

AgriStability and Insurance Risk Management



Even in the best of times, farming is a risky business with exposures in various areas including people, finance, markets, management, business environment and production. With multiple risks to consider and various insurance programs to cover them, it can be a challenge to determine the best course of action for your farm's annual insurance risk management strategy.

Understanding Your Risks

The Farm Business Risk Management Overview (Western Canada) shows various perils covered by different types of farm insurance. AgriStability is the only insurance that covers all potential risks listed for the whole farm, regardless of whether that farm produces crops, livestock or a mix of both.

Farm Business Risk Management Overview (Western Canada)

	AgriStability	Crop Insurance			GARS	Just Solutions
¹ Coverage Type	Whole farm	Individual crop			Whole grain farm	Whole grain farm
Livestock Production Loss (e.g. disease, mortality, etc)	✓		✗		✗	✗
Crop Yield Loss (field perils)	✓	✓			✓	✓
Heating of Stored Grain in a Permanent Structure (non-field peril)	✓		✗		✓	✗
Other Crop Post-harvest Perils (non-field perils)	✓		✗		✗	✗
Bad Debts Associated with Customer Bankruptcies	✓		✗		✗	✗
² Price Loss	✓	AB ✓	SK ✗	MB ✗	✓	✓
Increased Seed, Fertilizer and Chemical Costs	✓		✗		✓	✗
Increased Other Input Costs (e.g. feed, labour, electricity, etc.)	✓		✗		✗	✗
Advance Payments Program Eligible	✓		✓		✓	✗
Relative Timing of Cash Flow After Loss	³ Typically, <6 months from time of application	Immediate after loss is known and claim is filed and adjudicated			Up to 60% interim post-harvest; rest depends on month end cut-off date chosen (Sept 30 to March 31) [all subject to holdback of 10% of inventory values]	Up to 75% interim by December 31 of the claim year; balance when grain is sold or scaled

¹ Income and expenses from all the other programs (Crop Insurance, GARS, Just Solutions) are included in the AgriStability reference margin calculations, but income from private insurance programs (ie. GARS, Just Solutions, private hail, WLPPI) are excluded from the calculation of the program year margin. The indemnity calculations for the other programs are done independently of AgriStability.

² Spring Price Endorsement is a crop insurance coverage option that is available for an extra premium in Alberta only; Variable Price Benefit is included in the standard crop insurance coverage in Alberta only. Just Solutions has automatic price coverage built in for the first 30% (20% for pulse crops) of price drop only; the producer has the option to decouple the Just Solutions price coverage for a slightly lower premium and potentially higher attachment.

Just Solutions calculates the benefits independently of marketing decisions on production sold AND inventory held at year end; consequently, producers may receive payment for a price loss even though they have marketed/will market their grain for a higher price. GARS calculates benefits independently of marketing decisions on inventory held as of the month-end cut-off date chosen between Sept 30 to March 31; consequently, producers may receive payment for a price loss even though they might market their grain after the month-end cut-off date for a higher price. AgriStability may allow for recognition of a price loss on inventory even if that inventory is subsequently sold for a higher price.

³ AgriStability does allow for interim payments, but the actual indemnity calculation must wait until year-end prices are established and the final application is filed. Applications are due to be filed by September 30 of the year following the claim year.

How MNP Can Help

MNP has developed an AgriStability software program to file AgriStability applications with the various administrations. The program allows us to track and support all calculations for each submission. Most importantly, this software allows us to provide estimates of the expected payments to you. These payment estimates have proven invaluable as a means of comparison to the final administration calculations shown on the Calculation of Program Benefits notices.

Contact your local Business Advisor or Farm Management Consultant to enrol if you have never participated or previously opted out of the AgriStability program.

