

2015

YEAR IN REVIEW

BUSINESS RISK
MANAGEMENT BRANCH







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The background image is a landscape photograph. The upper half of the image is dominated by a dark, heavy sky with swirling, grey and blue clouds, suggesting an approaching storm or late evening. A thin, bright line of light separates the dark sky from the horizon. Below the horizon, a vast field of yellow wildflowers stretches to the foreground. The flowers are small and numerous, creating a textured, golden-yellow surface. The overall mood is one of natural power and resilience.

BC offers proactive risk management products to help farming businesses protect themselves from severe financial loss.

In 2015 the Province covered \$808M of risk through production insurance and income stabilization for BC producers.

The Management Team, BRMB

“Helping producers manage risk where service, results and teamwork drive delivery.”

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 is an important part of farmers’ overall risk management strategy.

2015 was a successful year for the Branch. As a result of good growing conditions and stable markets, loss experience by BC producers was among the best ever recorded in both of the main programs (Production Insurance and AgriStability). This allowed the Branch to focus on further improving delivery in an effort to serve our clients as efficiently and effectively as possible.

The BRMB team was effective in delivering the AgriRecovery response to address the Avian Influenza outbreak. Payments made to producers allowed them to clean and decontaminate their facilities in order to get back to production as soon as possible.

We are proud of the efforts and results of the Branch over the last year. We hope this report provides useful information and insight to our stakeholders and other interested parties, into the operations of our Branch, and the success and challenges that we experienced this year.

The Management team and the dedicated staff across the Branch are pleased to present the 2015 Year in Review.

The Management Team
Business Risk Management Branch

BRANCH OVERVIEW

MINISTRY VISION

“An innovative, adaptive and globally competitive Agrifood sector valued by all British Columbians”



BRMB PURPOSE STATEMENT

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



MINISTRY MISSION

“Cultivate a competitive and socially responsible Agrifood sector”





BRANCH OVERVIEW CONTINUED

The Business Risk Management Branch (the Branch or BRMB), and the programs it delivers, serve 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 Agrifood production and incomes, promoting environmental stewardship and safeguarding animal, plant and human health. The benefits of a stable and growing Agrifood sector in BC include: steady jobs and revenue for farm families, healthy and secure local food supply, and diversified rural economies.

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 help producers to access 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 the Growing Forward 2 (GF2) agreement, a national multilateral framework agreement between the provinces and the Government of Canada that came into effect April 1, 2013. This five-year agreement renewed the financial commitments of the federal and provincial governments to BRM programs.

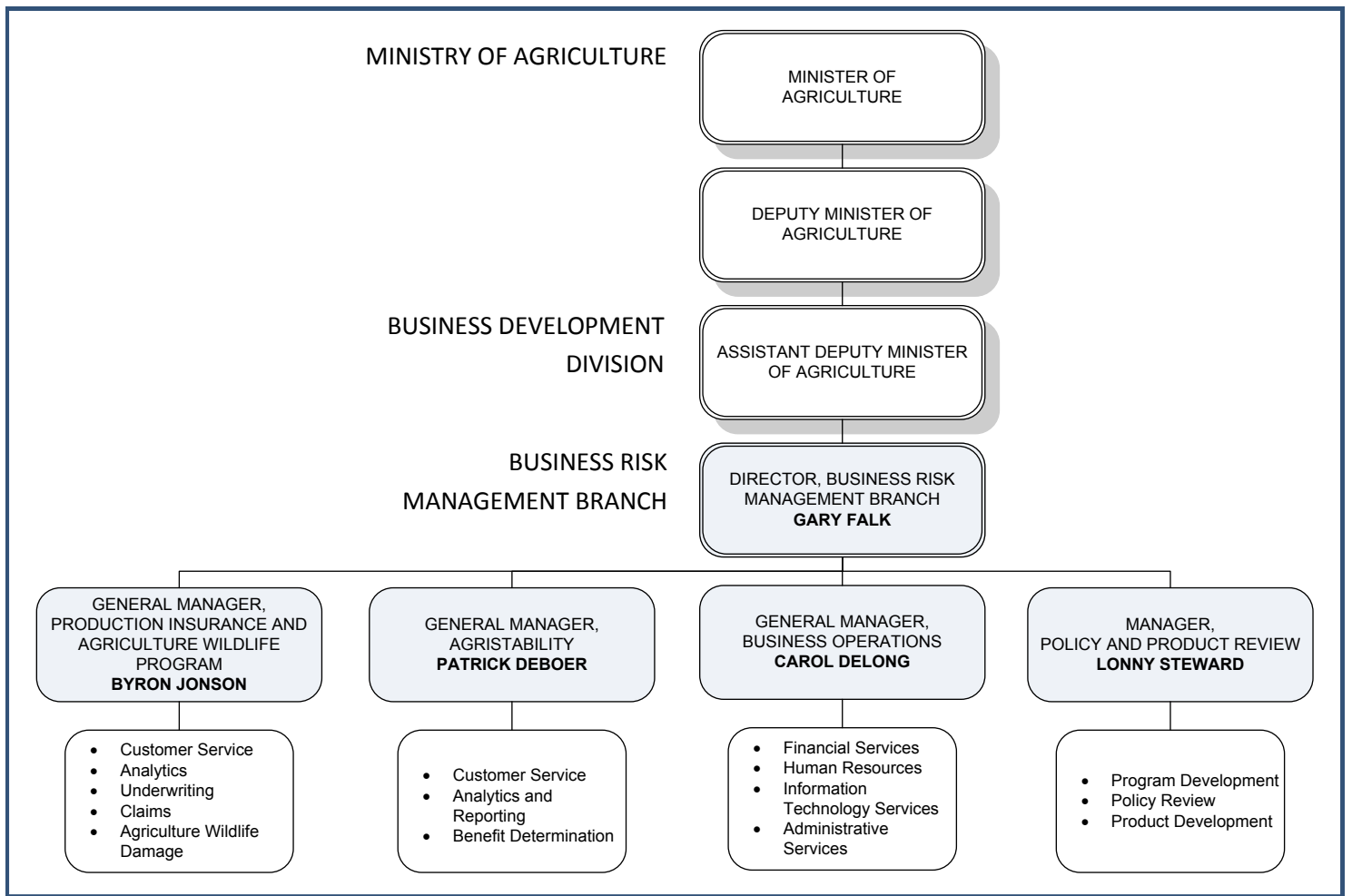
The GF2 agreement ensures the Province to fund and deliver the suite of BRM programs. The Province has relinquished some control over costs and flexibility in program design in order to have 60 percent of program costs paid by Canada.

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.

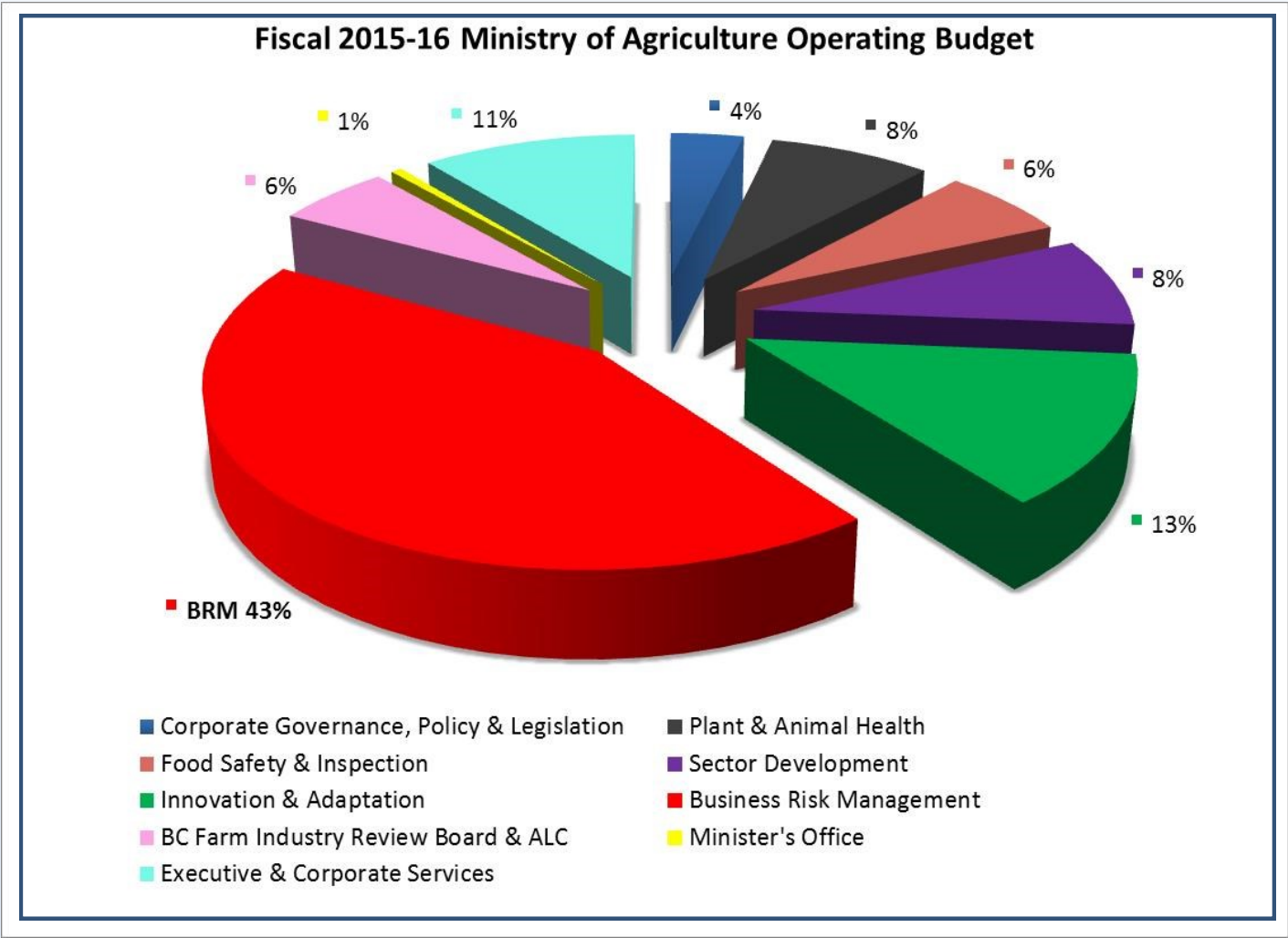
BRANCH OVERVIEW CONTINUED

ORGANIZATION CHART



BRMB is headquartered in Kelowna and has about 85 positions in eight offices across the Province.

As shown in the chart below, BRMB remains a major component of the Ministry.



BUSINESS PLAN REVIEW

BRMB's purpose statement is achieved through a series of goals and resulting strategies as identified in the annual business plan. The end result we are working towards is:

- Customers are satisfied with our services
- BRMB is an efficient and high performing organization
- Staff and decision makers have the tools and information required to do their jobs effectively
- BRMB employees are engaged and motivated leaders
- Duplication and manual effort are reduced and productivity and consistency are increased across the Branch

Described below are some of the priorities from the 2015/16 Business Plan along with results:

GOALS/STRATEGIES	RESULTS
Improve service through efficiencies gained from technology projects	<p>Claims Calculator was redesigned for the Tree Fruit, Grape, Berry and Vegetable plans. The new tool provides a consistent Claim Summary report across all plans and commodities helping to ensure clearer and more consistent messaging to clients.</p> <p>Significant portions of the data foundations, required to enable client self-service, were completed. In the case of tree fruit yield and planting data it was only available on an individual basis. Now up to 20 years is available to query for all growers on a single secure data base.</p> <p>For the AgriStability program a toll-free triage process was rolled out and all calls were directed to the Hardy office. The calls were triaged and handled as per the roll out process. A quarterly survey was initiated to gather feedback and so far all feedback has been positive on the quality of the call handling.</p>
Develop Branch wide service standards, measurements, and service training	<p>A provincial administrative working group was created to share best practices across the Branch.</p> <p>The AgriStability program's goal was to complete 65 percent of enrolments notices before the deadline. Program staff were able to achieve that target with an 85 percent completion rate, which represented a significant improvement over the previous year's enrolment notice rollout.</p> <p>In 2015 two online accounting sessions were held to promote awareness and educate the accountants on the AgriStability program. Both sessions were well attended and successfully carried out. The response was extremely positive.</p>
Commit to ensuring staff have the appropriate hardware and software they need	<p>Regional administrative and AgriStability staff were supplied with desktop scanners. This reduced wait times for claim payments and courier expenses. An extra point of sale terminal was added at Hardy office to speed up the processing of payments for producers.</p> <p>Underwriting Module for Tree Fruits was put into production, which has significantly cut down on the time and resources needed for underwriting work each year.</p>
Increase emphasis on training and development plans to prepare staff for future opportunities	<p>In the Production Insurance program improved policy and program awareness was created through a Key Messages Development workshop at the annual provincial training forum held February 2016. The sessions were developed by and delivered by Client Service Reps.</p> <p>Farm visits for AgriStability verification staff were conducted for certain commodities in order to increase knowledge for specialists when processing these files.</p>

BUSINESS PLAN REVIEW CONTINUED

GOALS/STRATEGIES	RESULTS
Improve turnaround times for our customers	<p>Created and implemented a commodity value determination methodology to respond to the 2015 drought impact of replacement forage values. Worked with industry to establish cattle compensation rates that better reflect producer's losses.</p> <p>Sheep Predation survey was completed and well supported by industry as a result of engaging them in the design.</p> <p>Shaped the implementation of the Livestock Protection program to be focused on achievable outcome not just activities. BCCA verification of predation by wolf and coyote is now integrated in the predation compensation process. Influenced the Provincial wildlife consultations to prioritize the need for Provincial overarching policy for wildlife management.</p>
Challenge all staff to continue identifying ways to improve our efficiency and service	<p>In the Agriculture Wildlife Program (AWP) priority was on re-establishing sound in-field loss evaluation methodology, documentation and training. The AWP forage loss evaluation methodology was revamped with industry participation and support. The changes have been implemented with series of regional training events.</p> <p>In AgriStability a committee was formed to coordinate and prioritize the timing of economic values for verification. Apple and cherry codes have been simplified. There are now 11 apple codes where there were previously 42 and nine cherry codes where there were previously 37.</p>
Influence national discussions toward BC policy direction	<p>Participated in: weekly coordinator calls, special issue calls, and marketing and communication planning calls, and all correspondence. Discussed and proposed actions ensuring BC's perspective on program delivery was communicated.</p> <p>The Branch fully participated in national BRM policy working groups and Ministry GF3 committees to ensure BC interests considered nationally and BRM issues considered provincially.</p>
Engage industry organizations around products	Extensive cherry re-design work for the Production Insurance program and industry consultation has occurred. Plan and timeline for implementation were developed.

BRMB's purpose statement is achieved through a series of goals and strategies as identified in the annual business plan.

Beyond program delivery, the desired outcomes are:

- Staff and decision makers have the tools and information required to do their jobs effectively;
- Employee engagement continues to rise;
- Data and information is integrated, accessible and transparent;
- Reduced duplication and manual effort for staff and increased consistency and productivity across the Branch through process re-design and system consolidation; and
- Timely and responsive client service increases self-serve opportunities.

FINANCIAL RESULTS



The cash balance in the Agriculture 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.

2015 was a relatively low claim year for Production Insurance. As premium income exceeded expense the Production Insurance Special Account (PISA) fund balance increased by \$6.4M.

FINANCIAL MANAGEMENT

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 Unit is responsible for preparing the annual financial statements for audit.

STATEMENT OF FINANCIAL OPERATIONS									
<i>Fiscal Periods Ending March 31, 2016 and 2015 \$,000</i>									
	AgriInsurance (Production Insurance)		AgriStability		Agricultural Wildlife Damage Compensation		AgriInvest		
	2016	2015	2016	2015	2016	2015	2016	2015	
REVENUES									
Premiums from insured producers	\$ 6,765	\$ 6,507							
Enrolment fees from participating producers			\$ 1,355	\$ 1,286					
Interest	\$ 462	\$ 444	\$ 420	\$ 345					
Contribution from Province of BC	\$ 10,432	\$ 10,302	\$ 2,692	\$ 4,303	\$ 1,805	\$ 972	\$ 3,551	\$ 2,560	
Contribution from Canada	\$ 14,470	\$ 13,880	\$ 4,037	\$ 6,455	\$ 2,708	\$ 1,457			
Other income									
TOTAL REVENUES	\$ 32,129	\$ 31,133	\$ 8,504	\$ 12,389	\$ 4,513	\$ 2,429	\$ 3,551	\$ 2,560	
EXPENSES									
Insurance claims	\$ 5,995	\$ 11,507							
Program benefits			\$ 4,562	\$ 7,995	\$ 3,396	\$ 1,209	\$ 3,335	\$ 2,321	
General and administrative costs	\$ 4,205	\$ 3,918	\$ 3,942	\$ 4,394	\$ 783	\$ 828	\$ 216	\$ 239	
Loss adjusting costs	\$ 861	\$ 955			\$ 334	\$ 392			
Reinsurance premiums	\$ 14,663	\$ 8,711							
TOTAL EXPENSES	\$ 25,724	\$ 25,091	\$ 8,504	\$ 12,389	\$ 4,513	\$ 2,429	\$ 3,551	\$ 2,560	
Cash Balance	\$ 45,618	\$ 35,912	\$ 47,893	\$ 38,921					
Fund Balance - PISA	\$ 56,654	\$ 50,250							

*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 GF2 agreement.

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 GF2 agreement mandates 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*. AgrilInsurance functions as a legal contract between BC (the insurer) and a producer (the insured). As such, AgrilInsurance is subject to contract and insurance laws. The parameters of BRM programs are described in the GF2 agreement.

Included in the agreement 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 agreement, 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. BRMB prepares financial statements for each program which are audited by an independent auditing firm. Provincial billing must reconcile to the financial statements to ensure federal costs are accurately billed.

PROGRAM PURPOSE

THE PAST

The initial financial programs in Canadian 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. GF2 includes a provision to review the impact of changes

made to BRM programs under GF2. This work began in 2014 at a national level and is requiring additional efforts from BRM staff to provide data and participate in its evaluation.

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.


PROGRAM FUNDING

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. Two funds have been developed in an attempt to buffer cost variability to the Province: (Production Insurance Special Account – commonly referred to as “PISA”; and the Agriculture Income Stabilization Trust Fund “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 25 percent 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 PISA, while workable, previously had an additional challenge. By design, all special accounts within BC have an expenditure budget limit. In the case of PISA that budget limit is only 80 percent of the average expenditure which results in expenditures often exceeding the budget and thus requiring Treasury Board approval to access accumulated reserves. An innovative reinsurance solution was implemented in 2014 which triggers a reinsurance payment when the expenses in PISA are exceeded which brings the expenditure back to within the PISA budget.



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 percent share.

Federal cost-sharing is a critical component of all the BRM programs. Canada contributes 60 percent 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)

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 (commonly known as Production Insurance or Crop Insurance) provides a predictable, timely and budgeted mechanism for governments to respond. The Province offers financial protection against crop losses due to uncontrollable weather events. AgrilInsurance provides insurance for 42 different crops throughout the Province.

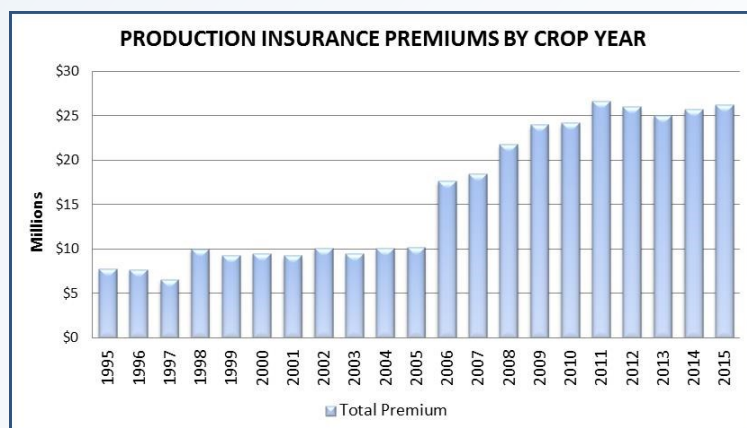
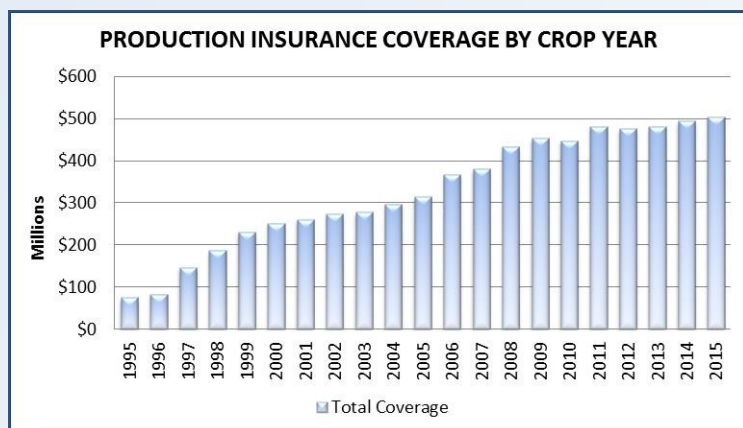
The program operates very much like any commercial insurance organization. A level of production is guaranteed in exchange for a premium. Premiums are cost-shared between producers and both levels of government. However, all administration costs are borne by government. The GF2 agreement specifies what coverage Canada will cost-share.

All 10 provinces have AgrilInsurance programs and there is considerable flexibility as to which crops will be insured and at what value. However, they all share a common primary principal that AgrilInsurance is to cover catastrophic loss events. 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.

PREMIUMS

As the principal focus of AgrilInsurance is to cover catastrophic loss events, 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.

Premium rates must be actuarially sound so that sufficient premiums are 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.

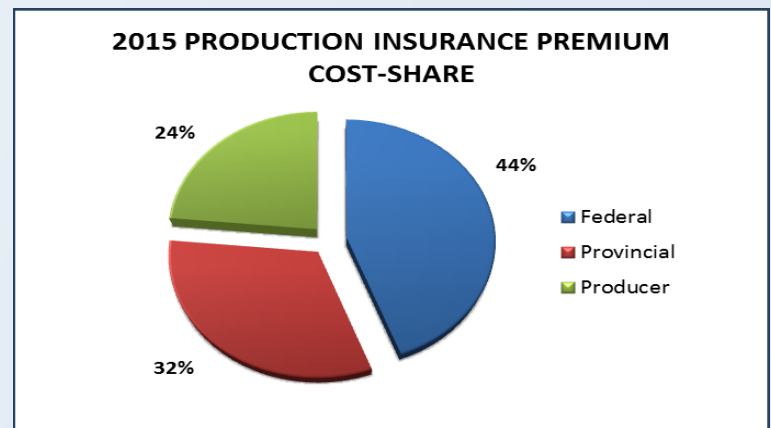
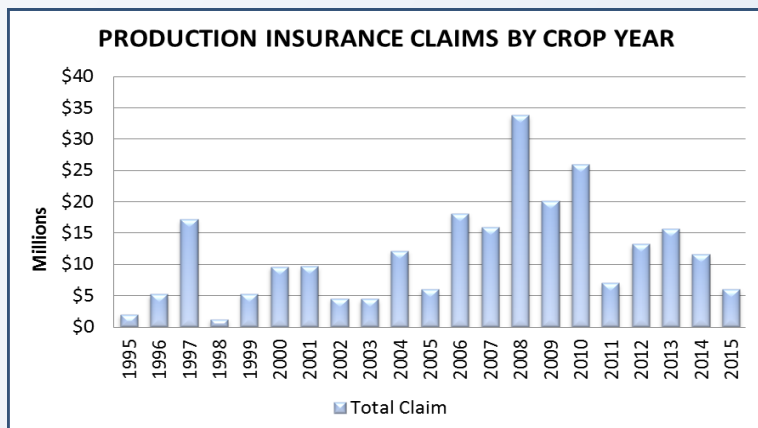
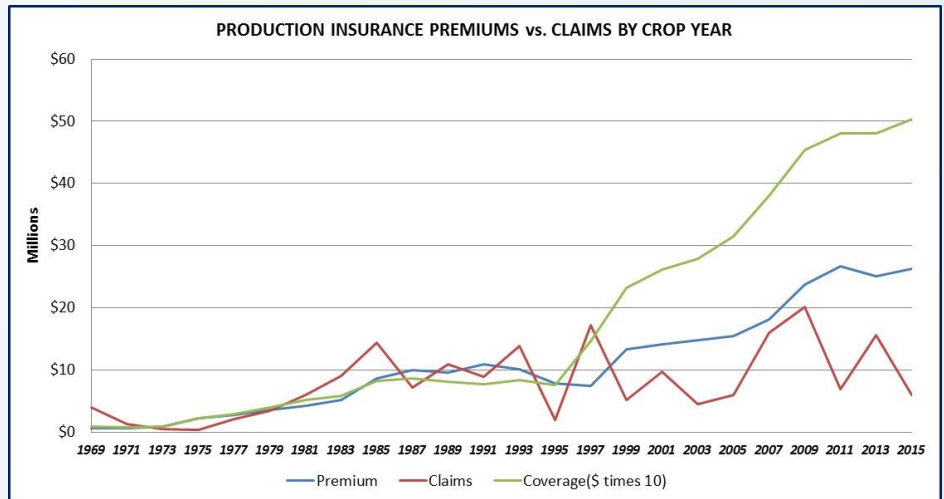


AGRIINSURANCE (PRODUCTION INSURANCE) CONTINUED

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 in these variables.

Premiums from producers and both levels of government are paid into a fund from which claims are paid from. This fund is designed to be self-sustaining over time and is referred to as the Production Insurance Special Account (PISA).

The Federal Government and the Province both contribute substantial premiums to the fund. The Provincial share of premiums is paid into PISA as a transfer from the Ministry of Agriculture operating budget. 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.



AGRIINSURANCE (PRODUCTION INSURANCE) CONTINUED

COVERAGE

In BC, coverage is established 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. The Province relies on staff, working throughout the province, to evaluate the risk of individual producers and to then determine how much risk to transfer from the producer to the program.

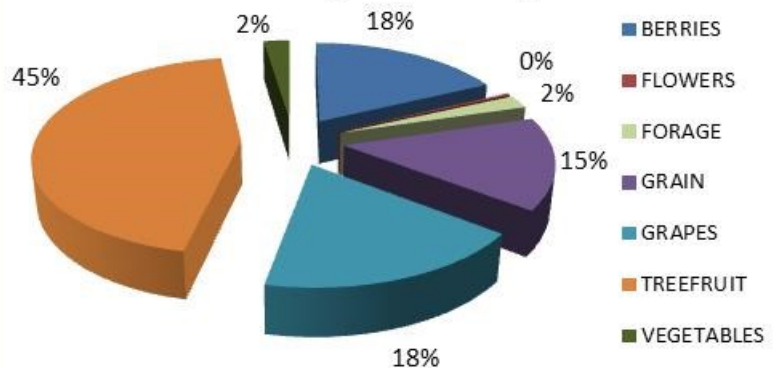
LOSS ADJUSTMENT

Indemnities are only paid for claimed losses due to perils specified in the contract policy wording. AgrilInsurance claim indemnities are paid from the Production Insurance Special Account (PISA). 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.

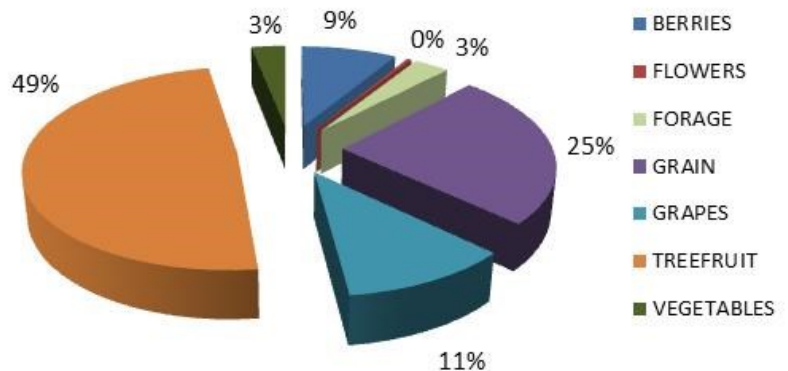
A detailed Notice of Loss specifying the peril, the date and the location of the damage must be provided by the insured producer. Following notification, losses, and cause of loss, are confirmed by on-farm inspections. When losses are widespread they are sometimes confirmed by area wide inspections in 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.

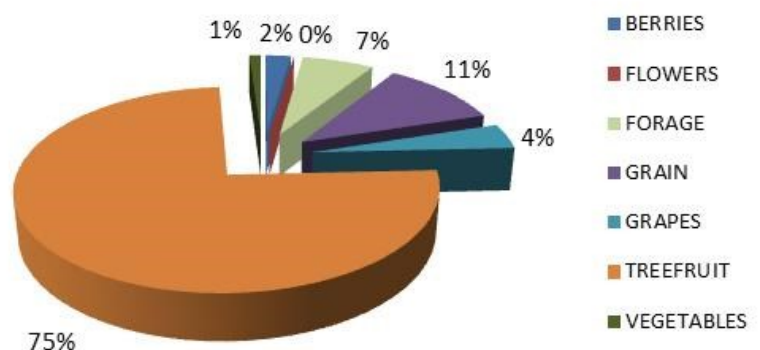
**PRODUCTION INSURANCE 2015 COVERAGE
(\$503 million)**



**PRODUCTION INSURANCE 2015 PREMIUMS
(\$26 million)**



**PRODUCTION INSURANCE 2015 CLAIMS
(\$6 million)**



2015 PROGRAM EXPERIENCE

In 2015 British Columbia experienced record setting high temperatures and extreme drought conditions throughout much of the province. In spite of this, most insured crops came through the growing season in good condition. Loss experience for the program in 2015 was amongst the best ever recorded.

Tree fruit quality losses comprised 63 percent of the overall program losses. Compared to program history quality losses were quite low, the consequence of few hailstorms, and dry conditions decreasing rain split in cherries. Yields were reduced somewhat by a freeze event in the fall of 2014 and by extreme heat that prevented fruit from fully sizing. This resulted in some tree fruit quantity claims.

Grain and oilseed crops suffered extreme heat and drought in 2015. Good spring soil moisture conditions and timely rain showers allowed grain and oilseed crops overall to achieve 80 percent of normal yield. Losses occurred on individual farms due to heat, drought, and due to quality losses at harvest.

Experience with forage crops was variable. Some dryland fields suffered devastating losses due to heat and drought. Irrigated forage realized better than average yields with some farms having up to three cuts. In the Peace River district good spring soil moisture and timely rain showers meant that the forage crop was early and that average yields were attained.

The Fraser Valley was particularly affected by extreme heat and drought conditions. In some cases irrigation systems for berry crops had trouble keeping up with demand. High temperatures shrivelled some blueberries but record yields were still made.

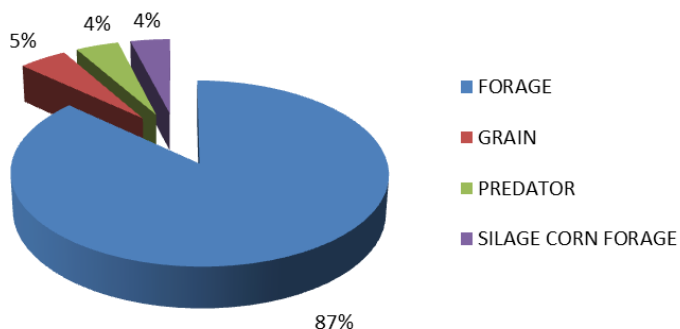
The high temperatures had little effect upon grape yields, however freeze damage from November 2014 did result in some quantity loss claims and plant loss claims.

Temperature extremes seemed to have very little impact upon vegetable crops with few losses being reported on insured fields.

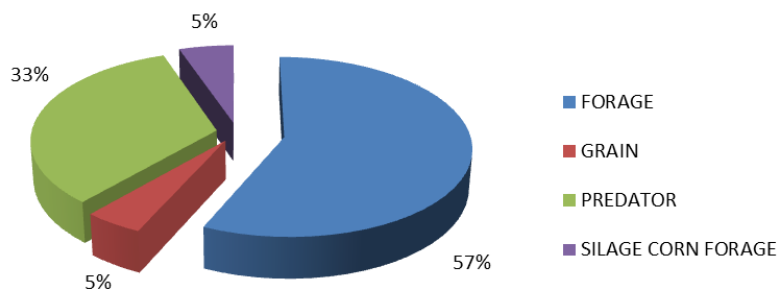
AGRICULTURE WILDLIFE DAMAGE COMPENSATION

The Agriculture Wildlife 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.

**DISTRIBUTION OF \$3.5M IN PAYMENTS
FISCAL 2015-16**



**DISTRIBUTION OF 433 WILDLIFE DAMAGE
PAYMENTS FISCAL 2015-16**



Wildlife management is the responsibility of the Ministry of Environment and the Ministry of Forests, Lands & Natural Resource Operations. 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.

AGRICULTURE WILDLIFE DAMAGE COMPENSATION CONTINUED

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 GF2. One of the requirements of GF2 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; the Ministry of Forests, Lands, and Natural Resource Operations; 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.

PARTICIPANTS AND PAYMENTS

CROP YEAR	REGISTERED PARTICIPANTS	PAYMENTS
2009	544	\$1,644,000
2010	598	\$1,306,000
2011	530	\$2,231,000
2012	515	\$1,500,000
2013	503	\$1,300,000
2014	410	\$1,600,000
2015	415	\$3,500,000

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

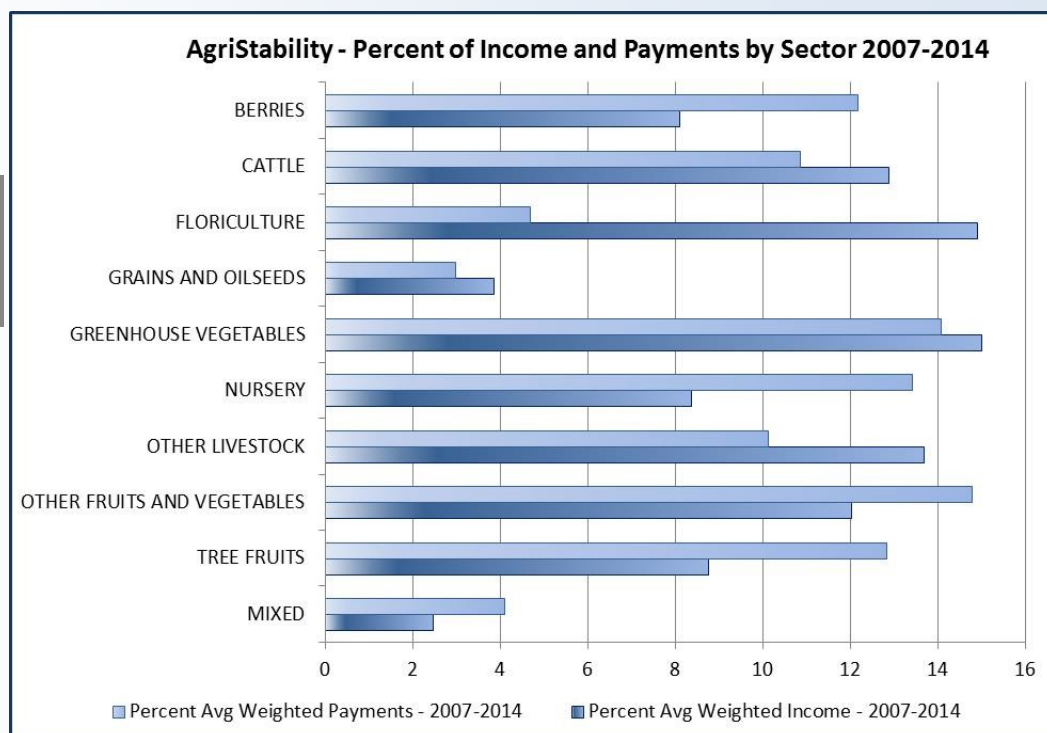
AgriStability support is provided on a whole farm basis. The farm may trigger a benefit caused by significant drops in production or commodity price, an increase in allowable expenses, or a combination of these factors. AgriStability is intended to work in conjunction with AgriInsurance and AgriInvest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

The program is margin based. The current program year margin is compared to the reference margin and if it is more than 30 percent less than the reference margin, a payment is made. The program year margin is the difference between allowable income and allowable expenses. The reference margin is the average of the five years' program margins prior to the current program year with the lowest and highest margins dropped.

Allowable income includes commodity sales and some program payments, e.g. AgriInsurance. Allowable expenses include commodity purchases and the direct input costs incurred in producing agricultural commodities, e.g., fertilizer, feed and arm's length labour. Margins are adjusted to an accrual basis to account for changes in inventory value, purchased inputs and changes in accounts payable and receivable.

Each year approximately 2,800 enrolment notices are issued.

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



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 (CRA) by farm producers and is closely linked to income tax filing. 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.

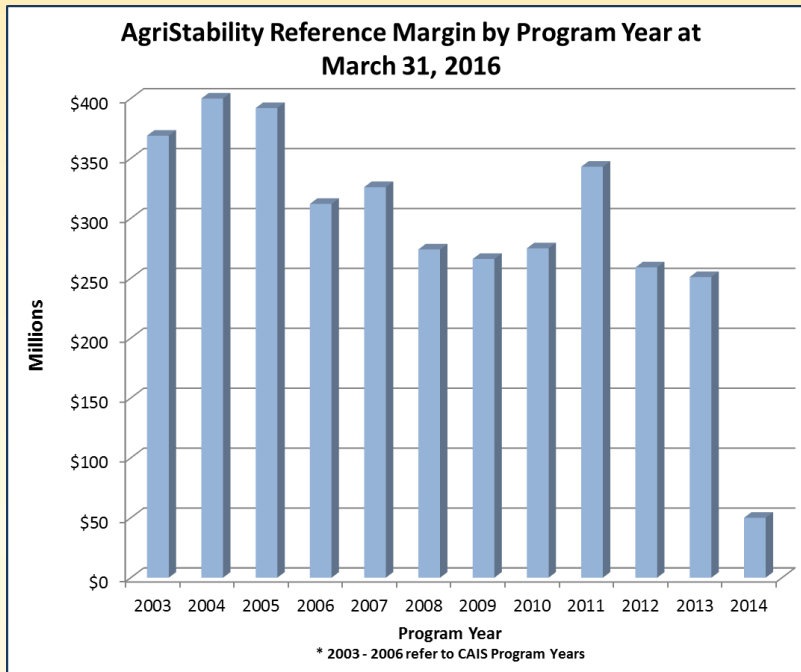
AgriStability program enrolments generally start in March and are complete by the end of June of the program year. About 80 percent of those who receive enrolment notices provide complete applications. Approximately 20 percent of participants receive a benefit in any given year. 26 percent of program participants are in the cattle sector; the Berry and Tree Fruit sectors are next highest at approximately 20 percent each. The dollar amount of reference margin coverage is highest in the Berry sector at 20 percent, the Cattle and Greenhouse Vegetable sectors are approximately 15 percent each and the Tree Fruit and Nursery sectors are 10 percent each.

Prior to filing to CRA, participants can apply to the AgriStability Administration for an interim payment and receive 50 percent 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 appropriate program forms by the required deadline to CRA.

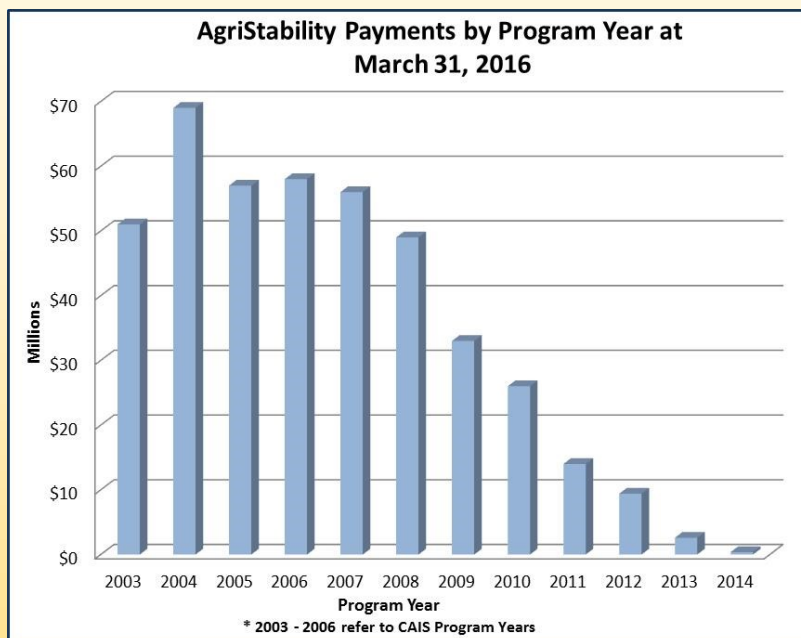
AGRISTABILITY CONTINUED

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 for the 2009 Program Year and forward.

Governance of the 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) drafts program guidelines, provides a forum for sharing of best practices between administrations, endeavors national consistency in the application of program guidelines and agreements and informs the National Business Risk Management Working Group of administrative impacts of policy changes.



Reference margins refer to the result of allowable income minus allowable expenses. The Program drops the lowest and the highest from the prior five years' of margins and averages the remainder. It is an indication of the total financial support provided to participants by the AgriStability Program.



The AgriStability unit is functionally organized under the General Manager and consists of Benefit Determination (with integrated Customer Service) and Analytics and Reporting.

The Benefit Determination team carries out application processing which includes verification of producer's financial information, determining the amount of the benefit and quality assurance processes. The Customer Service Team is now integrated with the Benefit Determination team and provides the foundation client service work of communications and program promotion as well as supporting benefit determination activities.

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

AGRISTABILITY STATISTICS BY PROGRAM YEAR <i>(rounded to nearest million (M) or thousand (K))</i>						
	2010	2011	2012	2013	2014	2015
FINAL APPLICATIONS						
Complete Applications	2739	2443	2333	2089	2078	
Number of Applications Processed	2735	2441	2317	1969	733	
Reference Margin for Applications Processed	\$275M	\$343M	\$259M	\$251M	\$50M	
Percent of Applications Processed	99.9%	99.9%	99%	94%	35%	
Number of Applications with Payments	840	484	434	244	74	
Total Value of Benefits Processed & Approved *	\$26M	\$14M	\$9.4M	\$2.6M	\$379K	
INTERIM APPLICATIONS						
Number Received	179	107	57	47	34	16
Number of Payments	119	54	21	21	11	1
Total Value of Benefits Processed & Approved *	\$4M	\$2.7M	\$1.4M	\$422K	\$95K	\$13K

** This represents the value of payments processed and approved for payment;
not necessarily payments actually paid out by March 31, 2016*

OTHER PROGRAMS

THE BC FEEDER AND BRED HEIFER ASSOCIATION LOAN GUARANTEE PROGRAM

BRMB has assumed the responsibility for this loan guarantee program from another part of the Ministry. The program allows cattle producers to purchase feeder cattle and bred heifers at more favorable terms than they could obtain as individuals. Daily management of the program is conducted by regional cooperative associations. The program operates from a series of tripartite agreements between the regional associations, lending institutions and the Province. The role of BRMB is to ensure regional associations have adequate management, follow program rules and the required Treasury Board approvals are in place to authorize the loan guarantees. There are currently seven feeder and five bred heifer associations. In 2015 changes were made to increase the individual loan limits for producers from \$200k to \$300k for Bred cattle, and \$300k to \$500k for Feeder cattle. In addition changes to the loan guarantee from the Province for Feeder Associations from 25 percent to 20 percent allowed for an increase in loans accessible for each association. This change allowed for overall loan limits for the combined associations to increase from \$45 million to \$54 million in 2015.

WILDLIFE DAMAGE MITIGATION INITIATIVE

Compensation has been the main tool for assisting producers who suffer loss and damage due to wildlife. Without mitigation and prevention options, the cost of compensation is likely to continue increasing. The Wildlife Damage Mitigation Initiative (WDM) is a proactive policy option to reduce the high cost of compensation. WDM provides funding to individual producers or organizations to make investments to reduce losses due to wildlife. The program is specifically targeted at investments that will reduce or eliminate compensation payments. The program has an annual budget of \$300,000.



OTHER PROGRAMS CONTINUED

NEW VENTURES

Insurance programs are typically based on vast amounts of data with losses pooled across many participants. This has excluded from Production Insurance many emerging and specialty crops being commercially produced in BC. New Ventures is an innovative approach to Production Insurance that reduces the traditional barriers to offering insurance. Exemptions were granted by Canada to allow cost-sharing on products based on proxy crops and agronomic evaluation.

New Ventures is intended to help producers invest in enterprises where insurance has not traditionally been available. The program is more labour intensive than regular Production Insurance. Limited staff resources prohibited a wholesale roll out of the program. Coverage on grapes in a non-traditional territory and on green peppers in the South Okanagan was in place in 2015.

WESTERN LIVESTOCK PRICE INSURANCE PROGRAM (WLPIP)

Alberta has been offering livestock price insurance products since 2009. Alberta's program resulted from an industry-driven initiative designed to provide producers with an easy to use risk management tool. The program offers simple, bankable and market-driven ways to manage market price without limiting any upside price potential. The four western provinces have collaborated to adapt the existing Alberta products to the rest of western Canada. The federal government is participating in the program by cost-sharing administration and providing a level of deficit financing. Alberta is delivering the program for BC while BRMB staff provide marketing and customer service support. The Program was launched April 8, 2014. In 2015 results were as noted in the table to the right.

In 2015 Cattle markets weakened considerably with a large decrease in September, resulting in a number of payments to producers. Due to the uncertainty in the marketplace, premiums for the program were high resulting in low participation rates.

WLPIP is funded and managed through four inter-related agreements between Canada, Alberta and the other western provinces. The work of developing agreements and obtaining approvals and funding occurred though 2013 and the program was launched in 2014.

WLPIP is a unique approach to program delivery in Canada and a step toward more industry driven and funded risk management programming. The design of the program came largely through the cattle and private sectors and premiums are paid entirely by insured producers. Centralized delivery across western Canada by the Alberta crown corporation (AFSC) is a very efficient delivery model.

WLPIP <u>Calendar Year 2015</u>	
# of Policies	155
Coverage	\$30.8M
Premium	\$336,500
Claims	\$282,500

OTHER PROGRAMS CONTINUED

AGRIRISK INITIATIVES (ARI)

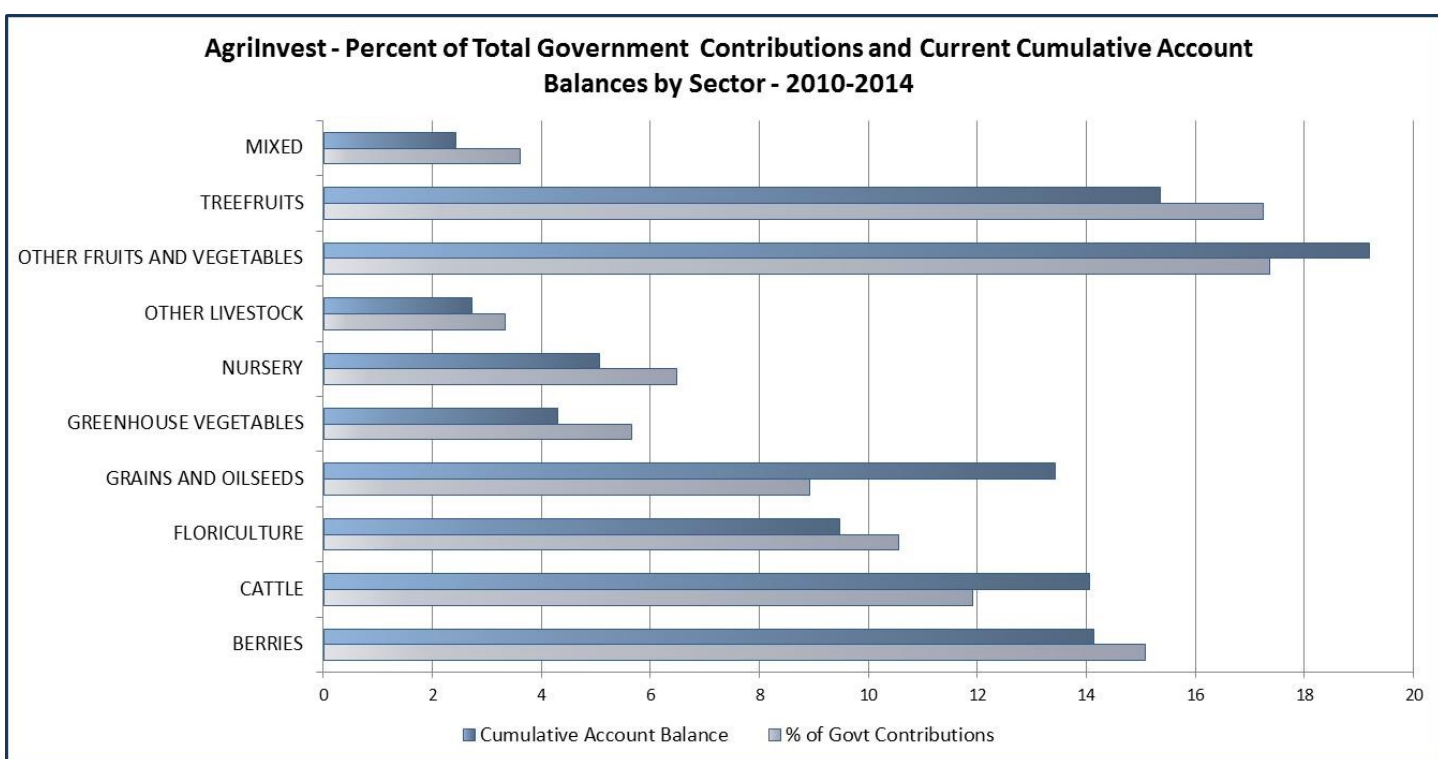
ARI is a new program created within GF2 that provides funding to producer organizations and private companies to investigate, develop and launch new risk management programs. It has two components: research and administrative capacity building. The research portion is funded by Canada and capacity building is cost-shared between Canada and provinces. BC has adequate budget to cost-share initiatives but has been unable to proactively engage with industry due to limited staff resources. No projects have been undertaken in BC.

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

AGRIINVEST

AgrilInvest is a savings account program through which governments match producer deposits up to a prescribed percentage of allowable net sales. Under GF2, the government matching contribution is limited to one percent of allowable net sales and capped at \$15,000. Canada delivers the AgrilInvest program to producers in BC and across the country with the exception of Quebec, which has its own administration.

\$51.7M in government matching contributions have been made to producer accounts for the 2009 to 2014 program years. BC's share is \$20.7M. 3,624 producers have a current cumulative balance of \$54.2M in their AgrilInvest accounts.




OTHER PROGRAMS CONTINUED

AGRIRECOVERY

AgriRecovery is a framework that allows governments to help producers recover from disasters by providing funds to help cover extraordinary costs required to return to production. The impacts and costs of each disaster event are evaluated and a response is designed to specifically address the circumstances around each disaster. Every AgriRecovery response requires its own contribution agreement with Canada that specifies eligibility and support levels.

Avian Influenza was discovered in BC in early December 2014. BRMB, in collaboration with Canada, immediately started the process of evaluating losses and developing an AgriRecovery response to the event. This work continued well into 2015 and a program was agreed to with Canada and announced in May 2015. As a result 14 payments were made to producers with a total value of \$675,000 to assist with cleaning and disinfection of producer's facilities in order to assist bringing them back into production.



AgriRecovery is a framework governments can use to help with extraordinary costs incurred as a result of disasters.

APPENDIX 1 PERFORMANCE MEASURES

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.

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.

LOGIC MODEL					
OBJECTIVE OF BRMB PROGRAMS	PROGRAMS	OUTPUTS	END OUTCOMES	PROGRAM SUITE END OUTCOMES	STRATEGIC OUTCOME
To provide producers with tools to manage financial risks and impacts of natural disasters while allowing adaptation to market signals	AgriInvest	Provides a tool to facilitate producers' savings and investments	Producers have funding and flexibility in managing risks	Financial risks and impacts of natural disasters are mitigated while allowing adaptation to market signals	A competitive and market oriented agriculture, agri-food and agri-based products sector that proactively manages risks
	AgriStability	Provides a tool to help manage large margin declines at the whole farm level	Short-term large income losses are mitigated while allowing adaptation to market signals		
	Production Insurance (AgriInsurance)	Provides an insurance tool to protect against production losses	Financial impacts of production losses are mitigated by providing insurance	Farms are competitive, seeking to earn income from the market	
	AgriRecovery	Initiatives that respond to extraordinary costs resulting from natural disasters	Producers have the capacity to cover the extraordinary costs of necessary activities associated with a natural disaster	Farm businesses have access to effective tools to assist in managing their farm business risks	
	AgriRisk Initiatives	Initiatives that facilitate the development of private sector led risk management tools	Industry's understanding of risk exposure and their level of engagement with risk management tools is increased	Farm businesses risks are proactively managed	
	Western Livestock Price Insurance Program	Provides an insurance tool to protect against price declines	Financial impacts of revenue losses are mitigated by providing insurance	BRM programs complement private sector risk management approaches	
	Agriculture Wildlife Program	Provides compensation for production losses caused by wildlife	Financial impacts of production losses are mitigated by providing compensation		
	Wildlife Damage Mitigation Program	Provides funds for projects that will prevent production losses caused by wildlife	Producers have funding to mitigate production losses		
	Bred Heifer and Feeder Association Loan Guarantee	Provides certainty to associations who facilitate loans to producers for investment in cattle	Producers have access to investment funding that enables them to respond to market signals		

APPENDIX 2 AGRIINSURANCE CLAIM STATISTICS

CLAIM STATISTICS (\$,000)									
CROP PLAN	CROP	2008	2009	2010	2011	2012	2013	2014	2015
BERRIES	BLUEBERRY	6,716	1,268	356	687	173	1,883	122	38
	BLUEBERRY PLANT		12		8	3			
	CRANBERRY	850	332	891	255				
	RASPBERRY	109	64	24	10	58	35	45	102
	STRAWBERRY	4	18						
	STRAWBERRY PLANT	141	83		25				
BERRIES TOTAL		7,820	1,777	1,272	985	234	1,918	167	140
FLOWER BULBS	TULIP BULB	-	-	-	-	-	-	-	-
FORAGE	FORAGE	853	1,527	1,594	103	350	43	175	220
	SILAGE CORN	51		43	15	71	2	2	2
	UNSEEDED SILAGE CORN	3			3				
	WINTER SURVIVAL	6	48	27	18	20	11	20	4
	FORAGE ESTABLISHMENT	445	146	524	142	238	17	330	172
FORAGE TOTAL		1,357	1,721	2,188	282	679	73	527	398
GRAIN	BARLEY	1,274	184	577	276	125	23	70	63
	CANOLA	3,219	129	4,469	682	71	48	530	274
	FALL RYE	3					15	14	-
	FIELD PEA	173	88	112	45	4	10	82	51
	OAT	244	57	257	30	131	7	179	69
	UNSEEDED GRAIN		28	21	32	7	200		-
	WHEAT	1,256	109	578	15	21	5	84	74
	GRAIN BASKET	2,308	1,046	5,385	92	229		381	139
GRAIN TOTAL		8,478	1,642	11,399	1,172	588	308	1,340	670
GRAPES	FRESH GRAPE	36	103	54	31	4	141		-
	VINE	42	3,573	1,324	296	75	2	68	103
	WINE GRAPE	46	1,049	865	329		63	19	147
GRAPES TOTAL		124	4,725	2,243	656	79	207	87	250
TREE FRUIT	APPLE	7,961	9,120	1,754	1,282	6,143	8,533	5,961	2,395
	APRICOT	274	53	69	92	136	79	103	58
	FRUIT TREE	0	139	429	130	28	4	9	12
	PEACH	1,455	777	133	59	643	559	634	583
	PEAR	161	20	43	70	293	475	132	9
	PLUM	289	91	14	55	47	84	113	99
	SWEET CHERRY	5,895	1,110	2,331	1,890	4,033	3,053	2,349	1,309
TREE FRUIT TOTAL		16,035	11,310	4,774	3,579	11,323	12,787	9,300	4,465
VEGETABLE	BROCCOLI		6	117	28	11		5	
	BRUSSELS SPROUTS	182		345		117	41	14	41
	CARROT	25		241	115	23		49	
	CAULIFLOWER	9	2	7		10			
	CORN	-	-	-	-	-	-	-	
	ONION		27	6		1			
	POTATO	11		3,117	56	82	257	34	
	RUTABAGA	-	-	-	-	5			
	BEAN	6	9	68					
	PEA	16				6			23
	CABBAGE			149	65	56			
VEGETABLE TOTAL		248	44	4,049	264	311	298	102	64
GRAND TOTAL		34,062	21,219	25,925	6,936	13,213	15,590	11,524	5,987





CONTACT INFORMATION

This report is available online at:

www.gov.bc.ca/agribusinessriskmanagement

For more information, please contact:

KELOWNA HEAD OFFICE

Business Risk Management Branch
Ministry of Agriculture
200 – 1690 Powick Rd
Kelowna BC V1X 7G5
Phone: 250 861-7211
Toll-free: 1 888 332-3352

KAMLOOPS

2nd Fl 441 Columbia St
Kamloops BC V2C 2T3
Phone: 250 828-4506
Toll-free: 1 888 823-3355

ABBOTSFORD

1767 Angus Campbell Rd
Abbotsford BC V3G 2M3
Phone: 604 556-3001
Toll-free: 1 888 221-7141

KELOWNA

200 - 1500 Hardy St
Kelowna BC V1Y 8H2
Phone: 250 712-3797
Toll-free: 1 877 343-2767

DAWSON CREEK

4th Fl 1201 103 Ave
Dawson Creek BC V1G 4J2
Phone: 250 784-2236
Toll-free: 1 877 772-2200

OLIVER

201 - 583 Fairview Rd
PO Box 857
Oliver BC V0H 1T0
Phone: 250 498-5250
Toll-free: 1 888 812-8811

FORT ST. JOHN

10043 100 St
Fort St. John BC V1J 3Y5
Phone: 250 787-3240
Toll-free: 1 888 822-1345

WILLIAMS LAKE

300 - 640 Boland St
Williams Lake BC V2G 4T1
Phone: 250 398-4500
Toll-free: 1 800 474-6133

