

**NEWFOUNDLAND AND LABRADOR
CROP INSURANCE AGENCY**

ANNUAL PERFORMANCE REPORT

APRIL 1, 2009 - MARCH 31, 2010



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Chairperson's Message

August 2, 2010

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, 2009 to March 31, 2010.

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 second 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. 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 3 and not more than 7 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

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

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 \$420,000 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 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 collected in 2009-10 totaled \$145,878. This figure includes the governments' premiums as well as the producers' premiums.

In 2009-10 there were 28 producers enrolled in the Production Insurance program with \$72,768 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 June followed by a dry July and wet August in 2009 led to reduced production for some crops across the province. A breakdown of each commodity is provided in Table 1.

Table 1: 2009-2010 Production Insurance Contract Summaries

	Potato	Turnip	Cabbage	Carrot Mineral	Carrot Peat	Beet	Parsnip	TOTAL
Producers insured by crop	16	19	15	13	0	5	3	71
Contracts by crop	16	19	15	13	0	5	3	71
Acres insured	201.94	108.51	68.36	32.6	0	7.06	4.6	423.07
Coverage (\$)	284,321	338,200	271,540	75,152	0	16,491	14,549	1,000,303
Total Premiums (\$)	30,418	49,549	41,709	16,609	0	4,466	3,127	145,878
Indemnity Claims	2	3	5	2	0	3	2	12
Indemnity Payments (\$)	15,734	2,361	45,607	0	0	4,407	4,659	72,768
Insured Producers	28							

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.

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 AgriInsurance Program, thereby helping protect farmers from financial crop losses. 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 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 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 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 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 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 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, measure and indicators below applies to each year covered by the corresponding three-year activity plan and will be reported on in relevant annual reports.

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, 2009. Twenty eight producers returned a completed application by April 30, 2009. 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 28 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 423 acres was insured in 2009-10.

- **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, 12 participants made a total of 16 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 10 participants were accepted. The Secretary/Manager of the Crop Insurance Agency communicated the decisions of the Board to the respective participants. A total of \$67,578 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 participants were given two weeks to file a notice of intent to appeal followed by finding an arbitrator agreeable to both parties. Two insured producers appealed their claims for 2009-10. The appeal process awarded an additional \$5,191 in indemnities.

The Newfoundland and Labrador Crop Insurance Agency has prepared an Activity Plan for 2008-2011 which provides the objective and indicators and can be accessed through the internet at www.nr.gov.nl.ca.

Opportunities and Challenges

The challenges facing the AgriInsurance Program include large geographical regions in which producers are widely spread out. Other challenges that continue to affect The Newfoundland and Labrador Crop Insurance Agency include the yield assessment methodology which is often questioned 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 AgriInsurance Programs. Linkages to funding and technology adoption programs 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 AgriInsurance Program.

Appendix A

2009-2010 Premium Base Rate (%)

POTATO			TURNIP			CABBAGE		
Coverage (%)			Coverage (%)			Coverage (%)		
60	70	80	60	70	80	60	70	80
9.19	12.88	16.04	14.31	18.14	21.95	12.78	15.96	19.21

CARROT			BEET			PARSNIP		
Coverage (%)			Coverage (%)			Coverage (%)		
60	70	80	60	70	80	60	70	80
20.96	23.88	N/A	24.97	27.36	N/A	20.32	23.49	N/A