

**NEWFOUNDLAND AND LABRADOR
CROP INSURANCE AGENCY**

THIRTY FOURTH ANNUAL REPORT

APRIL 1, 2006 - MARCH 31, 2007



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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
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Dear Minister:

I am pleased to submit the Annual Report for the Newfoundland and Labrador Crop Insurance Agency, covering the period April 1, 2006 to March 31, 2007.

The 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 year in fulfillment of its responsibilities.

My signature below is on behalf of the Newfoundland and Labrador Crop Insurance Agency and indicative of the Agency's accountability for the achievement of the activities contained in this report.

Respectfully submitted,

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. Funding for this program is provided through the Canada - Newfoundland and Labrador Production Insurance Agreement and is cost-shared between the federal Department of Agriculture and Agri-Food Canada and the provincial Department of Natural Resources on a 60:40 cost basis respectively.

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.

In 2006-2007 there were twenty seven producers enrolled in the Production Insurance program and \$112,853.08 was paid out by the Agency for crop losses. Also, an indemnity payment of \$1,222.45 from the 2005 crop season was approved and paid in fiscal year 2006-07. Indemnity payments were close to the ten year average because of reduced crop yields obtained by some of the producers. The weather conditions were unfavourable for growing successful crops which resulted in decreased crop yields during the 2006 crop season.

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. 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

The vision of the Newfoundland and Labrador Crop Insurance Agency is to create a successful vegetable sector in Newfoundland and Labrador that can rely on cost effective and efficiently delivered production insurance programs for all producers.

The Agency plans to expand and enhance its current product line of insurable crops to include other commodities such as forage, corn, other vegetables, and small fruits. Under the Agricultural Policy Framework Agreement (APF), the Provinces, Territories and Canada have agreed to offer a broader range of coverage and products to eliminate program gaps and ensure similar levels of service throughout Canada.

Mission

The mission of the Agency is to provide stakeholders, including the public, with a clear indication of the status of the Production Insurance program as it implements changes agreed to under the APF for full implementation by April 1, 2006.

Improvements to the insurance program will include universality throughout Canada to the extent that all producers are treated equitably regardless of where they farm; comprehensive protection to ensure that more commodities are insured at fair market value; sound insurance

practices and actuarial principles to ensure self-sustainability consistent with accepted insurance policies and a cost effective and transparent system allowing for equitable treatment among provinces.

Lines of Business

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. The producer will be protected for a yield per acre 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 that yield, the producer will be eligible for an indemnity.

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. The first price option is based on the pre-harvest Cost of Production value for each crop and the second price option is based on the Market Value of each crop. The Market Value is calculated at seventy per cent of the previous five year Statistics Canada average.

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.

The Board consists of three members, a Vice-Chairperson and a Chairperson appointed by the Lieutenant-Governor in Council. The Chairperson and one member are employees of the Provincial Department of Natural Resources; the Vice-Chairperson is a federal employee of the Canadian Food Inspection Agency; and the remaining two members are producer representatives.

The general day-to-day operation of the Agency is carried out by the Province, under the direction of the Agriculture Business Development Division, Department of Natural Resources. Field operations are carried out by three Agricultural Technicians with the help of a seasonal employee when field work warrants. The Agency's headquarters is located in Corner Brook. There is a branch office for the Eastern region field work 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.

Highlights and Accomplishments

In 2006-2007, a total of twenty seven producers insured their vegetable crops with the Newfoundland and Labrador Crop Insurance Agency. A total of seventy six contracts were issued covering four hundred eighty nine acres. A breakdown of each commodity is provided in Table 1.

Table 1: 2006-2007 Production Insurance Contract Summary

	Potato	Turnip	Cabbage	Carrot Mineral	Carrot Peat	Beet	Parsnip	TOTAL	
Producers insured by crop	15	23	18	12	1	6	1	76	
Contracts by crop	15	23	18	12	1	6	1	76	
Acres insured	271.1	110.9	65.4	25.6	6.6	8.3	1.2	489.1	
Coverage (\$)	384,170	237,688	193,817	52,480	18,663	17,155	4,933	908,906	
Total Premiums (\$)	34,818	36,166	29,943	12,561	5,856	3,914	1,196	124,454	
Indemnity Claims	3	13	5	2	1	2	0	26	
Indemnity Payments (\$)	48,256	43,740	13,507	1,357	2,923	3,070	0	112,853	
Insured Producers	27								

Appendix A: 2006-2007 Premium Base Rate (%)

POTATO			TURNIP			CABBAGE		
Coverage (%)			Coverage (%)			Coverage (%)		
60	70	80	60	70	80	60	70	80
9.18	11.47	13.79	13.96	17.28	20.81	12.72	15.46	18.52

CARROT			BEET			PARSNIP		
Coverage (%)			Coverage (%)			Coverage (%)		
60	70	80	60	70	80	60	70	80
22.09	24.37	N/A	19.67	22.57	N/A	21.70	23.49	N/A