Forestry and Agrifoods Agency’s Mission Statement and corresponding measures and indicators, see the Agency’s 2006/08 Strategic Plan.

Through development of its Strategic Plan for 2008 to 2011, the Forestry and Agrifoods Agency amended aspects of its mission statement. A discussion of how the Crop Insurance Agency contributes to the Agency’s revised mission is contained in the Crop Insurance Agency’s Activity Plan for 2008 to 2011.

## **Lines of Business**

The Production Insurance program offers two program options. One option is the “by-crop” method which sets a guaranteed yield level for each crop individually and the producer is charged based on the amount of coverage he/she would like to have for that individual crop. Producers select the comprehensive coverage insurance option because they consider it to provide better coverage for their specific circumstances. A second option is the “whole farm” method which only covers the producer from revenue or yield dropping below a

guaranteed level on a total of all crop basis. Consequently, a guaranteed yield or revenue level is set for the whole farm and actual yield or revenue is calculated for the combination of all crops. Thus excesses over the guaranteed level for certain crops will offset deficiencies in other crops.

The Production Insurance 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 Production Insurance 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. The producer will be protected for a yield per acre 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 that yield, the producer will be eligible for an indemnity.

Producers have the option of insuring their crop at three coverage levels and two price options. The coverage levels are sixty per cent, seventy per cent and eighty per cent. The first price option is based on the pre-harvest Cost of Production value for each crop and the second price option is based on the Market Value of each crop. The Market Value is calculated at seventy per cent of the previous five year Statistics Canada average.

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 Production Insurance program, the Governments of Canada and Newfoundland and Labrador provide financial support under the Canada - Newfoundland and Labrador Production Insurance Agreement. Under the terms of the Agreement, the Government of Canada provides financial assistance by contributing thirty six per cent of the premiums, and the Government of Newfoundland and Labrador contributes twenty four per cent of premiums and the producers are responsible for contributing forty per cent of the total premiums.

## **Outcomes of Activities**

Given its mandate to deliver a Crop Insurance program based a strictly defined parameters, the Crop Insurance Agency prepared a goal and corresponding indicators for the fiscal year to reflect the delivery of the insurance program. During the fiscal year, the Crop Insurance Agency was successful in delivering the program based on requirements under the *Crop Insurance Act* and related policies. Through its actions, the Crop Insurance Agency supported the Strategic Direction of the Minister of Natural Resources to work toward sustainable

resource development by supporting primary agriculture production.

**Goal:** Over the period April 1, 2007 to March 31, 2008, the Newfoundland and Labrador Crop Insurance Agency will have carried out its functions under the Crop Insurance Act.

**Measure:** Carried out its functions

**Indicators:**

- **All applications registered**

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

- **All contracts issued**

A contract with the Crop Insurance Agency was completed for each the 25 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.

- **All insured fields measured, 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.

- **All 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.

- **All claims reviewed by the Board**

During the fiscal year, 17 participants made a total of 25 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 claims of 15 participants were accepted and the claims of two participants were rejected. The Secretary/Manager of the Crop Insurance Agency communicated the decisions of the Board to the respective participants. A total of \$214,305 in indemnities were approved and paid by the Board.

- **All appeals heard**

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 participant had two weeks to file a notice of intent to appeal and the process began with finding an arbitrator that is agreeable to both parties. One insured producer appealed their claim. The appeal process usually concludes in the next fiscal year.

The Newfoundland and Labrador Crop Insurance Agency has prepared an Activity Plan for 2008-2011 which



provides the objective and indicators for the next three years.

## **Opportunities and Challenges**

There are opportunities in attracting more clients to the program through promotion, and expanding the program to include more crops. The challenges include declining enrollment because of producers discouraged by rising input costs, producers reaching retirement age, and the younger generation seeking higher paying employment out of province. The Newfoundland and Labrador Crop Insurance Agency has also been challenged, in recent years, in retaining staff.

## Appendix A

### 2007-2008 Premium Base Rate (%)

POTATO			TURNIP			CABBAGE		
Coverage (%)			Coverage (%)			Coverage (%)		
60	70	80	60	70	80	60	70	80
8.49	11.81	14.74	15.12	18.47	21.84	13.06	15.85	18.91

CARROT			BEET			PARSNIP		
Coverage (%)			Coverage (%)			Coverage (%)		
60	70	80	60	70	80	60	70	80
21.66	24.30	N/A	22.26	24.56	N/A	21.76	25.16	N/A

**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY**  
**NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2008**

**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY  
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND  
BALANCE SHEET**

31 March

2008

2007

**ASSETS**

**Current**

Cash	\$ 44,565	\$ 152,248
Accounts receivable (Note 2)	5,839	2,312
	<u>\$ 50,404</u>	<u>\$ 154,560</u>

**LIABILITIES AND EQUITY**

**Current**

Accounts payable and accrued liabilities (Note 3)	\$ 8,103	\$ 2,782
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**Equity**

Contributions – Province of Newfoundland and Labrador	280,000	280,000
Deficit	(237,699)	(128,222)
	<u>42,301</u>	<u>151,778</u>
	<u>\$ 50,404</u>	<u>\$ 154,560</u>

*See accompanying notes*

Signed on behalf of the Board:

C. MacDonald  
Chair

B. [Signature]  
Member



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

I have audited the balance sheet of the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund as at 31 March 2008 and the statement of revenues, expenses and deficit for the year then ended. These financial statements are the responsibility of the Agency's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these 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 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in blue ink, appearing to read "John L. Noseworthy".

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

St. John's, Newfoundland and Labrador  
26 June 2008

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

**2008**

**2007**

**REVENUES**

Government of Canada (Note 4)	\$ 160,555	\$ 172,727
Province of Newfoundland and Labrador (Note 4)	107,036	115,151
Premiums from insured persons	47,840	49,782
Appeal administration fee	100	300
	<b>315,531</b>	<b>337,960</b>

**EXPENSES**

Administration (Note 5)		
Bank charges	36	40
Board expenses	1,330	1,992
Computer hardware/software	1,595	-
Equipment supplies	5,892	150
Professional services	2,637	1,250
Purchased services	11,192	2,879
Salaries and employee benefits	141,495	176,555
Supplies	14,862	11,356
Transportation and communications	21,880	20,810
	<b>200,919</b>	<b>215,032</b>
Refund appeal fees	300	-
Bad debt expense	-	1,746
Indemnity claims	223,789	114,099
	<b>425,008</b>	<b>330,877</b>
<b>Excess of revenues over expenses</b> <b>(expenses over revenues)</b>	<b>(109,477)</b>	<b>7,083</b>
<b>Deficit, beginning of year</b>	<b>(128,222)</b>	<b>(135,305)</b>
<b>Deficit, end of year</b>	<b>\$ (237,699)</b>	<b>\$ (128,222)</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY**  
**NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 2008**

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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. Significant 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>2008</u>	<u>2007</u>
Province of Newfoundland and Labrador	\$ 1,236	\$ 1,100
Premiums from insured persons	9,404	6,013
	<hr/>	<hr/>
	10,640	7,113
Less: allowance for doubtful accounts	4,801	4,801
	<hr/>	<hr/>
	\$ 5,839	\$ 2,312
	<hr/>	<hr/>

**3. Accounts payable and accrued liabilities**

	<u>2008</u>	<u>2007</u>
Province of Newfoundland and Labrador	\$ 8,103	\$ 2,782
	<hr/>	<hr/>

**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY**  
**NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
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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>2008</u>	<u>2007</u>
Government of Canada		
Premiums contributions	\$ 40,003	\$ 43,708
Payments for administration	120,552	129,019
	<u>\$ 160,555</u>	<u>\$ 172,727</u>
Province of Newfoundland and Labrador		
Premiums contributions	\$ 26,669	\$ 29,138
Payments for administration	80,367	86,013
	<u>\$ 107,036</u>	<u>\$ 115,151</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 \$200,883 (2007 - \$214,992) 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 balance sheet 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.