

**NEWFOUNDLAND AND LABRADOR  
CROP INSURANCE AGENCY**

**ANNUAL PERFORMANCE REPORT**

**APRIL 1, 2008 - MARCH 31, 2009**



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## Chairperson's Message

September 21, 2009

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, 2008 to March 31, 2009.

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 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 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

**Gerry 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 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 \$410,000 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. 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 per cent. These premiums are deposited into a fund from which indemnities are drawn. Premiums collected in 2008-09 totaled \$106,983. This figure includes producer and government premiums as well as receipt of prior years accounts receivable.

In 2008-09 there were 24 producers enrolled in the Production Insurance program with \$96,751 paid by the Agency for crop losses including an indemnity payments of \$875 from an arbitration case from the 2007-08 crop season. 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 wet June followed by a dry July in 2008 led to reduced production for most crops across the province. A breakdown of each commodity is provided in Table 1.

**Table 1: 2008-2009 Production Insurance Contract Summaries**

	Potato	Turnip	Cabbage	Carrot Mineral	Carrot Peat	Beet	Parsnip	TOTAL
Producers insured by crop	14	19	15	10	0	5	2	65
Contracts by crop	14	19	15	10	0	5	2	65
Acres insured	114.41	95.39	58.03	28.03	0	6.6	4.05	306.51
Coverage (\$)	155,821	238,347	170,623	70,211	0	12,864	15,387	663,253
Total Premiums (\$)	13,993	38,753	23,748	16,411	0	3,248	3,928	100,081
Indemnity Claims	8	9	8	2	0	4	0	31
Indemnity Payments (\$)	29,115	29,329	25,954	4,451	0	7,027	0	95,876
Insured Producers	24							

**Note:** Total indemnities of \$96,751 include indemnity payments from a claim in 2007-08 that was approved through arbitration in 2008-09.

**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 production insurance program, the Newfoundland and Labrador Crop Insurance Agency protects investments in crop production. By easing the financial burden in times of crop loss, the production insurance 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 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 evaluation success.

The Newfoundland and Labrador Crop Insurance Agency has determined that an applicable mission statement would be unduly repetitive of its mandate. It has opted to forgo development of a mission statement at this time.

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 production insurance program, thereby helping protect farmers from financial insolvency. As such, 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 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, 2008 to March 31, 2011 and can be accessed through the internet at [http://www.nr.gov.nl.ca/nr/plans/strategic\\_plan\\_2008.pdf](http://www.nr.gov.nl.ca/nr/plans/strategic_plan_2008.pdf).

## **Lines of Business**

The sole line of business of the Newfoundland and Labrador Crop Insurance Agency is the delivery of production insurance to the vegetable producers of the province. 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 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 per cent, seventy per cent and eighty per cent. 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 per cent 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 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.



## Outcome of Activities

In consideration of the strategic direction of the Minister of Natural Resources to work toward increased forestry, agrifoods and agriculture development and diversification over the planning period, as well as the mandate and financial resources of the Newfoundland and Labrador Crop Insurance Agency, the following area has been identified as the key priority of the Agency for the three year period April 1, 2008 to March 31, 2011. The objective below applies to each year covered by this plan and will be reported on in relevant annual reports.

### **Issue 1: Administered the Production Insurance 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. Twenty four 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.

- **Issued contracts**

A contract with the Crop Insurance Agency was completed for each the 24 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.

- **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, 20 participants made a total of 31 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 for 20 participants were accepted. The Secretary/Manager of the Crop Insurance Agency communicated the decisions of the Board to the respective participants. A total of \$95,876 in indemnities were approved and 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 participant were given two weeks to file a notice of intent to appeal followed by finding an arbitrator agreeable to both parties. No insured producer appealed their claim in 2008-09. 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 and can be accessed through the internet at <http://www.nr.gov.nl.ca/nr/plans/default.asp>.

## **Opportunities and Challenges**

The challenges facing the Production Insurance program include the continuing decline in enrollment largely as a consequence of rising farm input costs, producers reaching retirement age and the relative low recruitment of younger producers. Policy changes in recent years that led to producers cost sharing a greater proportion of the premiums played a strong role in reducing enrollment over the last four years. Other challenges that continue to affect The Newfoundland and Labrador Crop Insurance Agency include a reliable claim assessment methodology that is well accepted by producers and, in recent years, in retaining well trained staff.

Despite the challenges facing The Newfoundland and Labrador Crop Insurance Agency, there are a number of opportunities now open to attract clients and improve program services. One of the more important developments in attracting clients is the recent benefit to producers of access to funding assistance programs when producers are enrolled in Production Insurance programs. Linkages to funding and technology adoption programs in the near future promise to improve program enrollments by attracting younger producers and promote improvements in farm management practices. The ongoing development of programs to cover important but previous uninsurable crops promises to be a key opportunity for future development of the Production Insurance program.

## Appendix A

### 2008-2009 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 2009**



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

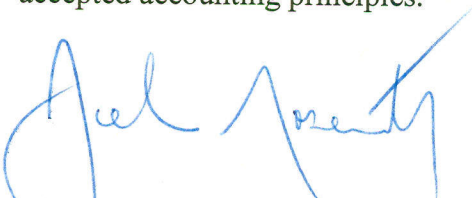
**AUDITOR'S REPORT**

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 2009 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 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.



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

St. John's, Newfoundland and Labrador  
22 May 2009

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

**31 March**

**2009**

**2008**

**ASSETS**

**Current**

Cash	\$ 52,356	\$ 44,565
Accounts receivable (Note 2)	1,477	5,839
	<b>\$ 53,833</b>	<b>\$ 50,404</b>

**LIABILITIES AND EQUITY**

**Current**

Accounts payable and accrued liabilities (Note 3)	\$ 1,400	\$ 8,103
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**Equity**

Contributions – Province of Newfoundland and Labrador	280,000	280,000
Deficit	(227,567)	(237,699)
	<b>52,433</b>	<b>42,301</b>
	<b>\$ 53,833</b>	<b>\$ 50,404</b>

*See accompanying notes*

Signed on behalf of the Board:

C. MacDonald  
Chair

B. [Signature]  
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**

**2009**

**2008**

**REVENUES**

Government of Canada (Note 4)	\$ 189,605	\$ 160,555
Province of Newfoundland and Labrador (Note 4)	126,402	107,036
Premiums from insured persons	40,032	47,840
Appeal administration fee	-	100
	<b>356,039</b>	<b>315,531</b>

**EXPENSES**

Administration (Note 5)		
Bank charges	41	36
Board expenses	2,607	1,330
Computer hardware/software	-	1,595
Equipment supplies	7,310	5,892
Professional services	2,529	2,637
Purchased services	5,815	11,192
Salaries and employee benefits	189,075	141,495
Supplies	16,691	14,862
Transportation and communications	24,988	21,880
	<b>249,056</b>	<b>200,919</b>
Refund appeal fees	100	300
Indemnity claims	96,751	223,789
	<b>345,907</b>	<b>425,008</b>
<b>Excess of revenues over expenses</b> <b>(expenses over revenues)</b>	<b>10,132</b>	<b>(109,477)</b>
<b>Deficit, beginning of year</b>	<b>(237,699)</b>	<b>(128,222)</b>
<b>Deficit, end of year</b>	<b>\$ (227,567)</b>	<b>\$ (237,699)</b>

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY**  
**NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 2009**

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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>2009</u>	<u>2008</u>
Province of Newfoundland and Labrador	\$ 1,477	\$ 1,236
<u>Premiums from insured persons</u>	<u>2,140</u>	<u>9,404</u>
	3,617	10,640
<u>Less: allowance for doubtful accounts</u>	<u>2,140</u>	<u>4,801</u>
	\$ 1,477	\$ 5,839

**3. Accounts payable and accrued liabilities**

	<u>2009</u>	<u>2008</u>
<u>Province of Newfoundland and Labrador</u>	<u>\$ 1,400</u>	<u>\$ 8,103</u>



**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY**  
**NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 2009**

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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>2009</u>	<u>2008</u>
Government of Canada		
Premiums contributions	\$ 40,171	\$ 40,003
Payments for administration	149,434	120,552
	<u>\$ 189,605</u>	<u>\$ 160,555</u>
Province of Newfoundland and Labrador		
Premiums contributions	\$ 26,780	\$ 26,669
Payments for administration	99,622	80,367
	<u>\$ 126,402</u>	<u>\$ 107,036</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 \$249,015 (2008 - \$200,883) 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.