

**NEWFOUNDLAND AND LABRADOR
LIVESTOCK OWNERS COMPENSATION BOARD**

ANNUAL REPORT

APRIL 1, 2006 - MARCH 31, 2007

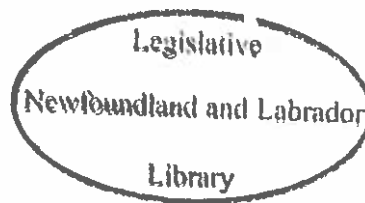



**Newfoundland
Labrador**

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Chairperson's Message

July 30, 2007

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 Report for the Livestock Owners Compensation Board, covering the period April 1, 2006 to March 31, 2007.

The Board recognizes its legislative role under the *Livestock Insurance Act* to establish and carry out a livestock insurance plan under the direction, supervision and control of the Minister. The Board has prepared this report to outline its activities during the year in fulfillment of its responsibilities.

My signature below is on behalf of the Livestock Owners Compensation Board and indicative of the Board's accountability for the achievement of the activities contained in this report.

Respectfully submitted,

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

Cynthia MacDonald, P. Ag.
Chairperson

Overview

The Livestock Owners Compensation Board was established in 1977 under the *Livestock Insurance Act*, R.S.N. 1990, c.L.-23. The Board is appointed by the Lieutenant-Governor in Council and is currently comprised of two representatives from the Department of Natural Resources (one of whom is appointed as Chairperson), one representative from The Canadian Food Inspection Agency, and two producer representatives.

Livestock owners throughout Newfoundland and Labrador are able to purchase insurance at reasonable rates for dairy cattle, beef cattle, sheep and goats through the Livestock Insurance Program to protect against losses from predatory animal attacks.

The majority of livestock insured under the program are sheep due mainly to their vulnerability to attack on private and community pastures by roaming dogs and other predators such as coyotes, lynx and bears. A small number of goats and cattle are also insured under the program. The relatively small number of cattle insured is due in large part to their physical size as compared to the predators.

Mandate

The mandate of the Livestock Owners Compensation Board is to establish and carry out a livestock insurance plan under the direction, supervision and control of the Minister. The Board shall;

- administer a plan,
- undertake studies and research programs relating to livestock insurance,
- evaluate and determine livestock losses and pay claims under a plan,
- require an applicant for a holder of livestock insurance under a plan to provide the information, statements and reports that the board may require,
- make those orders that are necessary to enforce the observance and carrying out of the *Livestock Insurance Act* or the regulations or a plan, and
- exercise and discharge the other powers, functions and duties that the Minister assigns to it.

Vision

The vision of the Livestock Owners Compensation Board is to provide an effective and affordable livestock insurance program to producers in Newfoundland and Labrador.

Mission

The mission of the Livestock Owners Compensation Board is to provide financial compensation to livestock owners who incur a loss through the predatory attack of dogs or any other animal which prey upon livestock.

Lines of Business

The Livestock Owners Compensation Board provides compensation to owners of sheep, lambs, goats and cattle in the unfortunate event that their animals suffer injury or death by roaming dogs or other predators such as coyotes, lynx and bears. All types of predator attacks are compensated for provided that the carcass of the injured or dead animal is available for inspection. This program requirement is necessary to reduce the moral hazard that may affect indemnity claims.

In order to participate in the program, producers must make application prior to March 31 of each year. Livestock owners must file identifying tag numbers with the Board at that time along with the premiums payable to the Livestock Owners Compensation Board. The premium rates are announced by the Minister of Natural Resources in March prior to the fiscal year. Producers pay one hundred per cent of the livestock insurance premium and the Department of Natural Resources is responsible for the costs to administer the Livestock Insurance Program.

All livestock losses are verified by inspectors who, in most instances, are the local area Agricultural Representative for the Agriculture Business Development Division of the Department of Natural Resources.

The trend in the industry from 1995 to 2005 saw an increase of forty nine per cent in the number of sheep and lambs raised in Newfoundland and Labrador. However, over the same period of time the number of insured sheep and lambs has decreased by forty eight per cent. The reason for the decrease in the amount of animals insured may be attributed to the decision of the producer to keep the livestock on their own farm property instead of putting their livestock on a community pasture to graze for the summer. The producers have availed of Government programs that assist them financially to develop new land for agricultural production and therefore the producers can provide suitable fields for grazing livestock that are closer to the producer's farm whereby they can monitor the livestock more closely and prevent attacks from predators such as dogs and coyotes.

Highlights and Accomplishments

Table 1 presents a brief summary of the 2006-2007 Livestock Insurance Statistics:

Table 1:

	Sheep	Lambs	Goats	Beef Cattle	Total
Insured Animals	168	256	0	4	428
Premiums (\$)	537.60	512.00	0	13.70	1,063.30
Coverage (\$)	26,880.00	19,200.00	0	1,370.00	47,450.00
Claims	2	1	0	0	3
Indemnity (\$)	288.00	67.50	0	0	355.50

Appendix A: Announced Premium/Indemnity Rates for Livestock Insurance for 2006-2007

CLASS	PREMIUM	COMPENSATION
SHEEP		
Registered Ram	\$4.50	\$450.00
Grade Ram	\$3.20	\$160.00
Registered Ewe	\$4.00	\$400.00
Grade Ewe	\$3.20	\$160.00
Reg. Ram Lamb	\$6.00	\$600.00
Grade Ram Lamb.	\$2.00	\$75.00
Reg. Ewe Lamb	\$5.30	\$530.00
Grade Ewe Lamb	\$2.00	\$75.00

CLASS	PREMIUM	COMPENSATION
GOATS		
Registered Bucks	\$1.00	\$100.00
Grade Bucks	\$0.50	\$50.00
Registered Does	\$1.00	\$100.00
Grade Does	\$0.50	\$50.00
Reg. Buck Kids	\$1.00	\$100.00
Grade Buck Kids	\$0.50	\$50.00
Reg. Doe Kids	\$1.00	\$100.00
Grade Doe Kids	\$0.50	\$50.00

CLASS	PREMIUM	COMPENSATION
BEEF CATTLE		
Registered Bulls	\$6.50	\$650.00
Grade Bulls	\$4.00	\$400.00
Registered Cows	\$6.50	\$650.00
Grade Cows	\$4.00	\$400.00
Registered Heifers	\$4.00	\$400.00
Grade Heifers	\$2.00	\$200.00
Reg. Heifer Calves	\$1.00	\$100.00
Grade Heifer Calves	\$0.70	\$70.00

CLASS	PREMIUM	COMPENSATION
DAIRY CATTLE		
Registered Bulls	\$7.50	\$750.00
Grade Bulls	\$5.00	\$500.00
Registered Cows	\$7.50	\$750.00
Grade Cows	\$5.00	\$500.00
Registered Heifers	\$5.00	\$500.00
Grade Heifers	\$3.00	\$300.00
Reg. Heifer Calves	\$1.50	\$150.00
Grade Heifer Calves	\$0.70	\$70.00

LIVESTOCK OWNERS COMPENSATION BOARD

LIVESTOCK OWNERS COMPENSATION FUND

FINANCIAL STATEMENTS

31 MARCH 2007



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

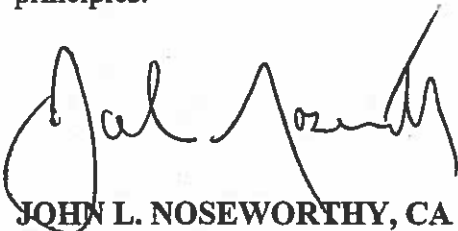
AUDITOR'S REPORT

To the Board of Directors
Livestock Owners Compensation Board
Corner Brook, Newfoundland and Labrador

I have audited the balance sheet of the Livestock Owners Compensation Board, Livestock Owners Compensation Fund as at 31 March 2007 and the statement of revenues, expenses and deficit for the year then ended. These financial statements are the responsibility of the Board'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 Livestock Owners Compensation Board, Livestock Owners Compensation Fund as at 31 March 2007 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
19 June 2007

**LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
BALANCE SHEET**

31 March

2007

2006

ASSETS

Current

Cash	\$ 17,351	\$ 16,675
Accounts receivable	920	819
	<u>\$ 18,271</u>	<u>\$ 17,494</u>

LIABILITIES AND EQUITY

Current

Accounts payable and accrued liabilities	\$ 1,044	\$ 944
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Equity

Contributions – Province of Newfoundland and Labrador	78,895	78,895
Deficit	(61,668)	(62,345)
	<u>17,227</u>	<u>16,550</u>
	<u>\$ 18,271</u>	<u>\$ 17,494</u>

See accompanying notes

Signed on behalf of the Board:

C. MacDonald
Chairperson

Sprengle
Member

**LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
STATEMENT OF REVENUES, EXPENSES AND DEFICIT
For the Year Ended 31 March**

2007

2006

REVENUES

Province of Newfoundland and Labrador		
Payments on behalf of the Board		
for administration (Note 2)	\$ 6,460	\$ 6,906
<u>Premiums from livestock owners</u>	<u>1,063</u>	<u>1,108</u>
	7,523	8,014

EXPENSES

Bank charges	31	30
Indemnity claims	355	711
Professional services (Note 2)	1,000	1,100
Salaries (Note 2)	5,360	5,645
Supplies (Note 2)	100	148
<u>Transportation and communication (Note 2)</u>	<u>-</u>	<u>13</u>
	6,846	7,647
Excess of revenues over expenses	677	367
Deficit, beginning of year	(62,345)	(62,712)
Deficit, end of year	\$ (61,668)	\$ (62,345)

See accompanying notes

LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
NOTES TO FINANCIAL STATEMENTS
31 MARCH 2007

Authority

The Livestock Owners Compensation Board (the Board) operates under the authority of the *Livestock Insurance Act*. The purpose of the Board is to operate the Livestock Owners Compensation Fund to provide insurance to farmers of the Province to restrict the amount of livestock loss. 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 Livestock Owners Compensation Fund.

1. Significant accounting policies

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

2. Payments on behalf of the Board for administration

The Board is administered by employees of the Department of Natural Resources. Salary costs of \$5,360 (2006 - \$5,645) and other costs of \$1,100 (2006 - \$1,261) applicable to the operation of the Board have been paid by the Department and are reflected in these financial statements as expenses of the Board and as revenue from the Province.

3. Economic dependence

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

4. Financial instruments

The Board'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.

5. Income taxes

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