

NEWFOUNDLAND AND LABRADOR
LIVESTOCK OWNERS COMPENSATION BOARD

Annual Performance Report

April 01, 2017 - March 31, 2018





Chairperson's Message

The Honourable Gerry Byrne
Department of Fisheries and Land Resources
Petten Building
30 Strawberry Marsh Road
P.O. Box 8700
St. John's, NL A1B 4J6

Dear Minister Byrne:

I am pleased to submit the Annual Performance Report for the Newfoundland and Labrador Livestock Owners Compensation Board (the LOCB), a category three public body under the **Transparency and Accountability Act**. This report covers the period April 1, 2017, to March 31, 2018.

The Livestock Owners Compensation Board recognizes its legislative role under the **Livestock Insurance Act** to establish and carry out a Livestock Insurance Program under the direction, supervision and control of the Minister. The LOCB has prepared this report to outline its activities during the 2017-18 fiscal year in fulfillment of the objective established under the 2017-20 Activity Plan.

The Strategic Directions of Government related to the Department of Fisheries and Land Resources have been considered in the preparation of this report, as well as government's commitment to increasing the province's food self-sufficiency, as outlined in **The Way Forward**.

My signature on behalf of the LOCB signifies the LOCB's accountability for the results reported. As the Chair, and on behalf of the entire Board, I accept accountability for the preparation of this report and the results reported.

Respectfully submitted,

Cynthia MacDonald
Chairperson

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Overview

Section 3(2) of the **Livestock Insurance Act** provides for the membership of the Newfoundland and Labrador Livestock Owners Compensation Board (LOCB). The membership of the LOCB shall consist of not less than three and not more than five members to be appointed by the Lieutenant-Governor in Council to hold office at pleasure.

In 2017-18 the LOCB consisted of the following members:

Name	Title	Appointment Term	Place of Residence as of March 31, 2017
Cynthia MacDonald	Chairperson – Director of Agriculture Business Development, FLR	At Pleasure	Corner Brook, NL
Junior Eveleigh	Producer Representative	August 2015-August 2017 (Expired)	Comfort Cove, NL
Elaine Wells	Producer Representative	August 2015-August 2017 (Expired)	Robinsons, NL
Gerald Wicks	Vice-Chairperson – Agricultural Development Officer, Agriculture Business Development Division, FLR	At Pleasure	St. John's, NL
Dr. Peggy Dixon	Federal Representative	At Pleasure	St. John's, NL

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 LOCB operates on a budget of \$8,505 annually, dependent upon the number of indemnity payments made in the year, and falls under the umbrella of the Department of Fisheries and Land Resources (FLR). Annual revenues in 2017-18 were \$6,754 and included administrative costs paid by the Provincial Government of \$5,757 and premiums received from livestock owners of \$997. Annual expenditures in 2017-18 were \$5,760 for administration costs. The LOCB revenues and expenditures vary from year to year due to changes in program participation and degree of livestock losses. In 2017-18, 146 application packages were mailed to eligible producers, eight producers availed of the program, and there were no indemnity claims for livestock losses.

Agricultural Development Officers employed by FLR carry out field work for the LOCB and the Program Manager, who administers the program, is also employed by FLR. Administration

expenses consist of a salary allocation and professional services. Revenues are premiums paid by applicants to the program.

The trend in the provincial industry over the last two decades has seen a gradual decrease in the number of animals insured under the Livestock Insurance Program from more than 1,200 provincial animals in 1999-2000 to a low of 164 in 2017-18. The overall decrease in the number of animals insured (since 1999-2000) likely reflects smaller and fewer sheep flocks in the province. Historically, indemnities paid exceeded premium revenues each year due to the increased number of coyote attacks. Recent years have seen the trend reversed, with producers putting more focus on mitigating risk in the form of predator control fencing, as well as keeping their animals closer to their homes, the number of indemnity claims have dropped significantly. The 2017-18 production year realized a surplus of \$994 in premiums after the no expenditures for indemnities. Indemnity payments for 2017-18 were \$585 lower than 2016-17. The 2017-18 premium and indemnity rates are detailed in Appendix A. See Appendix B for audited 2017-18 LOCB financial statements.

Table 1: 2017-18 Livestock Insurance Statistics

	Sheep	Lambs	Goats	Beef Cattle	Total
Insured Animals (#)	134	127	6	0	267
Premiums Collected (\$)	\$563	\$426	\$8	\$0	\$997
Coverage (\$)	\$28,140	\$3,000	\$800	\$0	\$31,940
Claims (#)	0	0	0	0	0
Indemnity (\$)	\$0	\$0	\$0	\$0	\$0

This report is available in alternate formats. Please contact the Livestock Owners Compensation Board, headquartered in Corner Brook, at (709) 637-2077.

Mandate:

The mandate of the LOCB is to establish and carry out a Livestock Insurance Program under the direction, supervision and control of the Minister of Fisheries and Land Resources. The **Livestock Insurance Act** can be found on the House of Assembly webpage at <http://www.assembly.nl.ca/legislation/sr/statutes/l23.htm>

Highlights and Partnerships

The LOCB is partnered with members of the livestock industry to promote and deliver a risk management product to livestock producers. The program provides producers with the opportunity to implement financial safeguards in the event of an animal loss, and enhances the sector's capacity for agricultural growth and food self-sufficiency.

Report on Performance

In its 2017-20 Activity Plan, the administration of the Livestock Insurance Program was identified as the key priority of the LOCB for the 2017-20 planning period.

Through the administration of the Livestock Insurance Program, the LOCB's activities during 2017-18 directly supported primary agriculture production, thus supporting government's commitments to increasing the province's food self-sustainability as outlined in **The Way Forward**. Activities also contributed to overall agrifoods resource management and provided direct support to industry to help strengthen competitiveness, both factors which support the government's commitments toward food self-sustainability.

The LOCB's 2017-20 Activity Plan can be found on the Publications section of the FLR website at www.faa.gov.nl.ca.

Issue 1: Management and Administration of the Livestock Insurance Program

The primary issue of the LOCB is to deliver the Livestock Insurance Program to the livestock producers of Newfoundland and Labrador who choose to participate and to monitor the sustainability of the insurance fund which accumulates premiums and pays indemnities. The same objective and indicators were used each year within the 2017-20 planning period, as was noted in the 2017-20 Activity Plan.

Objective: By March 31, 2018, the Livestock Owners Compensation Board will have continued to offer an insurance plan to producers under the Act and performed ongoing monitoring and assessment of the insurance fund.

Indicators:

- **Registered all applications**
The LOCB sent applications to 146 livestock producers during the 2017-18 fiscal year. Eight producers who were interested in participating in the program returned completed applications by April 1, 2017. Upon receipt of these applications, participants were registered to the LOCB's databank.
- **Issued contracts**
A contract between the LOCB and each of the eight participants was issued and a copy was placed in the participant's file. The contract lists, in detail, the terms and conditions of the program, and the responsibilities of both the participant and the LOCB.
- **Inspected all livestock claims**
There were no claims filed for the 2017-18 production year due to producers putting more emphasis on mitigating their own risks by installing fencing and by housing their livestock in close proximity to their home. Participants have to report destroyed animals within 48 hours. Agricultural Development Officers will inspect the dead animals and confirm the tag numbers where applicable.
- **Reviewed all claims**
There were no claims for the 2017-18 production year.
- **Communicated decisions to applicants and paid indemnities, where applicable**
There were no indemnities to be paid during 2017-18.
- **Monitored insurance fund for sustainability, recommended changes as necessary, and implemented approved changes.**
The Program Manager of the LOCB continued to monitor the insurance fund for sustainability. Effective April 2012, there was a premium surcharge system implemented as well as an increase in compensation payments and insurance premiums. The changes implemented in 2012 were administered and assessed for effectiveness. At the Annual Board Meeting in December 2017, there were no recommended changes to the premium and indemnity rates.

Opportunities and Challenges

The Livestock Insurance Program primarily insures sheep as they are most susceptible to predator attack. A challenge facing the Livestock Insurance Program is the decline in the number of producers/insured animals. There is a renewed interest in sheep farming, and these new producers represent an opportunity to expand the livestock insurance program. As the Agriculture Development Officers become aware of new livestock producers, they forward

contact information to the LOCB for the spring mail-outs of Livestock Insurance Program Applications which helps ensure that all new producers are made aware of the program.

With the increasing coyote population and threat from predation, there is an opportunity to increase livestock insurance participation by promoting the fact that the Livestock Insurance Program can help manage risks of losing livestock to predators.

Appendix A: Premium/Indemnity Rates for Livestock Insurance for 2017-18

Premium & Compensation Rates for Livestock Insurance 2017-18		
SHEEP		
CLASS	BASE PREMIUM	COMPENSATION
Grade Ram	\$4.20	\$210.00
Grade Ewe	\$4.20	\$210.00
Grade Ram Lamb	\$3.35	\$125.00
Grade Ewe Lamb	\$3.35	\$125.00
Registered Ram	\$4.50	\$450.00
Registered Ewe	\$4.00	\$400.00
Registered Ram Lamb	\$6.00	\$600.00
Registered Ewe Lamb	\$5.30	\$530.00
GOATS		
CLASS	BASE PREMIUM	COMPENSATION
Grade Bucks	\$2.00	\$200.00
Grade Does	\$2.00	\$200.00
Grade Buck Kids	\$1.00	\$100.00
Grade Doe Kids	\$1.00	\$100.00
Registered Bucks	\$2.50	\$250.00
Registered Does	\$2.50	\$250.00
Registered Buck Kids	\$2.00	\$200.00
Registered Doe Kids	\$2.00	\$200.00
BEEF CATTLE		
CLASS	BASE PREMIUM	COMPENSATION
Grade Bulls	\$4.00	\$400.00
Grade Cows	\$4.00	\$400.00
Grade Heifers/Steers (1-2 yr)	\$2.00	\$200.00
Grade Calves (M/F < 1yr)	\$0.70	\$70.00
Registered Bulls	\$6.50	\$650.00
Registered Cows	\$6.50	\$650.00
Registered Heifers/Steers (1-2 yr)	\$4.00	\$400.00
Registered Calves (M/F < 1yr)	\$1.00	\$100.00
DAIRY CATTLE		
CLASS	BASE PREMIUM	COMPENSATION
Grade Bulls	\$5.00	\$500.00
Grade Cows	\$5.00	\$500.00
Grade Heifers/Steers (1-2 yr)	\$3.00	\$300.00
Grade Calves (M/F < 1yr)	\$0.70	\$70.00
Registered Bulls	\$7.50	\$750.00
Registered Cows	\$7.50	\$750.00
Registered Heifers/Steers (1-2 yr)	\$5.00	\$500.00
Registered Calves (M/F < 1yr)	\$1.50	\$150.00

Appendix B: 2017-18 Livestock Owner's Compensation Board Financial Statements

LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
FINANCIAL STATEMENTS
MARCH 31, 2018

Management's Report

Management's Responsibility for the Livestock Owners Compensation Board, Livestock Owners Compensation Fund Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information periodically and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Livestock Owners Compensation Board, Livestock Owners Compensation Fund, in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Livestock Owners Compensation Board.

On behalf of the Livestock Owners Compensation Board.



Ms. Cynthia MacDonald, P. Ag.
Director of Agriculture Business Development



**AUDITOR
GENERAL**
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Livestock Owners Compensation Board, Livestock Owners Compensation Fund, which comprise the statement of financial position as at March 31, 2018, and the statement of operations 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 public sector accounting standards, 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.

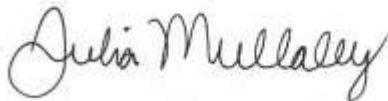
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

Independent Auditor's Report (cont.)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Livestock Owners Compensation Board, Livestock Owners Compensation Fund, as at March 31, 2018, and its financial performance for the year then ended in accordance with Canadian public sector accounting standards.



JULIA MULLALEY, CPA, CA
Auditor General

June 15, 2018
St. John's, Newfoundland and Labrador

**LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
STATEMENT OF FINANCIAL POSITION**
As at March 31

	2018	2017
FINANCIAL ASSETS		
Cash	\$ 15,019	\$ 14,025
	15,019	14,025
LIABILITIES		
	-	-
Net financial assets	15,019	14,025
NON-FINANCIAL ASSETS		
	-	-
Accumulated surplus	\$ 15,019	\$ 14,025

*The accompanying notes are an integral part
of these financial statements*

Signed on behalf of the Board:

C. MacDonald

Chairperson

Peggy L. Dixon
Member

Office of the Auditor General

**LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
STATEMENT OF OPERATIONS
For the Year Ended March 31**

	2018 Budget	2018 Actual	2017 Actual
	(Note 7)		
REVENUES			
Province of Newfoundland and Labrador			
Payments on behalf of the Board (Note 6)	\$ 7,500	\$ 5,757	\$ 6,826
Premiums from livestock owners	2,000	997	1,476
	<u>9,500</u>	<u>6,754</u>	<u>8,302</u>
EXPENSES (Note 5)			
Indemnity claims	1,000	-	585
Administration	7,505	5,760	6,830
	<u>8,505</u>	<u>5,760</u>	<u>7,415</u>
Annual surplus	995	994	887
Accumulated surplus, beginning of year	14,025	14,025	13,138
Accumulated surplus, end of year	\$ 15,020	\$ 15,019	\$ 14,025

*The accompanying notes are an integral part
of these financial statements*

LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

1. Nature of operations

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.

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.

2. Summary of significant accounting policies

(a) Basis of accounting

The Board is classified as an Other Government Organization as defined by the Canadian public sector accounting standards (CPSAS). These financial statements are prepared by management in accordance with CPSAS for provincial reporting entities established by the Canadian Public Sector Accounting Board (PSAB). The Board does not prepare a statement of change in net financial assets (debt) and a statement of cash flows as this information is readily apparent from the other statements. In addition, the Board does not prepare a statement of re-measurement gains and losses as the Board does not enter into relevant transactions or circumstances that are being addressed by the statement.

(b) Financial instruments

The Board's financial instruments recognized in the statement of financial position consist of cash. The Board generally recognizes a financial instrument when it enters into a contract which creates a financial asset or financial liability. Financial assets and financial liabilities are initially measured at cost, which is the fair value at the time of acquisition.

The Board subsequently measures all of its financial assets and financial liabilities at cost. Financial assets measured at cost include cash.

The carrying value of cash approximates current fair value due to the nature associated with this instrument.

(c) Cash

Cash includes cash in bank.

**LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2018**

2. Summary of significant accounting policies (cont.)

(d) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers (Payments on behalf of the Board) are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except when and to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulations giving rise to the liabilities are settled.

(e) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

The Board is administered as a division of the Department of Fisheries and Land Resources. Expenses related to salaries are paid directly by the Department of Fisheries and Land Resources and are reflected in these financial statements as expenses of the Board and as revenue from the Province.

Indemnity claims are reported on an accrual basis. Indemnity claims are paid to insured persons upon approval by the Board of submitted insurance claims.

3. Changes in accounting policies

(a) New accounting standards

On April 1, 2017, the Board adopted the following five new CPSAS Handbook Sections:

PS 2200 Related Party Disclosures – a new standard defining related parties and establishing disclosure requirements for related party transactions.

PS 3210 Assets – a new standard providing guidance for applying the definition of assets and establishing general disclosure requirements for assets but does not provide guidance for the recognition and disclosure of specific types of assets.

LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

3. Changes in accounting policies (cont.)

(a) New accounting standards (cont.)

PS 3320 Contingent Assets – a new standard defining and establishing disclosure requirements for contingent assets but does not include disclosure standards for specific types of contingent assets.

PS 3380 Contractual Rights – a new standard defining and establishing disclosure requirements for contractual rights but does not include disclosure standards for specific types of contractual rights.

PS 3420 Inter-entity Transactions – a new standard on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

These accounting changes had no significant impact on the financial statements.

(b) Accounting pronouncement

The PSAB has issued *PS 3430 Restructuring Transactions* which is effective April 1, 2018. This is a new standard on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities. The standard has not been applied in these financial statements.

The Board plans to adopt this standard by the effective date and is currently analyzing the impact the standard will have on the financial statements.

4. Financial risk management

The Board recognizes the importance of managing risks and this includes policies, procedures and oversight designed to reduce risks identified to an appropriate threshold. The only risk that the Board is exposed to through its financial instruments is liquidity risk. There was no significant change in the Board's exposure to this risk or its processes for managing this risk from the prior year.

Liquidity risk

Liquidity risk is the risk that the Board will be unable to meet its contractual obligations and financial liabilities as they come due. The Board manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its contractual obligations and financial liabilities.

LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

5. Expenses by object

The following is a summary of expenses by object:

	<u>2018</u>	<u>2017</u>
Bank charges	\$ 3	\$ 4
Indemnity claims	-	585
Salaries (Note 6)	<u>5,757</u>	<u>6,826</u>
	<u>\$ 5,760</u>	<u>\$ 7,415</u>

6. Related party transactions

The Board is administered by employees of the Department of Fisheries and Land Resources. Salary costs of \$5,757 (2017 - \$6,826) applicable to the operation of the Board have been paid by the Department of Fisheries and Land Resources and are reflected in these financial statements as expenses of the Board and as revenue from the Province.

7. Budgeted figures

Budgeted figures, which have been prepared on a cash basis, are provided for comparison purposes and have been approved by the Board of Directors.