

2012

**BUSINESS RISK
MANAGEMENT BRANCH**

YEAR IN REVIEW



Ministry of
Agriculture



BC offers proactive risk management products to help farming businesses protect themselves from severe financial loss. In 2012 the Province covered \$725 million of risk through production insurance and income stabilization for BC producers.



THE DIRECTOR, BRMB

Welcome to the Business Risk Management Branch's first annual report.

BRMB is a customer-focused organization that operates as an integral part of the British Columbia Ministry of Agriculture. The Branch is headquartered in Kelowna to be close to industry and sustains a dedicated effort to coordinate and communicate with other parts of the Ministry and the central agencies located in Victoria that are critical to the Branch's business.

Business risk management programs provide BC farmers with tools that enable them to manage economic and weather risks that are beyond their control. This provides a foundation for strong sustainable economic growth throughout the agricultural sector and many farmers view these programs as essential to their business operations.

I hope this report sheds light on the Branch's priorities and challenges and that it will provide our stakeholders, and other interested parties, with useful information about our business.

On behalf of our Management team and the dedicated staff across the Branch, I am pleased to present the 2012 Year in Review.

A handwritten signature in black ink that reads "Gary Falk".

Gary Falk, Director

Business Risk Management Branch

BRANCH OVERVIEW

MINISTRY VISION

"An innovative, adaptive and globally competitive Agrifoods sector valued by all British Columbians"

MINISTRY MISSION

"Cultivate a competitive and socially responsible Agrifoods sector"

BRMB PURPOSE STATEMENT

"Helping farmers manage risks through an organization where service, results and teamwork drive the delivery of Business Risk Management programs"

BRMB is headquartered in Kelowna and has about 90 staff in 8 offices across the Province



The Business Risk Management Branch (the Branch or BRMB), and the programs it delivers, serves to achieve the policy objectives of the Ministry of Agriculture (AGRI) and the BC provincial government. The Ministry of Agriculture's Service Plan supports the government's priorities for jobs, the economy, families, and open government by stabilizing and expanding Agrifoods production and incomes, promoting environmental stewardship and safeguarding animal, plant and human health. The benefits of a stable and growing Agrifoods sector in BC include: steady jobs and revenue for farm families, healthy and secure local food supply, and diversified rural communities.

Risk management is a key component to every successful business and the Branch offers risk management programs to producers to help them manage the diverse risks they face. The ability to manage risks enables producers to be innovative and adapt their businesses to improve competitiveness. Business Risk Management (BRM) programs aid producers in accessing the large capital requirements needed to succeed in farming today.

BC operates its BRM programs from within the Ministry. This allows BC to align Branch business and service priorities more closely with the rest of the Ministry and government. Other provinces run their BRM programs from a crown corporation or commission.

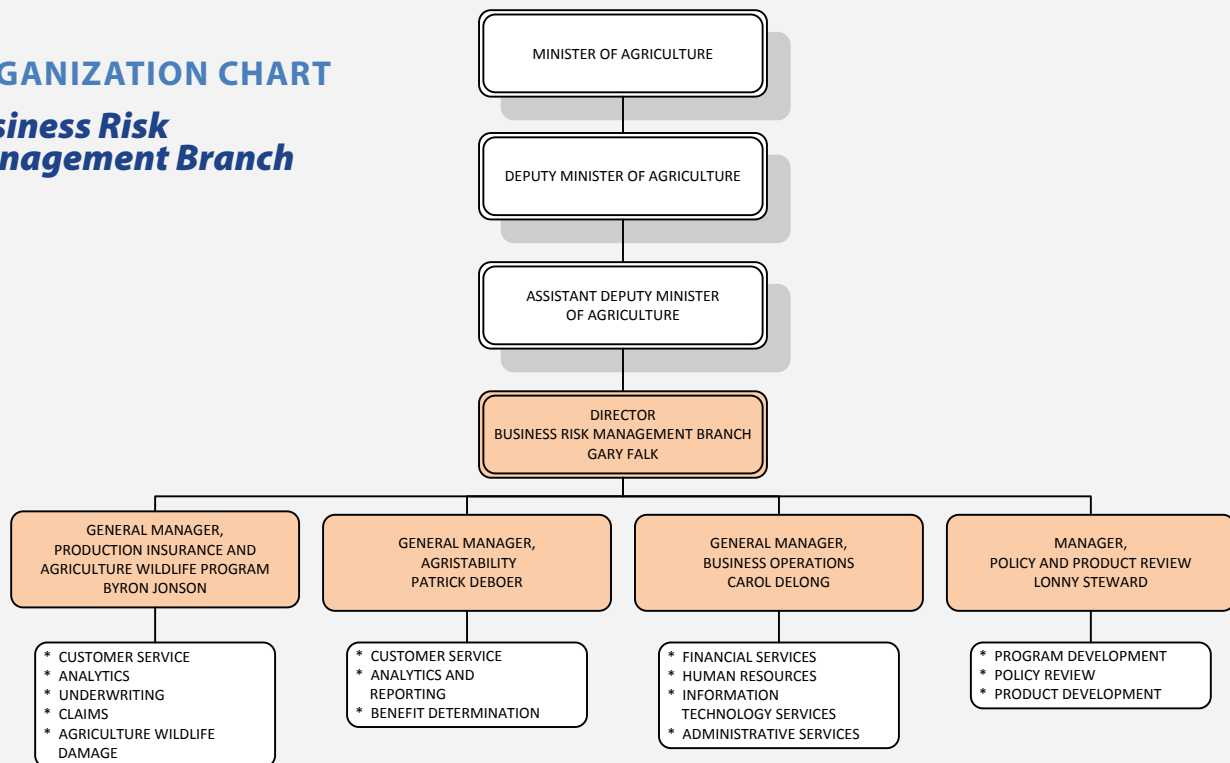
BRM programs are funded through Growing Forward, a national multilateral framework agreement between the provinces and the Government of Canada. The Growing Forward Agreement expired on March 31, 2013 and a new agreement, Growing Forward 2 (GF2), came into effect April 1, 2013. This new five-year agreement renewed the financial commitments of the federal and provincial governments to BRM programs.

The Growing Forward agreement and the new GF2 agreement obligate the Province to fund and deliver the suite of BRM programs. The Province has relinquished some control over costs and flexibility in program design in order to have 60% of program costs paid by Canada.

A key Branch objective is to adapt the design and delivery of BRM programs within the framework agreement parameters to meet the unique needs of BC producers. Regular consultations with industry leaders identify emerging issues and industry needs and help shape Branch priorities and our Province's position in national negotiations around program design. The Branch strives to find the appropriate balance between demands for programs and services, fiscal responsibility, and national program parameters.

ORGANIZATION CHART

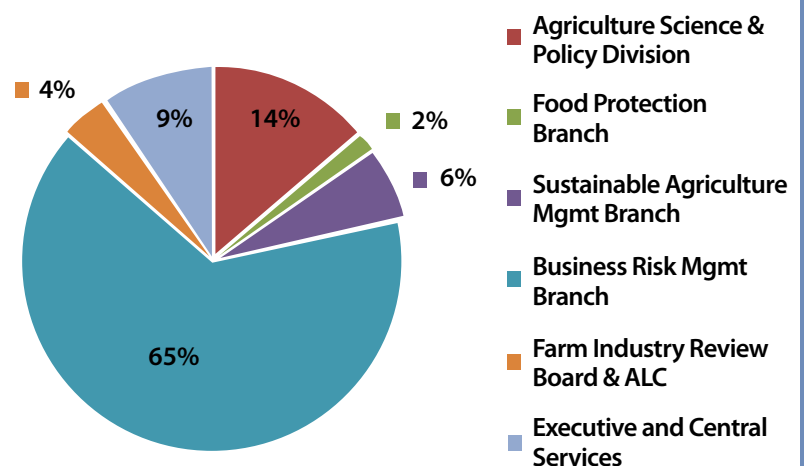
Business Risk Management Branch



As shown in the chart to the right, a large portion of the Ministry's operating budget continues to go towards running BRM programs.



FISCAL 12-13 MINISTRY OF AGRICULTURE OPERATING BUDGET BREAKDOWN



Each year BRMB prepares a business plan that outlines the priorities of the Branch. Beyond program delivery, the focus of the business plan in 2012 was to improve our efficiency in delivering exceptional service to the producers of BC while better aligning our work processes with the core public service values of: *Service; Accountability; Courage; Passion; Teamwork; Curiosity; Integrity.*

The Plan was built on four strategic objectives:

INVESTING IN PEOPLE

We need people who are passionate and engaged in the work we do and we want to invest in our human resources by developing and supporting people in a healthy work environment. We value people for who they are and their contributions both individually and as a team. We must hire the right people into the right culture. We want to improve productivity and morale partially through improved physical environments and tools. Training and development, hiring practices, communication and addressing stress and workload issues are key priorities.

Effective communications are essential. Communication at all levels of our organization continues to be a key strategy for the success of the Branch and the staff.

INVESTING IN TECHNOLOGY

The rapid pace of technological change is altering how citizens expect to interact with government and access services. The aging of the public service workforce and ever-present fiscal pressures are creating a stronger imperative to modernize government operations through innovative applications of technology.

Investment in a thoughtful and strategic manner that ensures the best value for limited resources is essential.

There is a need to focus on developing cross-program integrated software solutions for improved efficiency and productivity.

We need to reduce turnaround times and facilitate the ability to develop on-line enrolment and premium purchasing, as well as claims processing, for clients in a timely manner. We must provide staff and clients with the ability to access information online.

SERVICE EXCELLENCE

The Branch has a number of stakeholders that affect, or are affected by, the risk management services and products provided to British Columbia farmers. Key stakeholders include: industry associations and advocacy groups (BC Agriculture Council, BC Cattlemen's Association, BC Fruit Growers' Association, BC Grain Growers' Association, BC Landscape and Nursery Association, etc), Ministry of Agriculture Executive, BRMB staff, Agriculture and Agri-Food Canada. Other stakeholders include AGRI staff, other BC ministries, other provincial government risk management administrations, private contractors and the public. Stakeholder service is a key component in ensuring programs are well understood. Through consultative processes we can optimally respond to service and policy expectations.

In order to achieve our purpose all staff must continue to strive to make customer service a top priority. The Branch must ensure that it is working from a consistent baseline across the Province. However, as customer service is very dynamic, the Branch must continually monitor and adapt its methods and tools to match what our customers want and expect.


We must exploit opportunities to enable e-service, self-help options and open data for the Branch and for our clients.

BUSINESS EFFICIENCY AND INNOVATION

We want to remove silos within the business areas, sometimes driven by disparate system development. It is essential that we increase efficiency through shared information across the Branch, facilitate better use of resources and workload balancing, and cohesive decision making.

We must bring business into alignment with government policy. We must foster a culture of continuous improvement.



BUSINESS PLAN TARGETS	RESULTS
Implement a focused recruitment strategy through development of assessment tools for each job type; ensure the recruitment process is transparent.	This work has begun and will continue through 2013. Project includes development of standard and optional interview questions and assessment tools focusing on specific competencies such as teamwork, service orientation, results orientation as well as leadership ability.
Implement a focused performance management program by providing employees with tools to develop personal work goals that support the Branch Plan; ensure and enable consistency across the Branch; develop tools and training to help staff encompass government's core values into their work.	Program completed. First annual cycle completed. Assessment of the program will be undertaken in 2013.
Implement an on-boarding and orientation program for new staff by developing a program of activities to enhance new staff's experience; develop a focused program designed to ensure success during the probationary period.	Checklist completed. Program development is ongoing through 2013.
Develop ongoing training programs for all job groups and program areas.	Partially completed. Work continues through 2013.
Improve communication through the implementation of an Employee Advisory Forum.	Launched.
Identify development and training needs to develop leadership skills for supervisory staff; implement an ongoing supervisors' forum group. Address succession planning challenges through the development of templates and tools for managers to identify key positions and tasks.	Development and training needs are now being included through regular performance management conversations. The supervisors' forum group is operational. Partially completed – work will continue over the next two years.
Develop and refine Internet and Intranet; develop client self-service tools; develop business case for design and implementation of a new Branch wide software system.	Sector wide rollout of Internet and Intranet completed; client self-service tools project will get underway in 2013; a business case will be prepared in 2013 to support a capital request for new branch-wide software.
Continue working on enhancing and improving BRMB software tools for improved efficiency.	A CRM (customer relationship management) program was developed; an accounting system was developed; Production Insurance software has been improved. Plans for continued upgrades and rollouts continue.
Encourage a strong service orientation among Branch staff through the development of service standards; include service orientation in the performance management program.	Bi-monthly supervisors meetings were launched where various topics are discussed including service orientation. Work continues on developing tools and training for all staff to engrain a service excellence culture. Service orientation has been included in the My BRMB Performance Management program.
Review the Branch program delivery structure and undertake continuous improvement projects. 	AgriStability restructured to expand application processing. The reporting structure was reorganized to combine verification and customer service units into three operational teams. The initiatives facilitate direct regional access to services, local commodity specific knowledge development and increased file processing capacity. The Wildlife program area undertook a project to review their processes and as a result 17 process steps were eliminated; a reduction in the number of inspections carried out each year resulted \$25K in savings; more than 50% of claims are now paid three months faster than in prior years; and standard operating procedures were developed. The Branch is currently participating in two Lean projects.
Develop specific measures by program such as ratio of admin costs to premium revenue and develop reporting methodology.	The target for Production Insurance was achieved (20:80); work is underway to develop targets for other program areas.

FINANCIAL RESULTS



The cash balance in the Agricultural Income Stabilization (AIS) Trust Fund represents the reserve required to pay out future benefits.

The AIS Trust fund operates on a zero net equity basis as expenses are covered 60/40 by Canada and BC.

2012 was a relatively low claim year for Production Insurance. As premium income exceeded expenses the Production Insurance Special Account (PISA) fund balance increased by \$12M.

FINANCIAL RESULTS

The management team at BRMB is responsible for the integrity, objectivity and reliability of the financial statements, notes and financial information. As a requirement under Growing Forward, BRMB is obligated to engage an independent auditor to audit our financial statements. The Branch's Business Operations group is responsible for preparing the annual financial statements for audit.

Set out below is a statement of financial operations as at fiscal year end March 31, 2013.



STATEMENT OF OPERATIONS

Fiscal Periods Ending March 31, 2013 and 2012 \$,000

	AgriInsurance (Production Insurance)		AgriStability		Agricultural Wildlife Damage Compensation		AgriRecovery		AgriInvest	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
REVENUES										
Premiums from insured producers	\$6,373	\$6,499								
Enrolment fees from participating producers			\$1,128	\$1,845						
Interest	\$338	\$108	\$345	\$277						
Contribution from Province of BC	\$10,485	\$10,551	\$12,301	\$12,668	\$1,150	\$1,455	\$4	\$1,538	\$5,007	\$4,413
Contribution from Canada	\$13,424	\$14,114	\$20,364	\$21,529	\$1,725	\$2,181	\$6	\$2,293		
Other income	\$380	\$1,008								
TOTAL REVENUES	\$31,000	\$32,280	\$34,138	\$36,319	\$2,875	\$3,636	\$10	\$3,831	\$5,007	\$4,413
EXPENSES										
Insurance claims	\$13,616	\$6,312								
Program benefits			\$29,900	\$32,300	\$1,529	\$2,230	\$10	\$3,713	\$4,760	\$4,200
General and administrative costs	\$4,225	\$4,585	\$4,238	\$4,019	\$891	\$856		\$118	\$247	\$213
Loss adjusting costs	\$1,056	\$997			\$455	\$550				
Reinsurance premiums	\$3,309	\$3,456								
TOTAL EXPENSES	\$22,206	\$15,350	\$34,138	\$36,319	\$2,875	\$3,636	\$10	\$3,831	\$5,007	\$4,413
Cash Balance	\$36,110	\$26,550	\$30,440	\$24,120						
Fund Balance - PISA	\$34,720	\$25,930								

*Note the table does not represent audited statements and is presented as interim information only.

BRM PROGRAMS

In BC, the level of government support is highest for protection against severe losses.

The national suite of BRM programs is comprised of AgriInsurance (commonly known as Production Insurance or Crop Insurance), AgriStability, AgriInvest and AgriRecovery. The Branch operates an Agriculture Wildlife Damage Compensation program, which is enabled under the AgriInsurance program within the Growing Forward and GF2 agreements.

The suite of BRM programs allows viable farming businesses to protect themselves from severe financial losses. Farms that proactively manage risk can more effectively undertake activities to seek profits. The programs are geared to enable farm businesses to adapt, innovate, plan and invest in their future by providing a firm base and level of security against severe losses. Financial institutions recognize the security provided by BRM programs when evaluating the risk of providing capital to farm businesses.

The intention of BRM programs is to provide risk management tools and expertise to support innovation and development in the agriculture sector of BC.

BRM programs are designed specifically so they do not mask market or production signals. Farm businesses that fail to adapt and innovate to changing conditions or that are chronically unprofitable do not receive ongoing support. Coverage and program payments are reduced and can disappear entirely as productivity or profitability diminishes.



PROGRAM GOVERNANCE

The Growing Forward and GF2 agreements mandate the requirement for performance measures. Canada and the Provinces have agreed to a set of specific measures for each BRM program with results reported nationally for each program. The Branch must always be conscious of these measures as well as any additional performance measures developed within the Province. Tracking, auditing and reporting nationally and provincially is important work within the Branch and a requirement to receive funding from Canada.

BC has two key pieces of legislation that enable BRM programs: The Farm Income Insurance Act and the Insurance for Crops Act. The legislation and corresponding regulations authorize the Minister of Agriculture to enter into agreements with Canada around BRM programs.

Programs must also comply with the Financial Administration Act. AgriInsurance functions as a legal contract between BC (the insurer) and a producer (the insured). As such, AgriInsurance is subject to contract and insurance law. The parameters of BRM programs are described in the Growing Forward and GF2 agreements. Included in the agreements are references to regulations and guidelines that further define the programs. Provinces do not have the flexibility to design programs outside of the regulations and guidelines without a corresponding loss of funding from Canada. A fundamental principle of these agreements is that there is a level of equity in programs across the country. As a signatory to the agreements, BC is obligated to incur the costs of programs over the term of each agreement.

Each BRM program is subject to Federal audits that validate compliance with defined program parameters. Canada also audits the funds it pays to the Province. Provincial billing must reconcile to Provincial financial statements to ensure federal costs are accurately billed.

A logic model for BRM programs was developed as a way to provide an integrated and consistent approach for the development of indicators for each BRM program.

LOGIC MODEL					
OBJECTIVE OF BRM PROGRAMS	BRMB PROGRAMS	BRM PROGRAM OUTPUTS	BRM PROGRAMS END OUTCOMES	BRM PROGRAM SUITE END OUTCOME	STRATEGIC OUTCOME
BRM programs provide producers with effective tools to manage financial risks	AgriInvest	Funding provided to all participants based on allowable net sales	Producers have the flexibility in managing small financial risks	Producers' income losses are reduced	A competitive agriculture, agri-food and agri-based products sector that proactively manages risk
	AgriStability	Funding provided to participants with margin declines greater than 15%	Short-term impacts of large income losses are mitigated		
	AgriInsurance	Funding to provide producers with effective insurance protection	The financial impacts of production losses are mitigated by providing effective insurance protection		
	AgriRecovery	Funding provided to participants affected by disasters	Farm business operations resume operations following a natural disaster		



The Branch is obligated to provide the data and analysis that demonstrates compliance with regulations and performance against specified measures. This requires significant resources in systems, analysis and administration. The agreements also describe the development of and reporting against performance measures which are developed jointly and agreed to by Canada and the Provinces.

THE PAST

The initial financial programs in agriculture were developed with mainly social objectives in mind. Agriculture was viewed as an effective way to develop rural areas and producers were brought up to a standard of living comparable to the rest of society. These social objectives have mostly given way to economic objectives as agriculture has become an important part of the Canadian economy. Indicators now show that farm families are no longer economically disadvantaged.

THE FUTURE

External pressures demand that BRM programs evolve and change with the evolution of the agriculture sector and the policy priorities of governments. Expanding economies and higher disposable incomes in Asia, Eastern Europe and South America provide opportunities for Canadian agricultural products. The desire for fresh locally grown food also provides opportunities for BC producers.

The policy direction in GF2 is to encourage producers to adapt their businesses to capitalize on these opportunities. Governments are re-evaluating their role in agriculture and how BRM programs can encourage and support a competitive sector.

Many agriculture sectors are doing well while others struggle to find their niche in a global economy. Severe financial losses for producers will still occur due to weather, disease and market variability.

BRM programs will continue to evolve toward facilitating appropriate risk taking by focusing protection on severe losses. The responsibility for normal variations in income will continue to shift away from governments onto producers and private sector risk management tools.

Tracking and reporting on the performance of BRM programs has inherent complexities because the programs run on a crop year basis (November 1 to October 31) or a tax year basis (January 1 to December 31) while the provincial government's fiscal year is April 1 to March 31.

BRM program costs are highly variable from year to year. Programs are intended to help cover the costs of severe losses. The frequency and severity of loss events drive program costs.

The two biggest factors that dictate costs are commodity prices and weather. These factors are obviously unknown at the start of a fiscal year and cannot be reliably predicted. The Estimates Budget tabled in the Legislature is required to buffer cost variability to the Province so that costs can be budgeted. Two funds have been developed in an attempt to do that (Production Insurance Special Account – commonly referred to as “PISA”; and the Agricultural Income Stabilization Trust – “AIS Trust”).

The AIS Trust and PISA have proven to be workable mechanisms to smooth Ministry expenditure on BRM programs. They do, however, require considerable effort to manage effectively. The effort is justified given that annual variability in program costs often exceeds \$20 million which represents close to 30% of the Ministry's total budget. Without smoothing mechanisms other Ministry programs and all spending outside GF2 obligations would be jeopardized and the Ministry would require contingencies from Treasury Board every two or three years.

The Agriculture Wildlife Damage Compensation program is a relatively small program and is managed from the Branch operating budget.

AgriRecovery does not have a designated budget and every initiative requires a Treasury Board submission. Initiatives have fixed maximum costs and once costs are incurred Canada is billed for their 60% share.

Federal cost sharing is a critical component of all the BRM programs. Canada contributes 60% of all administrative costs as well as a significant portion of AgriInsurance premiums. The cost sharing received from Canada is dictated by actual program costs and is only received after those costs are known. This means that federal recoveries are as variable year to year as program costs.

Managing the relationship with Canada and developing the systems to bill Canada are key priorities for the Branch. Guiding this relationship is a tight framework of legislation, regulation, agreements, guidelines, performance measures and audit.



AGRIINSURANCE (PRODUCTION INSURANCE)

In crop year 2012, more than 2100 policies were issued generating \$26M in premiums and covering \$475M in risk.

The Province offers financial protection against crop losses due to uncontrollable weather events. AgrilInsurance provides insurance for 42 different crops throughout the Province. A level of production is guaranteed in exchange for a premium. Premiums are cost shared between producers and both levels of government. The Growing Forward agreement specifies what coverage Canada will cost share.

The program operates very much like any commercial insurance organization. Premium rates must be actuarially sound and an insurance fund is established that is self-sustaining over time (PISA). However, all administration costs are borne by government. Coverage and premium costs are set at the individual level regardless of the size of the producer's operation. Crop losses due to drought, flooding and other natural disasters destroy producers' livelihoods and result in political pressure on governments to make direct payments to those affected. AgrilInsurance provides a predictable, timely and budgeted mechanism for governments to respond.

All ten provinces have AgrilInsurance programs and there is considerable flexibility as to which crops will be insured and at what value. The products in BC are regularly compared and contrasted to the products offered in other provinces.

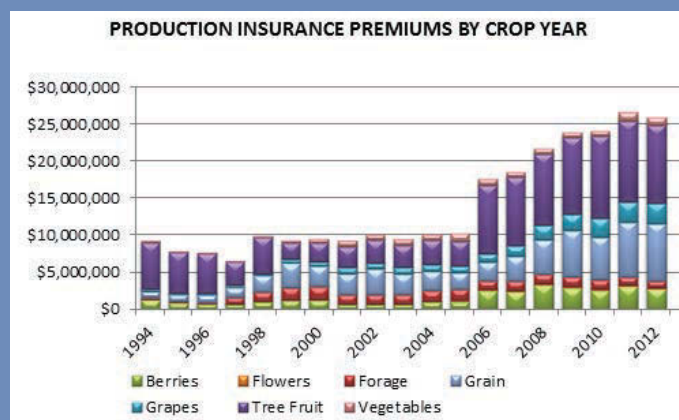
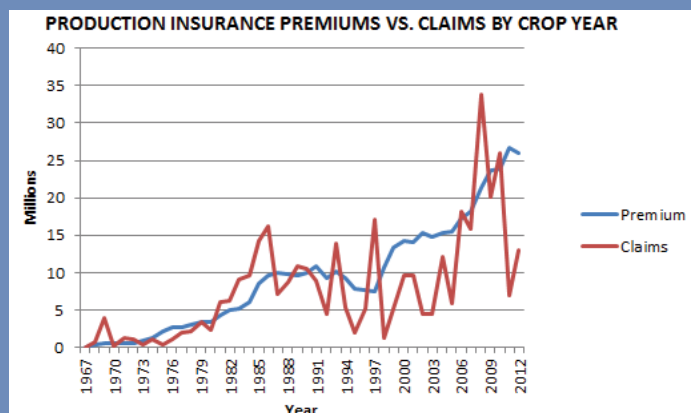
This often results in pressure on BC to adopt program features offered in other provinces.

AgrilInsurance claims are paid from PISA. Premiums from producers and both levels of government are paid into the account throughout each crop year. The Provincial share of premiums is paid into PISA as a transfer from the Ministry of Agriculture operating budget. Premium amounts vary year to year and are influenced by participation, coverage options, loss rates and commodity prices. The Provincial budget allocation for premiums must be updated periodically to accommodate shifts. The federal share of premiums is paid only after the Branch bills Canada, which can be done as soon as insurance coverage is purchased by a producer but is typically done once or twice per year.

AgrilInsurance was established in BC in 1967.

Reinsurance is purchased in the private market to protect the Province in extreme loss years. Reinsurance premiums are paid from and reinsurance claims are paid into PISA.

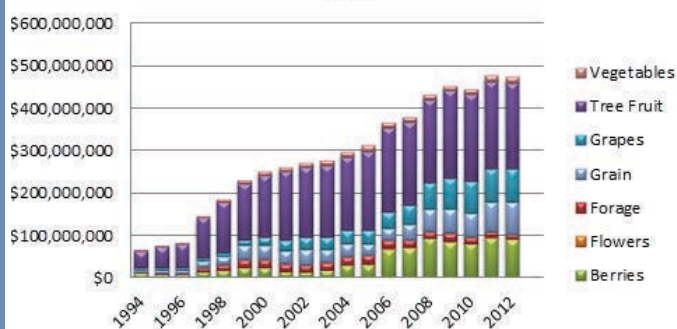
FACT: The program is actuarially sound and has collected sufficient premium to cover costs since inception.



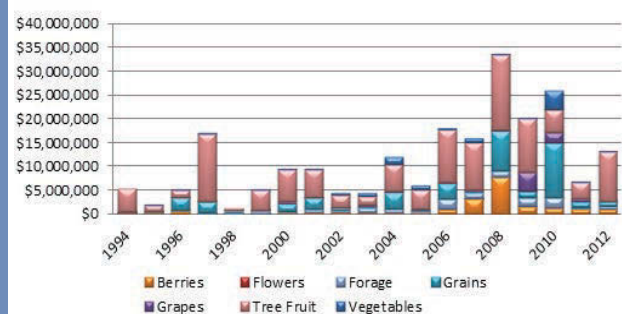


The Branch budget must include an expense for claims, which cannot be accurately predicted. Above average claim years require the Ministry to obtain Treasury Board approval to exceed budgeted claim expenses regardless of the PISA fund balance.

PRODUCTION INSURANCE RISK BY COMMODITY & CROP YEAR



PRODUCTION INSURANCE CLAIMS BY CROP YEAR



CROP CONDITIONS IN 2012

Weather conditions in 2012 were relatively consistent across the Province. May and June were cooler and wetter than normal. Things turned hot and dry in mid July and continued through fall providing for a good harvest for most crops.

The pollination and development of berry crops were affected by spring conditions resulting in lower than normal yields. Drier summer conditions allowed for the harvest of good quality crops in most locations.

The planting of some vegetable crops was delayed and most producers struggled with wet conditions. All crops were eventually successfully planted. Summer heat and an ideal harvest resulted in good yields and quality particularly for potatoes.

Very few Notices of Loss for all the crops in the Fraser Valley region were received. There were no major claims for berries or vegetables but because of some high water levels in the Fraser River near unprotected forage fields there was some damage with very little monetary value.

The wet June conditions caused severe damage to the cherry crop in the South Okanagan. Early maturing varieties were destroyed on many farms. Cherries further north in the valley benefited from summer heat producing average yields and good quality.

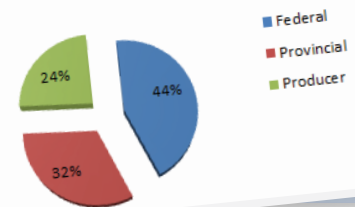
The crop risk portfolio is diversified both by the mix of crops and geography. This reduces the likelihood of an extreme loss event affecting all insured crops.

There were multiple severe hailstorms in the South Okanagan and Similkameen regions. All crops on many farms were destroyed and severe damage was common across the regions.

Tree fruit crops not affected by hail produced average yields and good quality. The Okanagan grape crop turned out to be of very good quality despite the cooler weather early in the season.

The grain and forage crops in North Central regions of the Province benefited from wet spring conditions. Moisture became limiting in July for grain crops in the Peace region. This reduced yields somewhat but allowed for September harvesting of good quality crops.

2012 PRODUCTION INSURANCE PREMIUM COST SHARE



In the 2012 crop year, the program took on approximately \$475M in crop production and plant mortality risk. Approximately \$26M in risk premiums were contributed to the insurance fund to cover expected losses. Approximately \$5M was spent to administer the program and manage the risk through prudent underwriting and loss adjustment. In order to limit the exposure of high losses to the program, a portion of the risk was ceded to private reinsurance markets through a stop-loss reinsurance treaty.



Sufficient premium must be charged to ensure that the insurance program is self-sustaining in the long run. Program methodologies (premium rate, probable yield, self-sustainability) are certified by an independent actuarial assessment generally every five years.

The Federal Government and the Province both contribute substantial premiums to the fund, in addition to premiums paid by producers. Administration costs are fully covered by government.

The primary focus of AgrilInsurance is to cover catastrophic loss events and as such the premium cost of catastrophic coverage is almost wholly paid by government. This structure encourages participation in the program and provides a planned response to disasters. At higher coverage levels, both government and producers share premium costs.



REGION	CROP PLANS	2012 Risk (millions)
Mainland Southwest, Vancouver Island	Berries, Vegetables, Flower Bulbs	\$109
Kootenay	Tree fruit, Grain, Forage, Grapes	\$7
Thompson Okanagan	Tree fruit, Grapes, Forage, Vegetables, Grain	\$277
Cariboo-Central	Forage, Grain	\$6
Peace-Northeast	Grain, Forage	\$76



UNDERWRITING

The primary role of the underwriter is to evaluate the individual risk and determine how much risk to take on behalf of the program. In BC, underwriting is done on an individual basis using a producer's historical production records. Where an individual does not have historical records, area average yields are used to determine coverage.

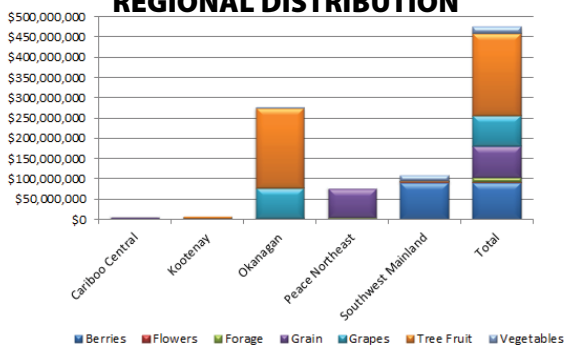
In crop year 2012, \$13M was paid out on crop loss claims, up from \$7M in the prior year. The largest losses were sustained by the tree fruit industry and the primary cause of loss was due to hail and rain on tree fruit crops.

LOSS ADJUSTMENT

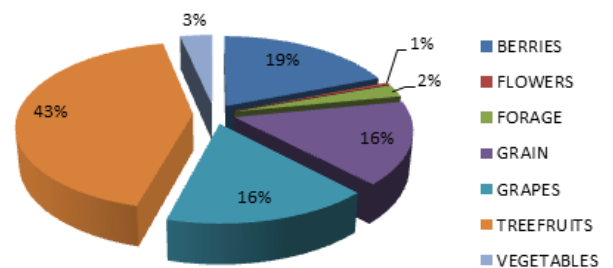
Claims are only paid for losses due to perils specified in the contract policy wording. A detailed Notice of Loss specifying the peril and the date and the location of the damage must be provided by the insured producer. Following notification, losses, and cause of loss, are confirmed by on-farm inspections. When losses are widespread they are sometimes confirmed by area wide inspections in order to economize costs.

Normally, crop loss claims are finalized by confirming final harvested production. Final production is determined by verified sales receipts where crops are sold by third parties. For hail claims in tree fruits and grain, representative fields are sampled and damage is calculated using standard techniques. Field adjusting inspections are carried out by trained contractors.

PRODUCTION INSURANCE 2012 REGIONAL DISTRIBUTION



PRODUCTION INSURANCE 2012 COVERAGE (\$475 million)

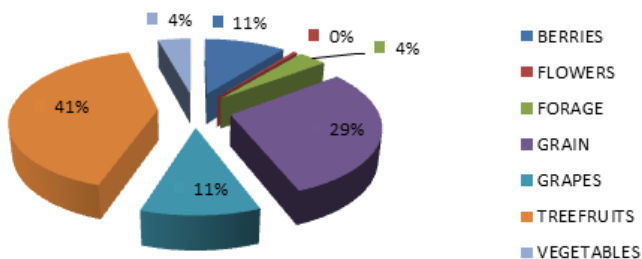




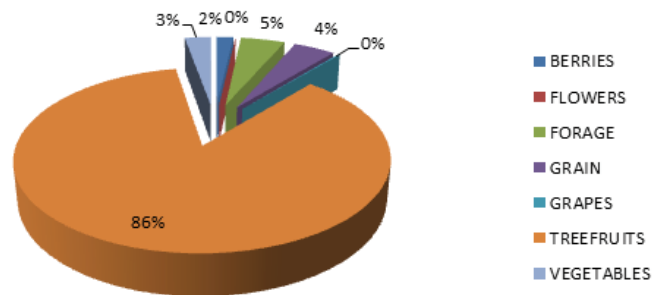
The Production Insurance unit is functionally organized under the General Manager and consists of Customer Service, Underwriting, Claims and Analytics.

The program places a high demand on staff to provide the necessary expertise on the broad range of crops insured by the program. Regional offices are strategically located in areas where there is substantial crop risk exposure. The physical presence of Branch staff in regions is also important to manage the program and maintain a close contact with the dispersed customer base. Management and staff are focused on running the program as a business enterprise. Key activities to operate an insurance program include underwriting and loss adjustment.

**PRODUCTION INSURANCE 2012
PREMIUM BREAKDOWN (\$26 million)**



**PRODUCTION INSURANCE 2012 CLAIMS
(\$13 million)**



AWP is a program that compensates producers for losses due to wildlife. Producers are expected to manage their farms to minimize losses. Compensation is considered a last resort and will not be paid where losses could have been reasonably avoided.

This program (AWP) provides assistance to forage, grain, and livestock producers for verified crop and livestock losses. The program includes compensation for wildlife damage to standing forage and grain, separation of excreta contamination from grain, and livestock losses due to wild predators. Wildlife consumes or damages crops and compensation is paid to producers for a portion of that loss.

Wildlife management is the responsibility of the Ministries of Environment and Forests, Lands and Natural Resources. The program does not shift those responsibilities; it only provides a financial buffer as affected producers work with the responsible Ministry(s) to find appropriate mitigation or prevention methods. The Branch actively works with industry and the other Ministries to find and develop loss reduction strategies in order to reduce the amount of compensation.

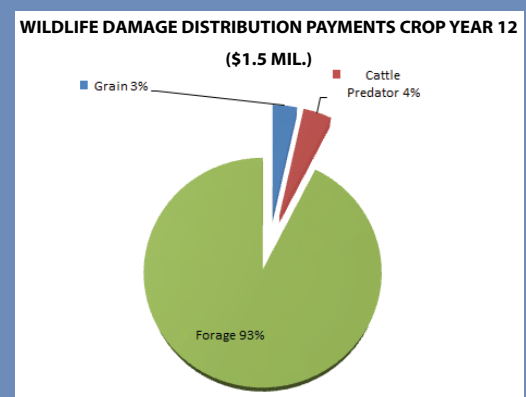
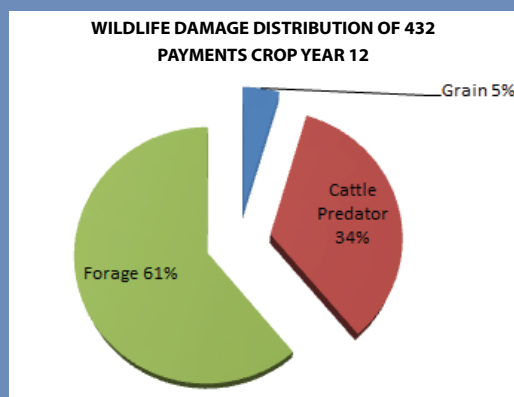
BC's experience with agricultural losses due to wildlife is unique as a majority of the agricultural activity in BC occurs on, or around, land that is favorable as wildlife habitats. Because of this, interaction between wildlife and agriculture is a frequent occurrence, often resulting in negative consequences for wildlife, agriculture or both.

The Federal and Provincial governments' commitment to provide compensation for agricultural losses due to damage from wildlife is enabled through Growing Forward. One of the requirements of Growing Forward is that compensation can only be paid if there have been efforts made to avoid or reduce damage such as: hunting strategies; lure crops or fencing. Working in collaboration with industry stakeholders, the Ministry of Agriculture, Ministry of Forests, Lands and Natural Resources and the Ministry of Environment, AWP staff develop policies to ensure compensation programs are integrated with initiatives for the prevention and mitigation of damage.

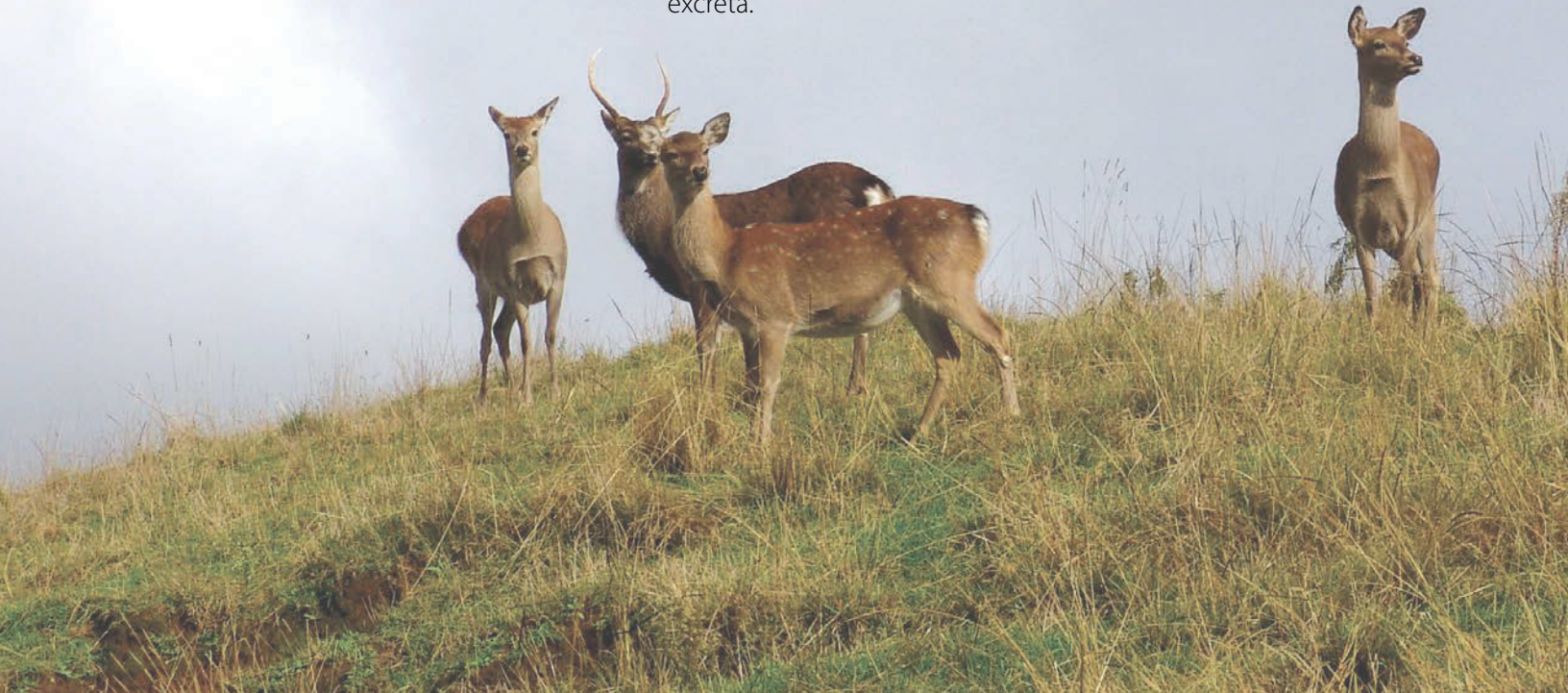
AWP staff are responsible for the development and delivery of policies and programs that will address the consequences of BC's unique agriculture wildlife interface issues. Program staff provide leadership on agricultural issues related to wildlife damage, prevention, mitigation and compensation.

Participation in the AWP has risen from 250 participants to 600 over a five-year period.

Growing Forward requires efforts to be made to avoid or reduce damage by wildlife in order for benefits to be paid.



Eligible losses vary year to year due to the level of wildlife pressure and the growing conditions for the year. For example, the grain excreta separation compensation payments can be very significant but are, however, very low in frequency. The reason for this is there are very few early snowfall events which create the conditions for losses due to excreta.



HISTORICAL PARTICIPATION AND LOSSES		
Crop Year	Registered Participants	Crop and Livestock Losses
2008	250	\$ 1,230,000
2009	544	\$ 1,644,000
2010	598	\$ 1,306,000
2011	600	\$ 2,266,000
2012	600	\$ 1,515,000

AgriStability is a business risk management program that protects against large declines in a producer's net farming income.

AgriStability support is provided on a whole farm basis. The farm may trigger a benefit caused by significant drops in production or commodity price, an increase in allowable expenses, or a combination. AgriStability is intended to work in conjunction with AgriInsurance to provide producers with maximum risk protection and financial stability.

As the program is margin based, the current program year margin is compared to the reference margin and if it has declined by more than 15% a payment is made. The program year margin is the difference between allowable income and allowable expenses. Reference margins are five year moving Olympic averages (ie., the high and low year numbers are dropped and the middle years are averaged) and are calculated at the individual farm level. Allowable expenses include commodity purchases and the direct input costs incurred in producing agricultural commodities. Margins are adjusted to an accrual basis to account for changes in inventory value, changes in accounts payable and receivable, and purchased inputs.

Coverage drops as profitability drops. When a farm ceases to be profitable coverage eventually becomes unavailable.

Each year approximately 3500 enrolment notices are issued.

The design of AgriStability is consistent across the country. There is little flexibility for provinces to alter program design. In BC, the program operates from data provided to Canada Revenue Agency and is closely linked to income tax. This linkage affects the timing of payments as program year margins cannot be calculated until program forms are filed which means that payments cannot be finalized until the year following production.

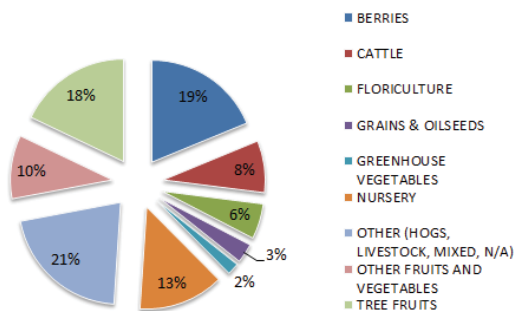
Annual payments to BC producers have averaged \$38.9M. For the 2011 program year, payments are forecast at \$24.1M and for 2012 at \$29.9M.

Enrolments happen all year long, however, they generally start in January and complete by the end of June. About 75% of those who receive enrolment notices return completed applications. About 30% of participants receive a benefit in any given year. About 35% of the participation comes from the cattle industry and about 20% from tree fruits. The remainder comes from a variety of industries.

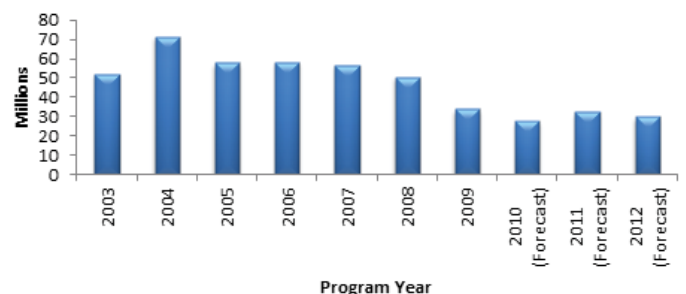
Prior to filing to CRA, participants can apply for an interim payment and may receive 50% of their estimated final benefit. The final benefit can only be determined after the participant has submitted the necessary income and expense information on the program forms to the CRA.

\$155.6M in AgriStability benefits have been paid to producers for the 2007 to 2010 program years. BC's share was \$62.2M.

AGRISTABILITY BENEFITS BY SECTOR



BENEFITS BY PROGRAM YEAR - AIS TRUST





AgriStability provides coverage for severe drops in market price, spikes in input costs, and production losses.

Government support provided by the AgriStability program will decrease in the 2013 program year as a result of the GF2 intentional policy shift to funding which encourages producers to proactively innovate and adapt to production and market conditions.

The decrease in government support is expected to decrease participation and possibly the administrative resources, infrastructure, and processes required to administer AgriStability.

The first income stabilization program was established in 1995 when the federal and provincial governments introduced the Farm Income Disaster Program.

AGRISTABILITY STATISTICS BY PROGRAM YEAR AT MARCH 31, 2013

	2009	2010	2011	2012
Final Applications				
Complete Applications	2,704	2,718	2,242	
Number of Applications Processed	2,687	2,549	891	
Reference Margin for Applications Processed	\$262,000,000	\$250,000,000	\$95,000,000	
Percent of Applications Processed	99.4%	93.8%	40%	NA
Number of Applications with Payments	1,039	771	222	
Total Value of Benefits Processed & Approved *	\$32,384,000	\$25,000,000	\$6,286,000	
Interim Applications				
Number Received	227	179	107	25
Number of Payments	105	119	54	6
Total Value of Benefits Processed & Approved *	\$3,870,000	\$4,084,000	\$2,654,000	\$1,071,000
Enrolment Fees Paid by Producers	\$1,255,000	\$1,395,000	\$1,268,000	\$1,210,000

*** This represents the value of payments processed and approved for payment; not necessarily payments actually paid out by March 31, 2013.**



Originally, AgriStability was delivered by Canada to BC producers. At the request of industry, and in order to be more responsive to the customer, BC took over delivery of the program in 2010. Governance of AgriStability administration is established at the national level through working groups with representatives from each province and Canada. The AgriStability and AgriInvest Administrators Working Group (AWG) informs the national Business Risk Management Working Group of administrative impacts of policy changes, drafts program guidelines, provides a forum for sharing of best practices between administrations, and endeavors national consistency in the application of program guidelines and agreements.

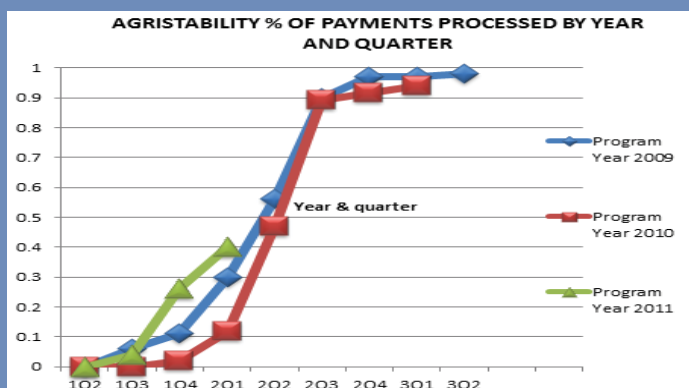
The AgriStability unit is functionally organized under the General Manager. The Customer Service teams provide the foundation client service work of application processing and front line service.

The Analytics and Reporting team determines the economic values required for benefit calculations, performs national and internal reporting requirements for program metrics, performs the analysis to report for national and internal performance measures such as payment accuracy, collaborates with Agriculture and Agri-Food Canada to validate program payment forecasts and manages the participant appeal and adjustment request process.

The Benefit Determination teams carry out the application processing which includes verification and benefit calculation.

2012 marks the third year full year of AgriStability administration by the Branch and the first full multi-year processing workload.

We achieved the best file processing stats so far this past year going from a 10% completion rate in 2012 to 40% by March 31, 2013.



The timing of AgriStability payments creates a significant mismatch between the program year and the fiscal year in which payments are made, for example, benefits for the 2010 program year were primarily paid out in 2012.

Coverage reductions to AgriStability under GF2 take effect for the 2013 program year but BC will not fully realize savings until the 2015-16 fiscal year.

AGRIINVEST

AgriInvest is a savings account program through which governments match producer deposits up to a prescribed percentage of allowable net sales. Under Growing Forward, the government matching contribution was limited to 1½% of allowable net sales and was capped at \$22,500. Under GF2, that amount is reduced to 1% with a cap of \$15,000.

Canada delivers a consistent AgriInvest program to producers in BC and across the country with the exception of Quebec, which has its own administration.

AGRIRECOVERY

AgriRecovery is not an ongoing program. It is a framework that allows governments to respond to disasters by providing impacted producers with funds to cover extraordinary costs. Each AgriRecovery response requires its own contribution agreement with Canada that specifies eligibility and amounts that can be paid.

The Branch administered one AgriRecovery response in 2012 which was targeted at helping affected cattle producers cover the extraordinary costs associated with Bovine Tuberculosis. \$165,658 was paid out to producers for this program.

The purpose of AgriInvest is to help producers develop financial reserves to cover smaller income declines or to make strategic investments.

AgriRecovery is an ad hoc program developed to help with extraordinary costs incurred as a result of disasters.



APPENDIX

PRODUCTION INSURANCE CLAIM STATISTICS								
2006 to 2012								
\$,000								
CROP PLAN	CROP	2006	2007	2008	2009	2010	2011	2012
BERRIES	BLUEBERRY	285	2,753	6,716	1,268	356	687	173
	BLUEBERRY PLANT	32	34		12		8	3
	CRANBERRY	52		850	332	891	255	
	RASPBERRY	513	444	109	64	24	10	58
	STRAWBERRY			4	18			
	STRAWBERRY PLANT			141	83		25	
BERRIES TOTAL		881	3,231	7,820	1,777	1,272	985	234
FLOWER BULBS	TULIP BULB		45					
FLOWER BULBS TOTAL		-	45	-	-	-	-	-
FORAGE	FORAGE	1,836	919	853	1,527	1,594	103	348
	SILAGE CORN		82	51		43	15	71
	UNSEEDS SILAGE CORN	1		3			3	
	WINTER SURVIVAL	47	39	6	48	27	18	20
	FORAGE ESTABLISHMENT	348	83	445	146	524	142	153
FORAGE TOTAL		2,232	1,122	1,357	1,721	2,188	282	591
GRAIN	BARLEY	318	46	1,274	184	577	276	120
	CANOLA	1,221	19	3,219	129	4,469	682	65
	FALL RYE		2	3				
	FIELD PEA	114	1	173	88	112	45	4
	OAT	226	13	244	57	257	30	131
	UNSEEDS GRAIN	1	163		28	21	32	7
	WHEAT	536		1,256	109	578	15	21
	GRAIN BASKET	956		2,308	1,046	5,385	92	229
GRAIN TOTAL		3,374	244	8,478	1,642	11,399	1,172	577
GRAPES	FRESH GRAPE	6	33	36	103	54	31	4
	VINE	3	206	42	3,573	1,324	296	57
	WINE GRAPE	12	158	46	1,049	865	329	
GRAPES TOTAL		21	397	124	4,725	2,243	656	61
TREE FRUIT	APPLE	7,848	4,974	7,961	9,120	1,754	1,282	6,143
	APRICOT	339	139	274	53	69	92	136
	FRUIT TREE	64	69	0	139	429	130	28
	PEACH	582	518	1,455	777	133	59	643
	PEAR	313	158	161	20	43	70	293
	PLUM	169	216	289	91	14	55	47
	SWEET CHERRY	1,899	3,904	5,895	1,110	2,331	1,890	4,033
TREE FRUIT TOTAL		11,215	9,977	16,035	11,310	4,774	3,579	11,323
VEGETABLE	BROCCOLI	106	39		6	117	28	11
	BRUSSELS SPROUTS	2		182		345		106
	CARROT	63	147	25		241	115	23
	CAULIFLOWER			9	2	7		10
	CORN		3	-	-	-	-	-
	ONION				27	6		1
	POTATO	133	710	11		3,117	56	69
	RUTABAGA	-	-	-	-	-	-	5
	BEAN	5	1	6	9	68		
	PEA	50	16	16				6
	CABBAGE					149	65	56
VEGETABLE TOTAL		360	917	248	44	4,049	264	286
GRAND TOTAL		18,083	15,934	34,062	21,219	25,925	6,936	13,072





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