Canada-Newfoundland Crop Insurance

A Risk Management Tool

Introduction

Crop Insurance is designed as a management tool to provide farmers with some measure of income protection against uncontrollable natural perils. Coverage offered to farmers is available under two scenarios: the first is based on the farmer's pre-harvest cost of production; and, the second is based on 70% of the market price for the crop. Under both options, the farmer's investment is protected against the effects of drought, excessive moisture, wind, frost, hail, snow, wildlife, disease and insects. However, Crop Insurance does not cover losses due to poor farming practices, negligence or lack of insect, disease or weed control. The Agency further requires that insured producers follow control practices as recommended by the Department of Forest Resources and Agrifoods for the control of late blight and clubroot.

This program is jointly funded by the provincial Department of Forest Resources and Agrifoods and Agriculture and Agri-Food Canada. Canada and the Province equally share the administrative costs of the program. The total premium cost is shared between the federal government, the provincial government and the producer.

Crops Insured

There are currently separate insurance plans for: potato, turnip, cabbage, beet, carrot on mineral soils and carrot on peat-based soils. There is a basic requirement of one acre of crop and insurance must be purchased on the entire crop planted (not just the high risk areas).

How Crop Insurance Works

A farmer must apply for crop insurance prior to April 30 of that year. Producers determine the coverage level and price option for which they intend to insure their crops at time of application. Those applicants who do not indicate their intentions will be offered the Agency’s default coverage of 60 percent at the Cost of Production price option. Once an application has been approved by the Crop Insurance Agency, a field representative meets with the farmer and measures the planted acreage to reconcile it to the Planting Intentions form.

Production Guarantee

The production guaranteed to a farmer is based on the farmer's Probable Yield, which is a combination of the farmer's past yields and the area average yield (as provided by The Newfoundland Crop Insurance Agency) over a fifteen (15) year period. The Agency adjusts the area average yield by applying a factor which better reflects actual crop insurance yields. The farmer's Production Guarantee is determined by multiplying the Probable Yield by the Coverage Level, either the Basic Disaster Coverage of 60 percent or 70 or 80 percent. Field test plots are used to statistically determine the actual production achieved in a growing season. Product from a test plot is graded and weighed at the end of the season and this weight is converted to a total crop yield figure. If this figure indicates that production has fallen below the Production Guarantee due to one of the insured perils, then the farmer is in a claim position.

Claim Benefits

The Crop Insurance Program is equipped with two claim benefits. A Reseeding Benefit is used in the event of a germination loss on insured crops, insured at a minimum 70 percent coverage level. The grower may receive a claim adjustment enabling them to replant the crop in the same season if the crop was lost as a result of one of the insurable perils and the crop can be replanted up to the planting deadline. The Regular Insurance is available at the time of harvest. If a farmer finds that the crop has been damaged by an insurable peril and yields are below the Production Guarantee, as determined by the Crop Insurance Agency, the producer must file a "Notice of Crop Damage and Request for Inspection" with the Agency. Once it has been established that the claim is justified, the grower will be paid an adjustment to cover the loss as agreed to in the Contract. In both cases, the "Notice of Crop Damage and Request for Inspection" must be filed by the farmer within five (5) days of noticing the loss.

Premiums

The cost of insurance is dependent on several variables. The first set of variables is the Coverage Level. The farmer can choose one of three Coverage Levels, 60 %, 70% or 80% for each crop (1). This percentage is multiplied by the farmer's Probable Yield to obtain the Production Guarantee.

The second set of variables is the Price Option. This is where the farmer decides to insure his or her crop based on either the pre-harvest cost of production (i.e. seed, fertilizer, limestone) or on 70% of the market price. This Price Option is multiplied by the Production Guarantee to determine a total Coverage Value. The total premium costs are then determined by multiplying the total Coverage Value by a pre-determined premium rate. Additionally, a premium surcharge/discount is applied to the total premium to reflect an insured farmer’s experience with the Crop Insurance Program.

There is no cost to the farmer for insuring at the Basic Disaster Coverage Level of 60 percent. The Federal and Provincial governments share the premium costs on a 60:40 basis, respectively. Farmers then have the option of "buying-up" insurance to a maximum of 80 percent coverage to meet their anticipated risk. The incremental cost of the additional coverage is cost-shared on a 50:30:20 basis (Farmer:Federal: Provincial).

(1) As both the carrot and beet plan are relatively new plans with very little historical data, the terms of the federal/provincial Crop Insurance agreement allows the Agency to offer insurance on these two crops to a maximum of the 70 percent coverage level only.

EXAMPLE: The following example is for a potato grower who has not participated in the Crop Insurance Program in the past and therefore has no program experience from which to build Probable Yields or Premium Discounts or Surcharges.

POTATO	**Cost of Production**			**Market Price**		
Coverage	60%	70%	80%	60%	70%	80%
Premium Rate	0.0772	0.0942	0.1162	0.0772	0.0942	0.1162
Probable Yield (lb/ac)	16,221	16,221	16,221	16,221	16,221	16,221
Production Guarantee (lb/ac)	9,733	11,355	12,977	9,733	11,355	12,977
Price Option (lb)	0.07	0.07	0.07	0.12	0.12	0.12
Coverage ($)	681.31	794.85	908.39	1,167.96	1,362.60	1,557.24
Total Premium ($/ac)	52.6	74.87	105.55	90.17	128.36	180.95
Federal Premium ($/ac)	31.56	38.24	47.44	54.1	65.55	81.33
Provincial Premium ($/ac)	21.04	25.49	31.63	36.07	43.7	54.22
Producer Premium ($/ac)	0	11.14	26.48	0	19.1	45.39

Application Procedure

Crop Insurance applications are mailed out to producers during the first week of April. If you do not receive an application by mail, you should contact your area Agricultural Representative. The application form may also be downloaded from this site Application for Crop Insurance. The application deadline is April 30th of each year. Completed forms should be sent to:

Newfoundland Crop Insurance Agency
Department of Forest Resources and Agrifoods
Agrifoods Branch
Herald Towers

P.O. Box 2006
Corner Brook, NL
A2H 6J8

For additional information, please contact the Agricultural Representative in your area or the Program Manager.