



KEYSTONE
AGRICULTURAL
PRODUCERS
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Manitoba Forage Insurance Review

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Keystone Agricultural Producers (KAP) represents and promotes the interests of 4,500 Manitoba farmers and 25 commodity associations. The comments below on Manitoba Agricultural Services Corporation's (MASC) Forage Insurance have been developed with input from KAP's business risk management and livestock policy committees.

MASC estimates that, in any given year, approximately 15% of the forage acres in Manitoba are insured under Forage Insurance. In some years, farmers experience forage shortfalls yet are not using available insurance options and do not see Forage Insurance as suitable for their operations.

Forage Insurance challenges include:

- Inadequate coverage levels.
- Payment timing that is not reflective of industry cash flow requirements.
- Limited options relating to crop quality.

Coverage

In a typical AgriInsurance contract payment from a claim reflects the market value of the crop and is intended to support farmers by covering input costs. Many forage producers' crops are an input in cattle production, so their insurance needs are different; should there be a shortfall in forages they need insurance to cover the extra costs associated with sourcing alternative feed. Current coverage levels in Forage Insurance are inadequate to provide a settlement that will pay for the market value of a replacement crop. Additionally, the premiums that farmers pay for inadequate coverage levels are a higher cost in some instances than the costs would be for replacement feed should that need arise.

Coverage is determined using area averages, which does not incentivize farmers to use management practices that increase productivity. Some farmers are choosing to fertilize their forages and break up the land every year, and others put forages on poor quality land and use minimal inputs. Area averages are not reflective of some of the high-quality and high-value forages being grown across the province.

Coverage levels are low, and premiums are high, so farmers typically choose to source alternative feeds, or use waste or bush land to cover shortfalls. This becomes more problematic after multiple drought years, in that there are fewer alternative feed sources, which forces farmers to make tough decisions about herd size and operational profitability.

Timing of payments

The timelines within which farmers receive Forage Insurance payments are not effective for managing operational cash flow. As farmers head into fall and winter, they make decisions about feed availability and increase their feed supplies as required. At this point they are also required to register their claim

with MASC. Program payments are made in the spring, which is past when assistance is required to purchase feed for the winter. Farmers who participate in Forage Insurance are using advances or their savings to cover over-winter feed costs.

Forage quality for dairy

Forage quality is one of the most important factors that determines the level of milk production and profitability of a dairy farm. Traditionally in dairy production forage quality has been defined by the nutrient content and digestibility of the nutrients in a forage, which differs from how beef cattle farmers assess forages.

Dairy farmers will choose to cover some of their feed grain under AgriInsurance even though it is inadequate coverage, because they have limited options and good quality feed is critical to their operations. Beef cattle producers can source alternative feed (if available) with minimal impact on the quality of their beef.

The Enhanced Quality Option (alfalfa) provides a higher quality guarantee for alfalfa acres and addresses some concerns around forage quality. Future programming could be elevated by offering more enhanced quality options that reflect modern dairy operations' forage crop choices.

Other considerations

Reliable and adequate insurance programming is critical for on-farm financial risk management. Programs should be updated periodically to reflect current farming practices and financial risks. As incidents of drought and flooding continue to increase in Manitoba, programming must be responsive to current challenges with forage growth and establishment, as well as limits to alternative sources of feed based on availability and increased transportation costs. Further consideration should be given to the variability in the market value of cattle which impacts producer cash flow.

Education

Forage Insurance does not seem to be well understood by the producers who would use it. There is some confusion around which options within the program will work best for different industry sectors. Clarity for producers around elements of Forage Insurance including coverage levels, area averages, and cross sector applicability will benefit producers in understanding how Forage Insurance may work for their operation.

Other jurisdictions

Saskatchewan uses a Forage Rainfall Insurance Program, which acknowledges the interconnectedness of forage production and moisture levels. It provides coverage if seasonal precipitation is below the long-term average. Farmers select a weather station, weighting option, precipitation cap and coverage level and payments are triggered when precipitation at a weather station is below 80% of normal.

Alberta has made similar changes to Saskatchewan. In 2020 they increased coverage levels based on a recalculation of historical pasture normal yields and conducted a pricing review to reflect the cost of trucking replacement feed.

Summary

Farmers will continue to see variability in weather and uncertainty within the marketplace. Predictable, adequate and bankable risk management programming is essential. Enhancing MASC Forage Insurance or creating a new and more relevant program is an important step in providing support for Manitoba's farmers.

While undertaking this review please consider the following:

- Coverage should be adequate and reflective of market value and productivity.
- Payments should be timely and consistent with operational activities.
- There are variations of forage quality requirements for different sectors within primary production in Manitoba.
- Increased education and awareness are needed on the applicability of Forage Insurance.
- Other jurisdictions are being innovative in their solutions to insuring forage shortfalls.