



Manitoba Agricultural Services Corporation

Lending and Insurance

Building a Strong Rural Manitoba



Annual Report 2013/14



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Board of Directors

John Plohman (Chair)
Harry Sotas (Vice Chair)
Bryan Ferriss
Frank Fiarchuk
Wilfred Harder
Carol Masse
Sandy Yanick

Executive Management

Neil Hamilton
President & CEO
Paul Bonnet
Vice President, Research & Program Development
Kevin Craig
Vice President, Lending Operations
Jim Lewis
Vice President, Finance & Administration
Craig Thomson
Vice President, Insurance Operations
Lester Vopni
Vice President, Corporate Services & General Counsel

This annual report can be found online at **masc.mb.ca**.

La version française de ce rapport annuel se trouve sur le site Internet **masc.mb.ca**.



MINISTER OF
AGRICULTURE, FOOD AND RURAL DEVELOPMENT

Room 165
Legislative Building
Winnipeg, Manitoba CANADA
R3C 0V8

The Honourable Philip S. Lee, C.M., O.M.
Lieutenant-Governor of Manitoba
235 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Your Honour:

I am pleased to submit the Annual Report of the Manitoba Agricultural Services Corporation
for the fiscal year ended March 31, 2014.

Yours truly,

Original signed by

Ron Kostyshyn
MINISTER





The Honourable Ron Kostyshyn
Minister of Agriculture, Food and Rural Development
165 Legislative Building
Winnipeg, Manitoba
R3C 0V8

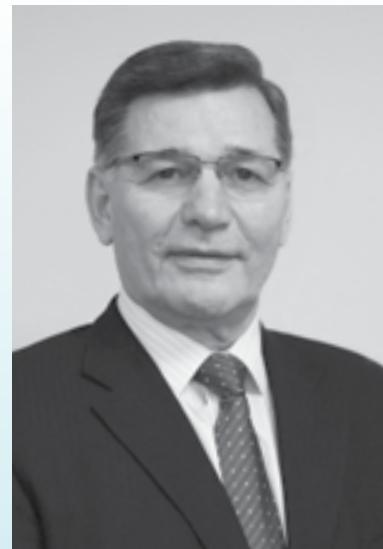
Dear Sir:

On behalf of the Board of Directors, I am pleased to submit the Annual Report of the Manitoba Agricultural Services Corporation for the fiscal year ended March 31, 2014.

Yours truly,

Original signed by

John S. Plohman
CHAIR, BOARD OF DIRECTORS



CHAIR'S MESSAGE

2013 WAS A BANNER YEAR NOT ONLY FOR MANITOBA CROP PRODUCERS, BUT FOR MASC AS WELL.

Farmer confidence in AgriInsurance was strong again in 2013, with 9.8 million acres insured, slightly higher than in 2012. Increases in insured values (prices) caused the program's total coverage to rise to a record \$2.7 billion.

In 2013, most crops yielded significantly above the 10-year average. Provincial average yields for red spring wheat, oats, barley, grain corn, soybeans and white pea beans all shattered previous records, while canola and flax tied the record yields experienced in 2009. As a result of the excellent average yields, \$120 million was added to the AgriInsurance reserve fund.

MASC's Hail Insurance coverage also increased in 2013, rising to a historical high of \$915 million, which translates into about 65% of Manitoba's hail insurance market.

Our lending programs that serve the farmers and other business owners in rural Manitoba also had a record year. In 2012, MASC expanded its lending mandate by increasing loan limits, financing new and used farm equipment and eliminating net worth and off-farm income limitations on program eligibility. Our purpose was to better serve rural Manitobans, and also to move our lending programs towards financial self-sufficiency.

The positive uptake in MASC's lending programs that started in 2012 continued in 2013. Our regular loan portfolio has increased by \$114 million (38%) over the last two years, which is well above what had been targeted.

Despite all of the things that went well in rural Manitoba in 2013, there were some setbacks. Manitoba's beekeepers suffered record overwinter death losses of 46%, due to the long winter, followed by a cold wet spring. Under MASC's Overwinter Bee Mortality Insurance program, indemnities of \$2 million were paid to assist beekeepers in managing these losses.

Although the negative effects of the 2011 flood are subsiding, MASC continued to assist in the administration of the Province of Manitoba's associated emergency assistance programming. With most of these programs winding down, the Flood Recovery Office was closed at the end of 2013. During the time the Flood Recovery Office was open, over \$123 million of flood related compensation was paid out.

Much has been said in the aftermath of the 2011 flood, but MASC's performance is perhaps best described by the Response of Officials in the Provincial Auditor's Report on the Lake Manitoba Financial Assistance Program: Parts C & D, which were administered by MASC, wherein it was noted that:

"MASC's regular workload was extended with the largest AgriInsurance payout in its history and the administration of a number of agricultural emergency assistance programs. In this context, we are pleased that the audit results were generally positive, reporting few errors and confirming that most issues were dealt with appropriately."

Rather than being content to reflect on our successes, MASC, with the support of government, continued to develop and implement new services for farmers in Manitoba. A major initiative in 2013 provided insurance to farmers in new 'Insurance Test Areas.' We also expanded the Pasture Days Pilot Program in order to further test this new concept for insuring against pasture production shortfalls over the course of the grazing season.

Work also began in 2013 on two significant initiatives that will fundamentally change how MASC insures livestock producers. A new suite of flexible forage programs, designed to better meet the needs of farmers at reduced cost was unveiled in 2013, with coverage coming into effect in 2014. MASC also collaborated with the other western provinces and the federal government, bringing the Western Livestock Price Insurance Program into fruition in Manitoba. A very gratifying aspect in the development of these programs was the extensive consultation and close working relationship that emerged with affected producer groups.

I am always impressed by the way our staff members work together to deliver, customize and enhance MASC's existing programs, as well as create new programs. It's not always obvious how much work is involved, but the results speak volumes.

Another example of working well together to get the job done is the delivery of Farmland School Tax Rebates, which MASC has been responsible for since 2005. In 2013, policy changes were made by the Manitoba Government that necessitated a significant revamping of administrative processes. I'm happy to report the additional work was handled effectively, with \$31.7 million being paid out to rural Manitobans under the revamped program.



Diligence in delivering the best possible programming and service is evidenced in the results of MASC's 2013 Customer Satisfaction Survey. Eighty-two percent of respondents were very satisfied with MASC's overall performance, with 97% saying they would use MASC's services again. There is no greater compliment than the satisfaction of your customers. We are bolstered by this and will continue to make improvements, wherever possible.

As referenced earlier, MASC places a very high value on the input received from individual farmers and producer groups. In 2013, MASC's Board of Directors met with a total of 18 different producer groups to discuss programs and issues, and to get their thoughts on how MASC can better serve rural Manitoba.

On the corporate side of the business, 2013 saw the finalization of our formal staff orientation process, which has the objective of getting new staff up to speed as quickly as possible. We also were involved in an extensive leadership training program, as part of our ongoing succession planning efforts. As is the case for many corporations, effective succession planning is one of MASC's key goals.

We continue to seek out efficiencies in our business processes in an effort to provide better service as efficiently as possible. A new confirmation process was developed for Excess Moisture Insurance. The internal process of tracking and recording grain samples was streamlined. In our field offices, MASC continues to work on eliminating redundancies. One example is the implementation of an electronic application for lending forms that relate to legal and security matters, which will significantly decrease loan approval turnaround times. At the Board level, we reviewed key components of MASC's strategic review initiative relating to corporate direction, governance and business delivery. This work is ongoing, as we endeavour to meet the evolving needs of our rural client base. Major or minor, all incremental changes contribute to continuous improvement in how our business functions.

In July, MASC hosted the 2013 National AgrilInsurance Conference, which was attended by senior leaders of AgrilInsurance programs across the country. It was a chance to share ideas, showcase our province, reflect on our own approach to insurance, and gain broader insight into the options MASC faces moving forward.

I want to thank my fellow Board members, who work hard to govern the strategic direction of MASC, and MASC's management and staff, who so diligently develop and deliver much needed programming and services.

I would also like to thank the Manitoba Government through the Minister and Deputy Minister of Agriculture, Food and Rural Development for their day to day efforts and financial support of MASC, as well as to recognize the ongoing federal support for AgrilInsurance and the Wildlife Damage Compensation Program.

Last but not least, I want to extend my appreciation to the producer groups for their feedback and collaboration in improving MASC's products and services.

In closing, let me emphasize how gratifying it is that so many rural Manitobans, year after year, trust MASC with their financial and risk management needs. It is encouraging to know that MASC is appreciated by the people who are most affected by our service.

Original signed by

John S. Plohman
CHAIR, BOARD OF DIRECTORS



BOARD OF DIRECTORS (L TO R)
BACK ROW: WILFRED HARDER, BRYAN FERRIS, JOHN PLOHMAN, HARRY SOTAS
FRONT ROW: SANDY YANICK, FRANK FIARCHUK, CAROL MASSE



EXECUTIVE MANAGEMENT (L TO R)
BACK ROW: KEVIN CRAIG, JIM LEWIS, CRAIG THOMSON
FRONT ROW: PAUL BONNET, NEIL HAMILTON, LESTER VOPNI

VISION

A strong rural economy with successful farms and businesses

MISSION

Enhance financial stability in rural Manitoba by providing risk management solutions, lending options and other programs and services to address emerging needs

VALUES

- Innovation – in developing programs and services
- Responsiveness – in program delivery
- Excellence – in customer service
- Consultation – with client and government stakeholders
- Accountability – in managing public funds
- Social Responsibility – in balancing public policy and business objectives
- Employees – in a productive and positive work environment

GOALS

- Insurance – provide programs that mitigate risk for the majority of farmers
- Lending – assist farming and other rural businesses in accessing credit
- Other Programs and Services – deliver emergency assistance and other initiatives that align with government priorities and inspection services
- Corporate – carry on business effectively and efficiently

CORPORATE GOVERNANCE



Mandate of the Board

MASC was established through the introduction of *The Manitoba Agricultural Services Corporation Act*, and is a Crown corporation of the Manitoba Government. MASC's Board of Directors is comprised of up to nine directors who are appointed by the Lieutenant-Governor in Council, as are the Board chair and vice chair.

The Board is responsible for the overall stewardship of MASC, discharging its responsibilities directly as well as through the assistance of two Board sub-committees. The Board sets MASC's strategic direction and organizational objectives with the assistance of Executive Management, and provides final approval of all applicable budgets.

The Board also makes recommendations for future programming to Manitoba's Minister of Agriculture, Food and Rural Development, ensures that the corporate governance policies by which MASC operates are relevant and current, and is responsible for overseeing and monitoring corporate operations according to applicable legislative requirements, and within acceptable levels of risk.

Board Committee Structure

The Board of Directors is assisted by the work of the following committees:

BOARD AUDIT AND FINANCE COMMITTEE reviews MASC's financial reporting, risk management, actuarial and audit functions, as well as monitors corporate integrity and compliance with applicable authorities.

BOARD STRATEGIC PLANNING & REVIEW COMMITTEE assists the Board in consideration of strategic matters including corporate planning, communications, human resources, information technology, and other key issues referred to it by the Board.

ADMINISTRATION

MASC has a permanent staff of 149, complemented by part-time staff and over 150 adjustors who are employed as needed. MASC is represented by 19 insurance and 15 lending offices located across the province, with corporate offices in Portage la Prairie and Brandon.

MASC reports to Manitoba's Minister of Agriculture, Food and Rural Development (MAFRD), with the province's contribution to MASC's core programming representing over 50% of MAFRD's budget.

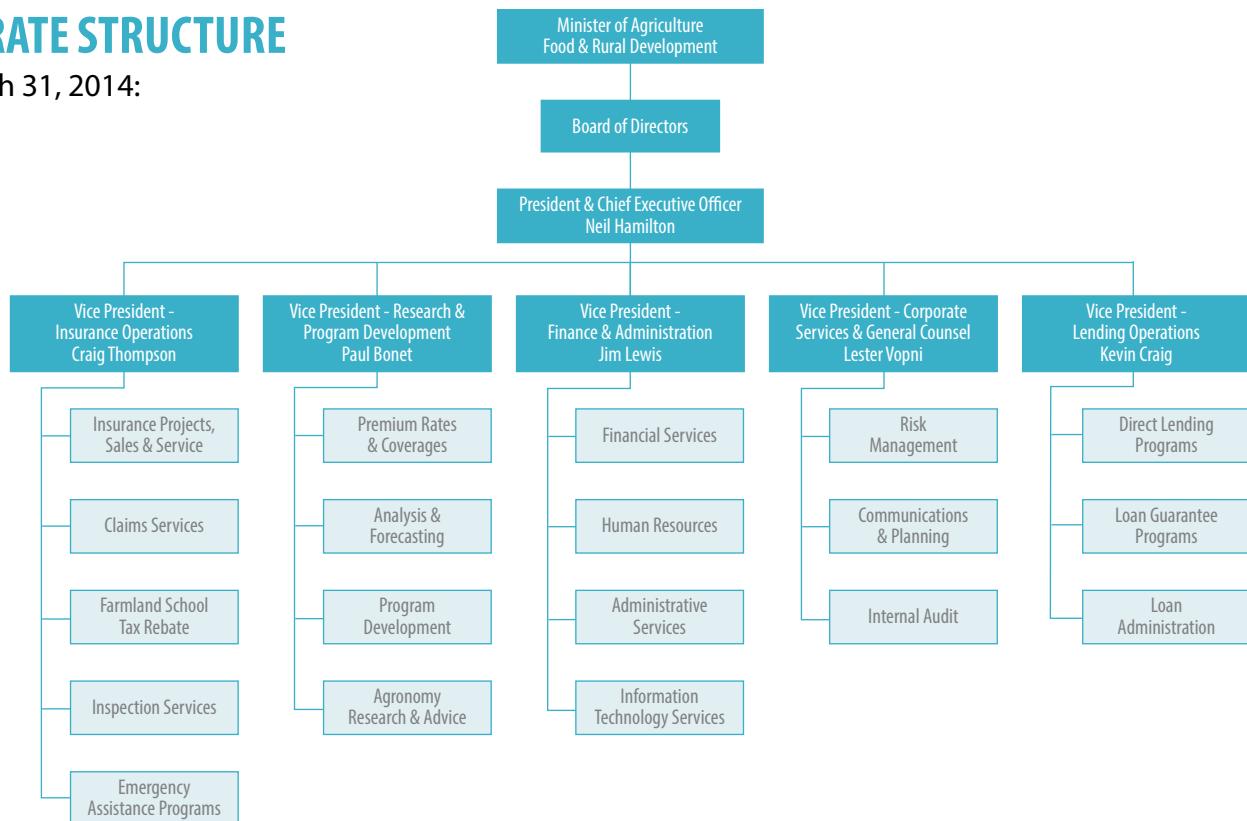
An independent Appeal Tribunal hears disputes between insured producers and MASC respecting MASC's assessment of insurance loss. The Appeal Tribunal's decisions are final and binding on both parties.

With direction from the Manitoba Government's initiatives under *The Sustainable Development Act*, MASC encourages and facilitates day-to-day 'green' business practices that conserve our natural resources. MASC actively promotes teleconferencing and videoconferencing, and has significantly reduced its printed materials by replacing most internal paper manuals with digital versions, as well as offering clients a digital version of insurance contracts. MASC is also increasing the opportunities for producers to use paperless web-based transactions, such as reporting their seeded acreage, harvested production and carryover grain through MASC's Online Services.

The Flood Recovery Office, established in 2011 to handle matters concerning the Flood 2011 – Building and Recovery Action Plan, was closed in November 2013. As of March 31, 2014, a number of MASC staff members were still tasked with issues concerning flood claims.

CORPORATE STRUCTURE

As of March 31, 2014:



STRATEGIC PLAN REVIEW



MASC'S VISION OF A STRONG RURAL MANITOBA IS ACHIEVED THROUGH A SERIES OF FOCUSED GOALS, AS IDENTIFIED IN THE STRATEGIC PLAN. THE FOLLOWING IS A REVIEW OF THE ASSOCIATED ACTIONS IMPLEMENTED IN 2013/14, ALONG WITH THE PROGRESS MADE TOWARD MASC'S GOALS. THE ACTIONS IDENTIFIED ARE CONSIDERED TO BE NEW INITIATIVES AND ARE INCREMENTAL TO MASC'S ONGOING DAY-TO-DAY OPERATIONS.

GOAL: INSURANCE – PROVIDE PROGRAMS THAT MITIGATE RISK FOR THE MAJORITY OF FARMERS

During the 2013/14 year, MASC's Research & Program Development Division worked on a number of program changes for the 2014 crop year:

- A new suite of forage insurance programs was developed that provides more benefits and options for producers, at a reduced cost. In addition, coverages for Forage Establishment Insurance and the Forage Restoration Benefit increased in 2014, providing forage producers with more effective insurance.
- In response to rising input costs, the higher dollar value options for Excess Moisture Insurance were increased to \$25 and \$50 per acre above basic coverage, bringing the maximum available coverage for Excess Moisture Insurance to \$100 per acre.
- In collaboration with Agriculture and Agri-Food Canada and the other western provinces, the design of the Western Livestock Price Insurance Program was finalized, which offers livestock price insurance for cattle and hog producers. MASC represented Manitoba on the federal/provincial/territorial task team's review of insurance options under Growing Forward 2, which includes developing future proposals such as hog mortality insurance.

- Certain parcels of land that previously were deemed to be uninsurable were reclassified, allowing affected producers greater access to insurance products. Insurance eligibility was extended to include aerial seeding followed by mechanical incorporation.
- The new expanded Insurance Test Areas (implemented in 2013) and the Pasture Days Insurance Pilot Program (now in its sixth year of operation) continued to be offered, providing producers with expanded insurance coverage.

GOAL: LENDING – ASSIST FARMING AND OTHER RURAL BUSINESSES IN ACCESSING CREDIT

- An evaluation was completed on the long-term feasibility of the Operating Credit Guarantee for Rural Small Business program, resulting in administrative simplifications with the objective of enhancing lender response. Changes were also made to the Rural Entrepreneur Assistance program, which provide more flexibility for participating lenders.

GOAL: OTHER PROGRAMS AND SERVICES – DELIVER EMERGENCY ASSISTANCE AND OTHER INITIATIVES THAT ALIGN WITH GOVERNMENT PRIORITIES AND INSPECTION SERVICES

- MASC continued to administer the Flood 2011–Building and Recovery Action Plan and 2011 AgriRecovery Programs, in response to the flooding and excess moisture situations that occurred in 2011. A new program, the 2012 Dauphin River Flood-Related Commercial Fishers Fall Income Loss Assistance Program, was added to MASC's administration of emergency response programming.
- As a result of a multi-departmental review of livestock predation management practices, MASC partnered with Manitoba Conservation and Water Stewardship to hold six public workshops throughout the province to increase public awareness of the compensation and prevention programs that are available to producers.

GOAL: CORPORATE – CARRY ON BUSINESS EFFECTIVELY AND EFFICIENTLY

- A confirmation process for selecting Excess Moisture Insurance options was created for the new November 30 deadline.
- An internet application for MASC's soil classification maps was developed and tested by staff. The plan is for this new application to be available to the public this winter.
- MASC's Online Services were enhanced with the development of an online AgriInsurance application process, which will be operational in 2015.
- The process of recording and applying grain sample information (bin tags) was computerized, reducing data input time and improving the accuracy of claim calculations.
- Premium and coverage calculations for the Overwinter Bee Mortality Insurance Program were automated, providing for a more efficient determination of clients' insurance coverage.
- A number of internal lending reports and notices were automated, reducing turnaround times, as well as the saving on the amount of paper used.
- Significant IT programming was completed to: operationalize the new tiering of the Young Farmer Rebate; implement the new loan administration fee structure; and effect policy changes to Farmland School Tax Rebates.
- In order to enhance service to clients, a common client database between lending and insurance was developed, providing staff with information on all of the MASC programs an individual producer participates in. Further work on this project will allow clients who have insurance and lending contracts one access point for all of their MASC business.
- Enhancements were made to MASC's website to improve the ease of navigation and functionality. A forage insurance calculator was added, which estimates coverages and associated premium costs for the various options under the new suite of forage insurance programs. Traffic on MASC's website increased by 16% compared to the previous year.
- MASC's succession planning continued, with a number of staff participating in a substantial leadership training program.
- As part of the Strategic Review Initiative, the Board of Directors and Executive Management revised some key governance policies and developed a strategic evaluation model for long-term planning purposes. This model provides a standardized approach for reviewing and prioritizing potential business opportunities within MASC's operational context.
- Over 500 Manitoba producers completed a survey for the purpose of measuring their level of satisfaction with MASC's products and services. MASC continues to enjoy an excellent overall satisfaction rating. Suggested improvements to products and services include: expanding online services, developing insurance products for livestock, continued improvement to MASC's website, and maintaining locked-in interest rates with no prepayment penalties on loans.
- In addition, MASC's Board of Directors and staff met with 18 producer groups for the purpose of getting input on how MASC's programs and services can be improved. Suggestions made at these meetings, as well as through the customer satisfaction survey, have a significant bearing on future program changes.

PERFORMANCE INDICATORS



AgrilInsurance

Just under 9.8 million acres of annual crops and forages were insured in 2013/14, which was about 200,000 acres over the targeted amount. Due mainly to increased crop values, the total AgrilInsurance liability was \$2.7 billion (14% higher than in 2012/13). Liability was slightly higher than the \$2.6 billion that was budgeted, due to the increase in insured acreage, as well as a slightly higher level of average coverage (77.5% compared to 77.2% in the previous year).

Indemnities for the year totalled \$95 million, which was well below the breakeven budgeted amount of \$201 million. Winter wheat and fall rye indemnities comprised \$45 million or 47% of total losses, mainly due to poor establishment. Most major crops had yields that were significantly higher than average. Claims for the year totalled 5,043, which were 61% fewer than budgeted.

Hail Insurance

In 2013/14, MASC's Hail Insurance covered 4.9 million acres, with associated liability of \$915 million. MASC's share of the Manitoba market increased from 59% to 65%, mainly due to an increase in the maximum coverage to \$200 per acre (up from \$175 per acre).

Hail losses for the year were \$24.5 million, which was just slightly less than the breakeven budgeted amount of \$25.3 million.

Loans

MASC approved 949 loans in 2013/14 totalling \$130.4 million. The number of new loans was down by 66 compared to 2012/13, with the associated dollar amount decreasing by \$8.8 million (6%). Actual performance exceeded the target, which was 910 loans for \$113.1 million. The realization of loan levels in excess of the target is attributed to the overall profitability of the agricultural sector, as well as the expansion of MASC's lending mandate, which was introduced in 2012/13.

Loan Guarantees

In 2013/14, MASC approved 174 guarantees on loans totalling \$85.2 million. Compared to the previous year, the number of guarantees and the associated loan amounts increased by three and \$8.4 million, respectively. Actual results fell short of the targets for the year, which were 220 guarantees on loans totalling \$91.6 million. Improved farm profitability in 2013/14 resulted in fewer requests for loan guarantees from private sector lenders.

Administration

MASC's administrative expenses for its regular programming totalled \$18.8 million in 2013/14, which was \$2.9 million under budget. The savings were mainly due to AgrilInsurance claim numbers being significantly below the budgeted target and the necessity to allocate staff time (and corresponding costs) to the administration of Farmland School Tax Rebates and emergency assistance programming.

CORE PROGRAMS

AGRICULTURE IS ESSENTIAL TO THE ECONOMY AND SOCIAL FABRIC OF MANITOBA. MASC'S FINANCIAL AND RISK MANAGEMENT PROGRAMS CONTRIBUTE DIRECTLY TO THE DEVELOPMENT, GROWTH AND SUSTAINABILITY OF A STRONG RURAL MANITOBA.

MASC's insurance programs offer protection against losses due to natural perils for a wide range of agricultural crops. MASC's financial products include direct loans and loan guarantees that assist agricultural producers and rural entrepreneurs in developing, diversifying and expanding their farms and rural businesses.

MASC is also entrusted with the efficient and effective delivery of emergency assistance programs on behalf of the governments of Manitoba and Canada.

INSURANCE

AgriInsurance and Hail Insurance provide producers with a broad range of risk management tools. Insurance programs are ongoing, with enhancements being made based on input from producer groups, individual producers and staff, with overarching priorities established by MASC's Board of Directors, and direction from the Manitoba Government.

AgriInsurance

AgriInsurance protects against crop production and quality losses caused by natural perils, including: drought, excess moisture (rainfall and flood), frost, hail, fire, excess heat, wind, wildlife, disease and pests. Losses that are within a producer's control are not covered. Manitoba's AgriInsurance Program covers 60 different annual crops, as well as forages during establishment and production, and the inability to seed land in the spring due to wet conditions.

For insurance purposes, MASC divides Manitoba into 15 areas of similar crop protection risk. These 'risk areas' form the geographic basis for determining insurance coverages (liabilities) and premiums for most crops. The probable yield methodologies used to determine coverages are

individualized and, depending on the crop, are based either on a producer's relative yield history (compared to the area average), or the producer's individual yield history.

In 2013, MASC expanded coverage for soybeans, grain corn, dry edible beans, sunflowers and lentils into the new Insurance Test Areas (ITAs). This trial extends insurance coverage to all of agro Manitoba. In order to accommodate historically higher risk in the ITAs, coverage was set at 80% of the lowest existing insurable area. The seeding deadline in an ITA is the earliest seeding deadline established for that crop, and no extended seeding period is provided.

Producers can select coverage levels of 50, 70 or 80%. Coverage levels can be varied by crop, with the option of not insuring a crop. Insured coverage (liability) is based on a producer's expected (probable) yield, multiplied by the selected coverage level, multiplied by the number of insured acres. If harvested production (adjusted for quality loss) falls below coverage, the producer is paid an indemnity equal to the production shortfall multiplied by the insured dollar value. A reseeding benefit is provided to compensate insured producers who suffer early crop losses and reseed to an eligible crop prior to the seeding deadline.

Producers have the option of insuring all of their eligible crops under Crop Coverage Plus, which pays an indemnity if the combined production value of all crops falls short of the whole farm guarantee. Depending on a producer's mix of crops, Crop Coverage Plus can provide whole farm coverage of up to 90% for the same or lower premium cost than 80% crop-specific coverage.

Excess Moisture Insurance (EMI), which is a basic feature of Manitoba's AgriInsurance Program, provides insurance for land that is too wet to seed. Producers with an active AgriInsurance contract automatically receive basic EMI coverage and pay a corresponding premium. A producer who is unable to seed by June 20 due to continuously wet conditions is paid basic compensation of \$50 per acre. This is subject to a deductible that varies according to loss experience, which cannot be lower than 5% of the farm's total cultivated acres. Additional optional protection of



\$25 or \$50 per acre is available, resulting in maximum available coverage of \$100 per acre. An option is also available whereby the deductible can be reduced to 5%.

The Forage Restoration Benefit provides protection for tame hay and forage seed crops that are destroyed by excess moisture. In 2013/14, damaged forage crops that were overseeded became eligible for a reduced Forage Restoration Benefit.

For producers with tame hay insurance, pasture insurance is available based on their tame hay loss as a proxy for their pasture loss. In addition, MASC continues to evaluate the Pasture Days Insurance Pilot Program, which provides protection against having to remove livestock from pasture earlier than normal (due to drought or excess moisture). In 2013/14, 77 producers insured roughly 16,000 head of livestock on 121,571 acres of pasture.

Insurance is available for the establishment of eligible forage crops, with spot-loss compensation provided when a crop fails to establish in the year of seeding due to natural perils. Producers who have Forage Establishment Insurance are not required to purchase production insurance for their hay or forage seed crops.

In addition to traditional production loss insurance for vegetable crops, Vegetable Acreage Loss Insurance provides commercial vegetable producers with protection against production shortfalls that are severe enough to warrant part or all of the crop being worked down (destroyed).

Commercial strawberry and saskatoon growers can protect themselves against losses during the establishment period. Compensation is paid when more than 20% of the plants are lost.

The Overwinter Bee Mortality Insurance Program provides protection against unmanageable overwinter losses of honeybee colonies. In 2013/14, 51 beekeepers insured about 33,000 colonies, for a total liability of \$3.4 million.

For most AgriInsurance programs, premiums are paid 40% by insured producers, 36% by the Government of Canada and 24% by the Manitoba Government. The exceptions are

the EMI Reduced Deductible Option, for which participating producers pay the entire premium, and the highest level of optional coverage for EMI, which is paid 67% by insured producers, 20% by Canada and 13% by Manitoba. Administrative expenses for the AgriInsurance Program are shared 60% by Canada and 40% by Manitoba.

2013/14 Year in Review

Manitoba's 2013 crop year will be remembered for record yields. The bumper crop was attributed to timely rains during the growing season, moderate temperatures at flowering, and low levels of disease. Good weather conditions at harvest also resulted in average to above average quality.

The year started with a long winter and lots of snow. It took until mid-May for temperatures to stay above zero, after which rainstorms became common for the remainder of the month. Winterkill losses for winter wheat were high, which was largely attributed to poor fall germination due to dry seedbed conditions followed by lack of precipitation prior to freeze up.

The cool wet spring conditions resulted in most crops being sown later than normal. Temperatures turned cool for the first half of June, returned to more seasonal normals for about a month, and then cooled off again from mid-July to mid-August. After that, conditions improved considerably, with very warm temperatures through most of September. The first widespread frost was reported on September 25. Above average heat at the end of the growing season allowed most crops to achieve bumper yields, despite a relatively late harvest due to late seeding.

Provincial average yields were at or above long-term averages for almost every crop in 2013. In fact, red spring wheat (61 bu/ac), feed wheat (78 bu/ac), oats (106 bu/ac), barley (82 bu/ac), grain corn (136 bu/ac), white pea beans (2211 lbs/ac), and soybeans (38 bu/ac), all recorded record high provincial average yields. Canola (43 bu/ac) and flax (28 bu/ac) tied the 2009 records for provincial average yields. Yields for tame forages also were above average in 2013.

Figure 1 illustrates the major causes of loss for all crops in 2013, compared to historical averages. In 2013, excess moisture accounted for 34% of losses, while drought/heat accounted for 24%. Other significant causes of loss included winterkill, emergence problems, and hail, which accounted for 16%, 9% and 8% of total losses, respectively.

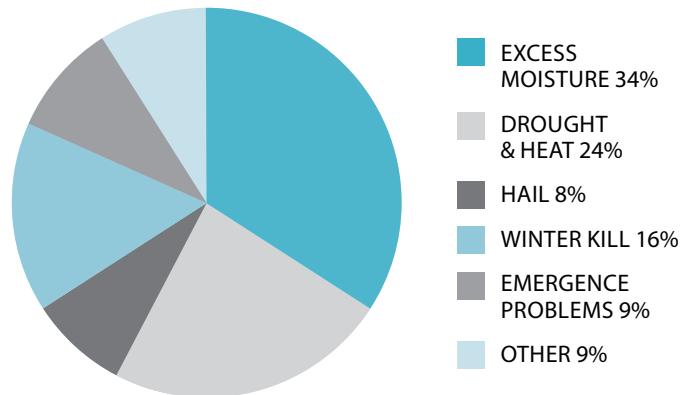
In summary, a total of 9.8 million acres were protected by AgrilInsurance in 2013/14, with 218,000 of those insured acres remaining unseeded due to excess moisture. Total premium was \$289.3 million on \$2.7 billion of coverage (liability). Indemnities for the year totaled \$94.8 million, of which over \$45 million were attributed to winter wheat and fall rye losses. **Figure 2** shows how premiums and indemnities for 2013/14 compare to the four previous years. After accounting for interest revenue of \$1.4 million, reinsurance premiums of \$75.6 million and other minor adjustments of \$0.5 million, AgrilInsurance had net income of \$119.8 million for 2013/14. This resulted in the AgrilInsurance reserve increasing from \$95.3 million to \$215.1 million.

Large fluctuations in the level of the reserve are normal in AgrilInsurance. When the surplus is high, premium rates are reduced and when the surplus is low, premium rates are increased. The current reserve plus premium income and the additional protection provided through the purchase of private reinsurance, provide a significant buffer against a range of potential losses.

The overall AgrilInsurance loss ratio (loss as a percentage of total premium) was 33% for 2013/14. Loss ratios for individual crops are listed in **Table 1**.

FIGURE 1 | AGRIINSURANCE CAUSES OF LOSS

CAUSES OF LOSS 2013/14



HISTORICAL CAUSES OF LOSS (1966-2012)

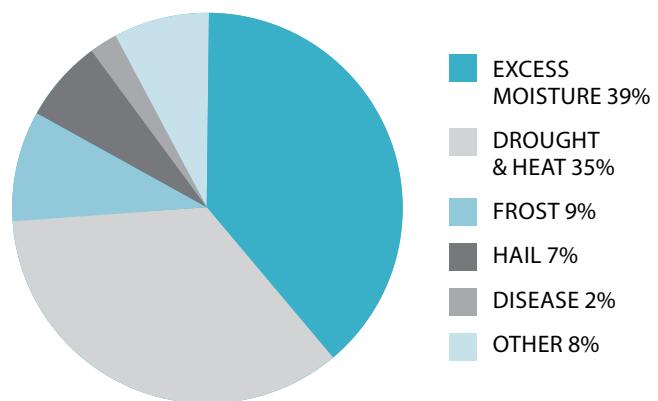


FIGURE 2 | AGRIINSURANCE PREMIUMS AND INDEMNITIES (\$ MILLIONS)

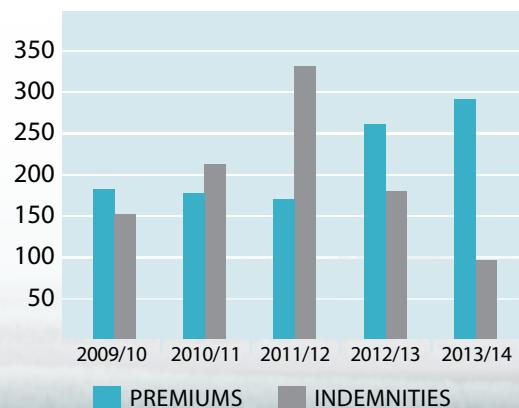


TABLE 1 | SUMMARY OF 2013/14 AGRIINSURANCE

CROP	ACRES INSURED	COVERAGE (000)	TOTAL PREMIUM (000)	INDEMNITIES (000)	LOSS RATIO (%)
Red Spring Wheat	2,577,283	\$ 639,370.8	\$ 56,039.3	\$ 4,822.3	9
Durum Wheat	1,175	212.1	21.6	-	0
Extra Strong Wheat	1,740	377.1	54.7	35.9	66
Prairie Spring Wheat	4,803	1,044.5	140.1	113.6	81
Hard White Wheat	16,782	4,120.3	372.6	132.6	36
Feed Wheat	131,202	29,391.2	4,151.0	152.1	4
Winter Wheat	621,555	184,627.1	19,773.2	41,430.0	210
Barley	448,457	84,712.2	10,132.6	2,062.2	20
Oats	354,498	60,679.0	7,475.2	1,813.5	24
Mixed Grain	3,940	390.2	64.9	33.5	52
Fall Rye	75,298	13,915.4	1,667.6	3,838.9	230
Triticale	829	99.3	11.9	14.3	120
Canola	3,118,383	1,007,102.9	84,703.2	18,459.0	22
Rapeseed	6,414	2,164.5	202.8	377.0	186
Flax	74,654	15,735.3	1,831.4	636.1	35
Mustard	2,170	450.8	104.7	153.5	147
Oil Sunflowers	32,854	8,878.1	1,186.3	77.1	7
Non Oil Sunflowers	40,880	12,314.6	2,196.6	306.4	14
Buckwheat	4,243	670.3	198.0	234.6	119
Grain Corn	322,986	123,375.1	20,207.9	274.3	1
Silage Corn	77,201	32,410.9	2,419.4	894.9	37
Potatoes	56,993	130,138.8	6,483.5	485.6	8
Vegetables ¹	2,142	5,875.9	300.9	479.3	159
Field Peas	44,870	10,092.9	1,258.5	802.2	64
Lentils	158	21.4	6.5	-	0
Fababeans	2,202	409.6	78.8	21.0	27
Dry Edible Beans ²	93,409	42,274.9	6,437.1	1,201.0	19
Soybeans	1,005,823	231,484.0	37,669.4	1,526.0	4
Tame Hay ³	206,906	20,101.3	2,077.5	513.1	25
Pasture	-	1,363.9	152.3	51.5	34
Pasture Days Pilot Program	-	2,481.7	54.6	96.4	177
Native Hay	30,097	963.6	395.7	443.0	112
Forage Establishment	98,108	6,044.1	1,100.4	486.2	44
Strawberry Establishment	-	1.6	0.1	-	0
Saskatoon Establishment	-	-	-	-	-
Pedigreed Timothy Seed	13,450	1,683.9	333.6	98.3	30
Alfalfa Seed	14,571	3,556.8	919.6	142.7	16
Canaryseed	5,208	1,249.6	217.0	95.4	44
Annual Ryegrass Seed	823	155.0	21.7	17.4	80
Perennial Ryegrass Seed	11,893	2,873.6	404.4	261.5	65
Proso Millet Seed	6,689	1,753.0	380.8	182.0	48
Tall Fescue Seed	1,539	343.3	74.4	37.7	51
Hemp Grain	7,470	1,561.9	351.5	133.1	38
Greenfeed	49,894	4,143.2	872.2	230.7	27
Open Pollinated Corn	349	57.1	12.7	5.9	47
Overwinter Bee Mortality	-	3,448.0	311.6	1,192.7	383
Estimate of Incomplete Claims	-	-	-	2,514.3	-
Subtotal	9,569,941	\$ 2,694,120.8	\$ 272,869.8	\$ 86,878.8	32
Excess Moisture Insurance ⁴	218,032	12,621.8	16,466.7	7,900.5	48
Total	9,787,973	\$ 2,706,742.6	\$ 289,336.5	\$ 94,779.3	33

¹ Vegetables include carrots, cooking onions, rutabagas, parsnips and the Vegetable Acreage Loss Insurance Program.

² Dry edible beans include white pea, pinto, black, kidney, cranberry, small red and other dry edible beans.

³ Tame hay includes alfalfa, alfalfa/grass mixtures, grasses and sweet clover.

⁴ Excess Moisture Insurance (EMI) acreage and coverage shown in the table is only for land on which EMI claims were paid. Total insured acreage and coverage under EMI were 8,790,857 and \$508,889,014, respectively.

Hail Insurance

A separate policy covering spot-loss hail damage is available to producers who participate in AgriInsurance. Producer premiums fund all Hail Insurance costs, including administrative expenses. Premium rates are determined based on AgriInsurance risk areas, rather than by township as is done by private insurers. Coverage can be selected at any time during the growing season and is available in various dollar amounts depending on the crop. Hail Insurance also provides coverage for loss due to accidental fire.

The Continuous Hail Insurance Option (CHIO) allows producers to automatically insure all eligible crops without an annual application. Producers who elect to make timely premium payments are entitled to a 5% premium reduction. Producers are also eligible for an increased premium discount if they maintain their CHIO coverage for more than two years. CHIO continues to be well accepted, with 55% of MASC's hail contract holders participating.

In 2013/14, dollar selections for Hail Insurance on all crops (except potatoes, vegetables and strawberries) were increased to \$120, \$160 and \$200 per acre (up from \$125, \$150 and \$175 per acre). As part of those coverage levels, MASC considers payments for secondary losses due to frost, when it is proven that delayed maturity due to hail damage results in a loss in value of the crop.

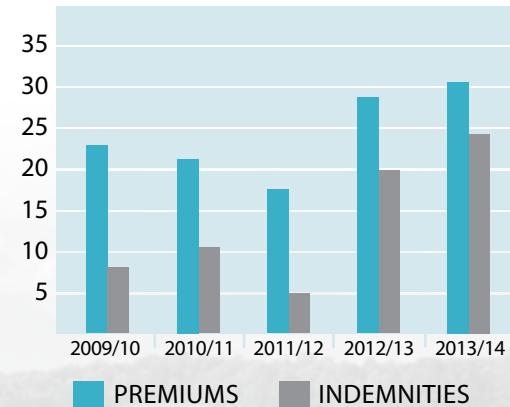
Hailstorm activity in Manitoba in 2013 was generally very light, until August storms affected large areas of the province. The majority of hail loss for the year occurred from the August 18 and August 31 hailstorms. The August 31 storm was the worst, resulting in damage ranging from 20% to 100%. Swathed canola was the crop that was most affected in that storm.

MASC insured 4.9 million acres in 2013/14 for a total hail insurance coverage (liability) of \$915 million. Premiums prior to discounts were \$32.1 million, with indemnities of \$24.5 million, resulting in a loss ratio (loss as a percentage of premium) of 76%.

After accounting for CHIO discounts and early payment discounts totalling \$1.7 million, interest revenue of \$1.2 million, reinsurance premium of \$1.8 million and administrative expenses of \$3.8 million, Hail Insurance had a net income for the year of \$1.5 million. As a result, the Hail Insurance reserve increased from \$70.1 million to \$71.6 million.

Figure 3 provides a summary of Hail Insurance premiums and indemnities for the past five years. In 2013/14, MASC's Hail Insurance represented 65% of Manitoba's crop hail insurance market (based on premium).

FIGURE 3 | HAIL INSURANCE PREMIUMS AND INDEMNITIES (\$ MILLIONS)



Western Livestock Price Insurance Program

Introduced in Manitoba as a four-year pilot program, the Western Livestock Price Insurance Program (WLPIP) offers price protection for cattle and hog producers, with settlement prices based on the average price in Western Canadian markets.

Once a producer's application is approved by MASC, insurance can be purchased via the Internet, with the insurance coverage being tailored to the producer's expected sale weight and date. The producer can select from a range of coverage options, and once the premium has been paid, the protection of a 'floor price' is locked in. If the average settlement price is below the producer's selected 'floor price', an indemnity payment is triggered.

Livestock price insurance was first implemented for Alberta producers in 2009 through the Alberta Financial Services

Corporation (AFSC). Producers in Manitoba, Saskatchewan and British Columbia will be able to participate in the program starting in April 2014. In Manitoba, MASC will be the insurer, with the Internet application, premium payment and indemnity settlement being handled by AFSC (on behalf of MASC). AFSC's administrative expenses will be shared by the participating provinces. As of March 31, 2014, Manitoba's share of the start-up costs was \$566,000 (20% of the total). In addition, MASC directly incurred \$185,000 in development costs, bringing Manitoba's expenses for 2013/14 to \$751,000. Administration for this program is cost-shared 60% by the Government of Canada and 40% by the Manitoba Government. The Government of Canada is providing a financial backstop for WLPIP for the duration of the pilot program. Any deficit on account of Manitoba producers at the end of the four-year pilot program will be the responsibility of the Manitoba Government.

TABLE 2 | INSURANCE STATISTICS – 2009/10 TO 2013/14

	2009/10	2010/11	2011/12	2012/13	2013/14
Agrilnsurance					
Number of producer contracts	9,402	9,174	9,290	9,196	9,072
Insured acres (millions)	9.4	9.3	9.6	9.6	9.8
Total coverage (liability) (\$ millions)	1,746.6	1,760.9	1,726.2	2,379.0	2,706.7
Producer premiums (\$ millions)	70.9	71.1	71.3	105.4	116.9
Total premiums (\$ millions)	181.6	175.3	169.0	258.5	289.3
Average coverage level selected (%)	76.1	76.4	77.3	77.2	77.5
Number of claims paid	8,612	11,421	14,154	8,059	5,043
Indemnities paid (\$ millions)	149.0	210.3	326.5	177.7	94.8
Income (loss) for the year (\$ millions)	2.6	(64.0)	(196.3)	19.9	119.8
Funds retained, end of year (\$ millions)	335.7	271.7	75.4	95.2	215.1
Indemnities to total premium ratio (%)	82	120	193	69	33
Indemnities to coverage ratio (%)	8.5	11.9	18.9	7.5	3.5
Hail Insurance					
Number of producer contracts	4,504	4,320	3,937	4,811	4,568
Insured acres (millions)	4.5	4.3	3.5	5.1	4.9
Total coverage (liability) (\$ millions)	630.3	595.9	493.1	850.8	915.2
Premiums, prior to discounts (\$ millions)	23.0	21.0	17.1	28.9	32.1
Number of claims paid	1,440	1,553	775	1,746	2,022
Indemnities paid (\$ millions)	8.2	10.5	4.8	20.0	24.5
Income (loss) for the year (\$ millions)	10.4	6.5	9.1	3.1	1.5
Funds retained, end of year (\$ millions)	51.3	57.9	67.0	70.1	71.6
Indemnities to premium ratio (%)	36	50	28	69	76
Indemnities to coverage ratio (%)	1.3	1.8	1.0	2.4	2.7

Note: The above statistics are based on the insurance crop year and, as such, may not correspond exactly to the 2013/14 financial statements.

LENDING

MASC's lending programs provide Manitoba's agricultural producers and rural businesses with reasonable access to credit. MASC provides direct loans and guarantees loans made by private sector financial institutions, thereby assisting in the creation and expansion of operations in rural Manitoba.

The Bridging Generations Initiative supports young farmers under the age of 40 by assisting in the inter-generational transfer of assets through flexible financing options and Young Farmer Rebates.

MASC's lending activities continue to be targeted to the next generation of Manitoba producers. In 2013/14, MASC issued 540 loans totalling \$76.5 million to producers under the age of 40. This represents about 71% of MASC's total loan volume for the year.

The Young Farmer Rebate (YFR) reduces the cost of borrowing in the critical start-up phase of an operation. YFR provides an annual rebate of up to 2 percentage points on the first \$150,000 of loan principal, and is available for the first five years of a loan, resulting in a maximum lifetime rebate of \$15,000. In 2013/14, YFRs totalled \$1.7 million.

MASC's Flexible Financing options give young farmers a choice between 90% financing or five years of interest-only payments, providing the flexibility of a reduced initial down payment or the easing of cash flow pressure during an operation's critical start-up phase. In 2013/14, MASC approved 142 loans for \$25.1 million under the 90% financing option and four loans for \$1.4 million under the five-year interest-only option.

Loans

MASC provides short, intermediate and long-term financing with reasonable interest rates to eligible Manitoba agricultural producers and rural businesses. Clients are not penalized for the prepayment of their loans, and have the flexibility of either locking in an interest rate for the full amortization period (up to 25 years) or selecting renewable interest rates for one to five years. As shown in **Table 3**, as of March 31, 2014, MASC had 4,382 loans outstanding with current balances totalling \$431.4 million.

DIRECT LOANS are available for purposes such as: purchasing land and buildings, equipment, breeding livestock, and quota for supply managed commodities; constructing or renovating farm buildings, including farm homes; and consolidating and refinancing debts.

Also included in the Direct Loan category are Alternate Energy Loans, Environmental Enhancement Loans, and Onsite Wastewater Management Loans. Environmental Enhancement Loans provide financial assistance to producers for the purpose of improving the environmental sustainability of their operations. Alternate Energy Loans are available to finance capital costs associated with alternate energy projects such as ethanol, bio-diesel, biomass and wind energy production. Onsite Wastewater Management Systems Loans facilitate the replacement of sewage ejectors with more environmentally friendly disposal fields.

In 2013/14, MASC approved 745 new Direct Loans for a total of \$108.4 million, which was a decrease of 1% in loan numbers and 4% in total loan amount from the previous year. As of March 31, 2014, MASC's total Direct Loan portfolio was \$366.4 million (3,453 loans). As shown in **Figure 4**, the Direct Loans issued in 2013/14 were used predominantly for purchasing land and buildings (51%), consolidating debt (19%) and refinancing (10%).

STOCKER LOANS provide producers with short-term financing for the purpose of purchasing feeder cattle and lambs, or as a cash advance on their own retained feeder animals. MASC issued 189 Stocker Loans in 2013/14 (down 14% from 2012/13). At \$20.9 million, the total value of Stocker Loans remained virtually the same as the previous year, while the number of animals financed was down 11% at 31,535 head.

COMPREHENSIVE REFINANCING LOANS assist existing MASC clients who are experiencing financial difficulty. The interest rate is set at MASC's prevailing rate at the time that the loan is taken out. In 2013/14, the number of refinancing loans decreased 63% (with 15 loans being approved), while the associated dollar amount decreased 81%, totalling \$1.1 million. These loans primarily went towards assisting producers experiencing prolonged excess moisture problems and extended periods of poor cattle returns. The decline in the number of Comprehensive Refinancing Loans reflects the improvement in the overall financial conditions facing Manitoba's agricultural sector. As of March 31, 2014, the Comprehensive Refinancing Loan portfolio consisted of 444 loans for \$28.3 million.

ENTERPRISE DEVELOPMENT LOANS provide financial support for Manitoba Government initiatives aimed at developing and diversifying the rural economy. As of March 31, 2014, there were no outstanding Enterprise Development Loans.

EMERGENCY ASSISTANCE LOANS are one-time loan programs designed, on an emergency basis, to deal with specific economic situations, and include BSE Recovery Loans, Manitoba Hog Assistance Loans, Enhanced Flood Proofing Assistance Loans and Producer Recovery Loans. There were no new loan programs in this category for

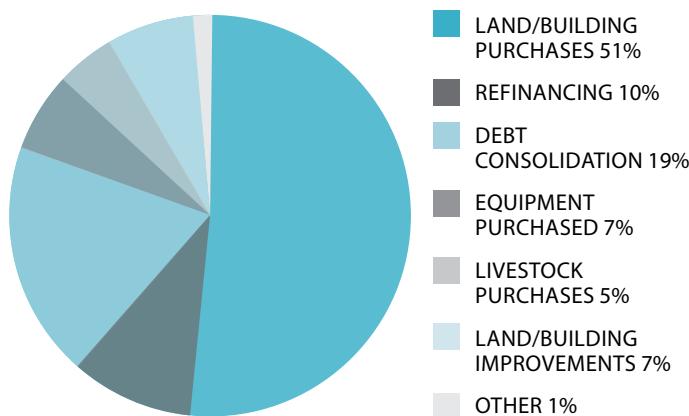
2013/14; however, existing portfolios remain in run-off status. As of March 31, 2014, there were a total of 313 loans outstanding for \$19.6 million.

PROPERTY MANAGEMENT

As a result of debt settlement negotiations and foreclosure proceedings, MASC occasionally acquires title to land. During 2013/14, MASC did not acquire any property and sold 935 acres, reducing the inventory of land to 2,269 acres as of March 31, 2014. All of this land is under long-term leases through the Land Lease Option Program.

FIGURE 4 | DIRECT LOAN PURPOSES

DIRECT LOAN PURPOSES 2013/14



HISTORICAL DIRECT LOAN PURPOSES (1959-2012)

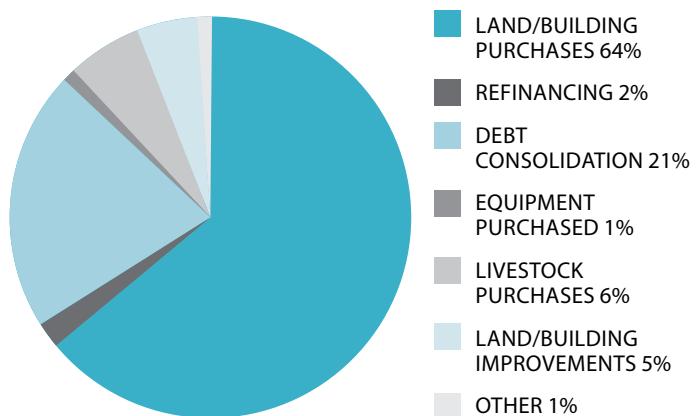


TABLE 3 | LOAN SUMMARY

	Approvals 2012/13		Approvals 2013/14		Outstanding as of March 31, 2014	
	NUMBER	MILLIONS	NUMBER	MILLIONS	NUMBER	MILLIONS
Direct Loans ¹	754	\$ 112.7	745	\$ 108.4	3,453	\$ 366.4
Stocker Loans	221	20.8	189	20.9	172	17.1
Comprehensive Refinancing Loans	40	5.7	15	1.1	444	28.3
Enterprise Development Loans	-	-	-	-	-	-
Manitoba Hog Assistance Loans ²	-	-	-	-	55	14.3
BSE Recovery Loans ²	-	-	-	-	238	5.0
Enhanced Flood Proofing Assistance Loans ²	-	-	-	-	16	0.2
Producer Recovery Loans ²	-	-	-	-	4	0.1
Total	1,015	\$ 139.2	949	\$ 130.4	4,382	\$ 431.4

¹ Includes Environmental Enhancement, Alternate Energy and Onsite Wastewater Management Systems Loans.

² Includes Emergency Assistance Loans, which are still outstanding and in run-off.

Loan Guarantees

MASC guarantees various types of loans made by private sector lending institutions. In partnership with credit unions, caisse populaires and certain chartered banks, MASC helps provide rural Manitobans with access to credit with reasonable interest rates and terms that otherwise would likely not exist. This partnership provides agricultural producers and rural entrepreneurs with opportunities to develop and expand their operations, by encouraging financing in areas that the private sector generally considers to be higher risk. As shown in [Table 4](#), as of March 31, 2014, MASC had 471 outstanding loan guarantees amounting to \$79.5 million, which facilitated loans by participating lenders totalling \$288.2 million.

DIVERSIFICATION LOAN GUARANTEES assist producers and agricultural enterprises in diversifying their operations and/or adding value to agricultural commodities. MASC provides a 25% guarantee of the principal amount of the loan made by a participating lender. In 2013/14, MASC approved 19 guarantees for loans totalling \$22.7 million. As of March 31, 2014, MASC had 177 active loan guarantees with related loan amounts of \$218.2 million.

MASC estimates that for every dollar the Manitoba Government spends on the Diversification Loan Guarantee Program, \$7 of provincial tax revenue and \$30 of overall economic activity is generated. The economic benefits of Diversification Loan Guarantees are assessed and considered as part of the associated approval process.

MANITOBA LIVESTOCK ASSOCIATIONS LOAN GUARANTEES provide producers who are members of livestock associations with more favourable financing terms than they would be able to access individually, as well as reduced handling costs due to the association's higher sales volume. MASC guarantees 25% of the principal amount of a loan made by a participating lender to a livestock association. Individual livestock associations are limited to a maximum guarantee of \$1.25 million, which corresponds to a maximum loan of \$5 million. As of March 31, 2014, there were eight associations with 109 active association members, and an approved maximum total loan amount of \$20.0 million.

OPERATING CREDIT GUARANTEES FOR AGRICULTURE

assist producers in obtaining lines of credit with reasonable terms from the lenders that participate in the program. MASC guarantees 25% of an individual's line of credit (based on the lesser of the maximum amount advanced, or the approved operating loan limit). The guarantee facilitates financing that would otherwise likely not be offered by the private sector lending institutions. As of March 31, 2014, MASC had 108 active guarantees with a maximum total loan amount of \$37.6 million.

OPERATING CREDIT GUARANTEES FOR RURAL SMALL BUSINESS assist small rural non-agricultural businesses in obtaining lines of credit with reasonable terms from participating private sector lenders. MASC's guarantee is the lesser of 25% of the maximum amount advanced to an individual's line of credit (not to exceed 25% of the approved operating limit) or 75% of the actual eligible loss incurred by the participating private sector lender. The guaranteed lines of credit may be used to purchase inventory, finance receivables and cover general operating expenses. The program guarantees loans up to a maximum of \$200,000. As of March 31, 2014, there were seven active guarantees with a maximum total loan amount of \$0.6 million.

RURAL ENTREPRENEUR ASSISTANCE (REA) provides a guarantee of up to 80% of the principal loan amount made by a participating private sector lender to small rural non-agricultural businesses. REA guarantees loans up to a maximum of \$200,000. In 2013/14, 25 guarantees were approved through REA on loans totalling \$2.7 million. As of March 31, 2014, the REA portfolio had 171 active guarantees with related outstanding loans of \$11.8 million.

TABLE 4 | LOAN GUARANTEE SUMMARY

	Loan Approvals 2012/13		Loan Approvals 2013/14		Related Outstanding Loans by Lending Institutions as of March 31, 2014		Outstanding Loan Guarantees as of March 31, 2014
	NUMBER	MILLIONS	NUMBER	MILLIONS	NUMBER	MILLIONS	MILLIONS
Diversification Loan Guarantees ¹	15	\$ 12.1	19	\$ 22.7	177	\$ 218.2 ²	\$ 54.5
Manitoba Livestock Associations Loan Guarantees	9	21.0	8	20.0	8	20.0 ²	5.0
Operating Credit Guarantees for Agriculture	113	39.5	115	39.2	108	37.6 ²	9.4
Operating Credit Guarantees for Rural Small Business	6	0.8	7	0.6	7	0.6 ²	0.2
Rural Entrepreneur Assistance	28	3.4	25	2.7	171	11.8 ³	10.4
Total	171	\$ 76.8	174	\$ 85.2	471	\$ 288.2	\$ 79.5

¹ Outstanding loans from the original Diversification Loan Guarantee Program and the existing Enhanced Diversification Loan Guarantee Program are included.

² Amounts reflect the original loan amounts that were guaranteed under the program as of March 31, 2014.

³ Related outstanding loan amounts represent the loan balances as of March 31, 2014 for participating lending institutions associated with the guarantees administered by MASC.



TABLE 5 | AGRICULTURAL LENDING ACTIVITY BY SECTOR (AS OF MARCH 31, 2014)

Primary Enterprise	Direct Lending	Manitoba Livestock Associations Loan Guarantees	Operating Credit Guarantees for Agriculture	Diversification Loan Guarantees*	TOTAL
	%	%	%	%	%
Grains/Oilseeds	60.1	-	53.0	-	52.8
Potatoes	0.1	-	10.3	4.6	0.8
Other Crops	1.9	-	4.1	0.5	1.8
Cattle	28.2	100.0	13.9	-	25.5
Hogs	3.9	-	9.9	38.8	7.8
Poultry	0.9	-	1.4	8.2	1.7
Dairy	2.3	-	1.6	44.6	6.9
Other	2.6	-	5.8	3.3	2.7
Total by Program	100.0	100.0	100.0	100.0	-
Share of All Programs (%)	86.2	1.0	1.9	10.9	100.0

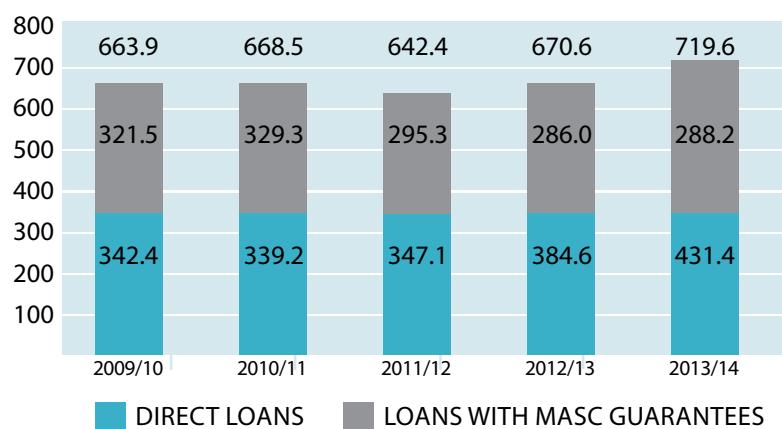
* Includes the previous Diversification Loan Guarantee Program as well as the existing Enhanced Diversification Loan Guarantee Program.

Notes:

¹The table does not include Enterprise Development Loans, Enhanced Flood Proofing Assistance Loans, Operating Credit Guarantees for Rural Small Business and Rural Entrepreneur Assistance.

²In the case of loan guarantee programs, this table includes only MASC's guaranteed amounts (i.e. the contingent liability), rather than the loan activity generated by the guarantees.

FIGURE 5 | FIVE YEAR LENDING STATISTICS – YEAR END TOTALS (\$ MILLIONS)



OTHER INITIATIVES

MASC has extensive experience in designing, administering and delivering support programs for rural Manitobans on behalf of the governments of Manitoba and Canada.

Wildlife Damage Compensation

Provided a producer has taken reasonable steps to mitigate damage, the Wildlife Damage Compensation Program reduces financial losses caused by livestock predators, big game and migratory waterfowl. The program compensates for 90% of a producer's lost production, with the top level of protection (80% to 90% of loss) funded entirely by the Manitoba Government. Administration and program payments up to the 80% level of protection are funded by Canada (60%) and Manitoba (40%). In 2013/14, Wildlife Damage Compensation Program payments and related administration totalled \$3.7 million, up from \$3.4 million in the previous year. **Table 6** provides a breakdown by type of damage.

TABLE 6 | WILDLIFE DAMAGE COMPENSATION PROGRAM

Type of Damage	Number of Claims		Compensation (000)		Administration (000)		Total (000)	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
Big Game	601	641	\$ 1,269.0	\$ 1,935.1	\$ 238.6	\$ 247.6	\$ 1,507.6	\$ 2,182.7
Waterfowl	176	139	528.5	370.5	46.7	36.1	575.2	406.6
Livestock Predation	2,089	1,838	1,071.5	897.5	227.1	210.5	1,298.6	1,108.0
Total	2,866	2,618	\$ 2,869.0	\$ 3,203.1	\$ 512.4	\$ 494.2	\$ 3,381.4	\$ 3,697.3

Farmland School Tax Rebate

Since 2005, MASC has been responsible for administering the Manitoba Government's Farmland School Tax Rebate Program.

In 2013, several changes were made to the program: the rebate is now only available to farmland owners who are Manitoba residents; the application deadline is March 31 of the following year; and the rebate is limited to \$5,000 per taxpayer, which includes the individual, his or her spouse (or common-law partner), as well as any corporation controlled by either.

As of March 31, 2014, MASC had disbursed rebates for the 2013 tax year to 24,278 applicants totalling \$26.8 million, with incurred administrative expenses of \$791,000 (2.5% of the estimated total rebate). Details are provided in **Table 7**.

TABLE 7 | FARMLAND SCHOOL TAX REBATES (AS OF MARCH 31, 2014)

Program Year	Rebate Level	Applications Paid	Actual Rebate to March 31, 2014 (Millions)	Provision for Future Rebates (Millions)	Estimated Total Rebate (Millions)
2009	75%	35,811	\$ 33.3	-	\$ 33.3
2010	75%	35,448	\$ 33.1	\$ 0.0	\$ 33.1
2011	80%	34,432	\$ 34.9	\$ 0.6	\$ 35.5
2012	80%	32,765	\$ 38.3	\$ 1.3	\$ 39.6
2013*	80%	24,278	\$ 26.8	\$ 4.9	\$ 31.7

* Represents less than a full year of activity.

Young Farmer Crop Plan Credit

A one-time Young Farmer Crop Plan Credit of up to \$300 on Agrilinsurance premium is available to new Agrilinsurance entrants (under the age of 40). To qualify, a young farmer must complete a cropping plan that is acceptable to their Manitoba Agriculture, Food and Rural Development (MAFRD) Farm Production Advisor. In 2013/14, 84 young farmers qualified for credits totalling \$24,800. Program costs are paid by the Manitoba Government.

Land Lease Option Program

From 1974 to 1977, a program was in place whereby farmland was purchased from willing sellers and leased to qualifying producers. As of March 31, 2014, six long-term leases covering 2,269 acres remain in place.

Inspection Services

In support of Manitoba's agricultural sector, MASC provides inspection services at a reasonable cost. In 2013/14, MASC: provided crop adjusting services in situations where windmill construction or maintenance activities resulted in crop damage; certified that the products sold at the St. Norbert Farmers market had been produced locally; assessed third-party crop loss appraisals for private sector property insurers; verified on-farm food safety procedures; verified producer compliance respecting MAFRD's Environmental Farm Action Plan and Manitoba Sustainable Agriculture Practices Program; and conducted livestock inspections for the Manitoba Livestock Cash Advance Program. Total revenue of \$28,900 was generated by these services in 2013/14.



Flood 2011 – Building and Recovery Action Plan

The Building and Recovery Action Plan (BRAP) programs were developed to help families, agricultural producers and businesses cope with the 2011 flood, strengthen communities affected by flooding, and build for future flood mitigation. The Manitoba Government fully funded these programs, with cost sharing for some components to be received from the Government of Canada under the *Disaster Financial Assistance Arrangements* (Canada). MASC, in conjunction with MAFRD, continued to be involved in delivering the following BRAP programs in 2013/14.

LAKE MANITOBA FINANCIAL ASSISTANCE PROGRAM

Part A – Lake Manitoba Pasture Flooding Assistance Component – provided financial assistance to help Manitoba livestock producers manage their feed requirements due to the loss of pasture in the designated Lake Manitoba Flood Zone. Part A allowed producers to rent new pasture and purchase feed for animals displaced from flooded land.

Part B – Lake Manitoba Agricultural Infrastructure, Transportation and Crop/Forage Loss Component – assisted agricultural crop and livestock producers in managing and recovering from the impacts of the 2011 flooding in the Lake Manitoba Flood Zone. Part B provided assistance for flood mitigation measures, lost crop production, damage to agricultural infrastructure, and extra costs for transporting livestock and feed. Producers were also compensated for debris cleanup, as well as damage to fences, corrals and crop inventory.

Part C – Lake Manitoba Business, Principal and Non-Principal Residence Component – provided compensation for the cost of uninsurable property damage and flood protection measures taken as a direct result of the elevated water levels in the Lake Manitoba Flood Zone. Part C provided compensation to: principal residence owners for mitigation measures, structures, infrastructure, landscaping, contents, and temporary accommodation costs in cases of evacuation; principal residents of First Nations for compensation for loss of personal contents; non-principal residence owners for mitigation measures, building and infrastructure losses; and business owners for flood mitigation measures, building and infrastructure losses, inventory losses and income loss.

Part D – Lake Manitoba Flood Protection for Principal Residences, Non-Principal Residences and Business Structures – provided financial assistance for flood protection measures undertaken individually or cooperatively for the purpose of protecting principal residences, non-principal residences and business structures in the designated Lake Manitoba Flood Zone. Primarily intended to compensate for the construction of rock barriers and dikes to protect structures from flood damage, funding was also available to hire professional engineers for the design of permanent flood protection measures. Part D also covered the first \$20,000 on projects eligible for the Individual Flood Protection Initiative and for the Financial Assistance for Cottage Owners Program, administered by Manitoba Infrastructure and Transportation.

HOOP AND HOLLER COMPENSATION PROGRAM – provided compensation to residents and businesses (including farms) within the designated area for property damage, income loss, and flood protection measures taken as a direct result of the controlled release of water from the Assiniboine River near the Hoop and Holler Bend, or from the overflow of water diverted from the Assiniboine River into the Portage Diversion.

2011 DAUPHIN RIVER FLOOD ASSISTANCE PROGRAM – provided compensation for income losses by commercial fishers in the Dauphin River area who were unable to access the fishery and fish processing facilities due to record high water levels resulting from maximum outflows from Lake Manitoba.

2011 LAKE DAUPHIN EMERGENCY FLOOD PROTECTION PROGRAM – provided financial assistance for emergency structural flood protection measures undertaken for the purpose of protecting principal and non-principal residences in the Lake Dauphin Flood Zone.

SHOAL LAKES AGRICULTURAL FLOODING ASSISTANCE PROGRAM – provided financial support for agricultural production losses caused by chronic flooding in the Shoal Lakes Complex in the Interlake area of Manitoba.

LAKE ST. MARTIN FISHERS PROGRAM – provided compensation for net income losses due to lost fish production revenues of those Lake St. Martin commercial fishers who could not participate in the 2011/12 winter commercial fishery due to ice or flooding, or because they were evacuated from the community.

2012 DAUPHIN RIVER COMMERCIAL FISHERS INCOME LOSS ASSISTANCE PROGRAM – provided financial support to commercial fishers who experienced income losses during the 2012 summer commercial fishing season, due to lack of access to the fishery or to fish processing facilities as a direct result of elevated water levels on the Dauphin River.

2012 DAUPHIN RIVER FLOOD-RELATED COMMERCIAL FISHERS FALL INCOME LOSS ASSISTANCE PROGRAM – provided support for commercial fishers in the Dauphin River area for income losses during the 2012 fall fishing season. This program was announced in June 2013.

Financial details of the above programs are summarized in **Table 8**. Administrative expenses for the Flood 2011 – Building and Recovery Action Plan programming are 11% of the total compensation. It is noted that this is higher than MASC's normal delivery cost due to the number and different types of appraisals that were necessary to determine property damage.

TABLE 8 | FLOOD 2011 – BUILDING AND RECOVERY ACTION PLAN (AS OF MARCH 31, 2014)

Program	Actual Payments ¹	Reallocated to AgriRecovery Programs ²	Provision for Future Payments	Total Compensation	Administration ¹ (000)	Total ¹ (000)
Lake Manitoba Financial Assistance Program (LMFAP):						
Part A	\$ 2,694	\$ (2,048)	\$ 11	\$ 657	\$ -	\$ 657
Part B	34,331	(5,616)	2,023	30,738	-	30,738
Part C	63,739		1,857	65,596	-	65,596
Part D	8,270		42	8,312	-	8,312
Administration:						
Interest Revenue	-	-	-	-	(254)	(254)
Appeals Commission	-	-	-	-	1,445	1,445
Other	-	-	-	-	11,894	11,894
Total LMFAP	\$ 109,034	\$ (7,664)	\$ 3,933	\$ 105,303	\$ 13,085	\$ 118,388
Hoop and Holler Compensation Program	8,564	-	1,870	10,434	430	10,864
2011 Dauphin River Flood Assistance Program	1,973	-	-	1,973	2	1,975
2011 Lake Dauphin Emergency Flood Protection Program	293	-	-	293	60	353
Shoal Lakes Agricultural Flooding Assistance Program	5,304	-	3	5,307	(4)	5,303
Lake St. Martin Fishers Program	124	-	3	127	5	132
2012 Dauphin River Commercial Fishers Income Loss Assistance Program	259	-	-	259	2	261
2012 Dauphin River Flood-Related Commercial Fishers Fall Income Loss Assistance Program	281	-	-	281	1	282
Total	\$ 125,832	\$ (7,664)	\$ 5,809	\$ 123,977	\$ 13,581	\$ 137,558

¹ Includes provision for administration of claims in process and appeals commission expenses and is net of any interest revenue.

² In March 2014, \$7,644,000 in compensation from the Lake Manitoba Financial Assistance Program was reallocated to the 2011 Manitoba AgriRecovery Program in order to qualify for cost-sharing by the Government of Canada.

2011 Manitoba AgriRecovery Program

The 2011 Manitoba AgriRecovery Program provided financial assistance to producers of annual crops, forages and livestock affected by extreme excess moisture and flooding. Certain parts of the first four programs listed below were cost shared by Canada and Manitoba through the 2011 Canada-Manitoba Agricultural Recovery Program and the 2011 Canada-Manitoba Forage Shortfall and Restoration Assistance Initiative. The last two programs listed below were funded entirely by the Manitoba Government.

2011 MANITOBA EXCESS MOISTURE ASSISTANCE PROGRAM – assisted crop producers affected by extreme excess moisture and flooding in 2011. Producers received assistance of \$30 per acre for land that was too wet to seed by June 20, 2011, as well as for crop that was seeded and subsequently destroyed by excess moisture.

2011 MANITOBA TRANSPORTATION ASSISTANCE PROGRAM – assisted livestock producers who incurred extraordinary transportation costs as a result of forage shortages caused by extreme moisture conditions in 2011. Program payments were made based on the need to transport feed to livestock or livestock to feed over distances that were greater than what normally had been experienced.

2011 MANITOBA FORAGE SHORTFALL ASSISTANCE PROGRAM – assisted livestock producers who incurred extraordinary costs to maintain the feed requirement for their livestock herds as a result of the forage shortage caused by flooding or excess moisture conditions in 2011. Program assistance was based on covering shortfalls that would have occurred over the 2011/12 pasture and winter feeding periods.

2011 MANITOBA FORAGE RESTORATION ASSISTANCE PROGRAM – assisted forage producers to restore established tame forage and forage seed acres damaged by excess moisture in 2011. Producers were eligible for compensation of \$50 per acre to help re-establish forage and forage seed crops. Producers were required to destroy the remnants of the existing crop and reseed prior to compensation being paid.

2011 MANITOBA GREENFEED ASSISTANCE PROGRAM – assisted producers to increase livestock feed production by seeding and harvesting greenfeed. Producers who seeded greenfeed on cultivated land that was unseeded due to excess moisture received \$15 per acre on the number of acres in excess of their normal amount of greenfeed.

2011 MANITOBA INFRASTRUCTURE AND INDIVIDUAL ASSESSMENT PROGRAM – assisted crop and livestock producers in recovering from flood losses to agricultural property and inventory that were not eligible for Disaster Financial Assistance or for programming under the Flood 2011 – Building and Recovery Action Plan. Eligible producers were compensated for measures taken to mitigate flood damage to agricultural property and inventory, and for agricultural property damaged by flooding.

Financial details of the above programs are summarized in **Table 9**. Administrative expenses for the 2011 Manitoba AgriRecovery Program are 1.2% of total program cost.

TABLE 9 | 2011 MANITOBA AGRIRECOVERY PROGRAM (AS OF MARCH 31, 2014)

Program	Actual Payments ¹	Reallocation from BRAP Programs ²	Compensation (000)	Provision for Future Payments	Total Compensation	Administration ¹ (000)	Total ¹ (000)
2011 Manitoba Excess Moisture Assistance Program	\$ 107,720	\$ 1,293	\$ -	\$ 109,013	\$ 379	\$ 109,392	
2011 Manitoba Transportation Assistance Program	2,043	1,161	-	3,204	116	3,320	
2011 Manitoba Forage Shortfall Assistance Program	14,311	5,202	-	19,513	449	19,962	
2011 Manitoba Forage Restoration Assistance Program	960	8	173	1,141	244	1,385	
2011 Manitoba Greenfeed Assistance Program	2,841	-	-	2,841	177	3,018	
2011 Manitoba Infrastructure and Individual Assessment Program	2,838	-	1,494	4,332	326	4,658	
Total	\$ 130,713	\$ 7,664	\$ 1,667	\$ 140,044	\$ 1,691	\$ 141,735	

¹ Includes provision for administration of claims in process and appeals commission expenses, and is net of any interest revenue.

² In March 2014, \$7,644,000 in compensation from the Lake Manitoba Financial Assistance Program was reallocated to the 2011 Manitoba AgriRecovery Program in order to qualify for cost-sharing by the Government of Canada.



FINANCIAL STATEMENTS



Manitoba Agricultural Services Corporation



RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of the Manitoba Agricultural Services Corporation is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information in the annual report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgements have been made based on a careful assessment of the available information.

The financial statements and accompanying notes are examined by the Auditor General for Manitoba, whose opinion is included here. The Auditor General has access to MASC's Board of Directors, with or without management present, to discuss the results of their audit and the quality of MASC's financial reporting.

Original signed by

Neil Hamilton
PRESIDENT & CHIEF EXECUTIVE OFFICER

Original signed by

Jim Lewis
VICE PRESIDENT, FINANCE & ADMINISTRATION

August 5, 2014



INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of Manitoba Agricultural Services Corporation

We have audited the accompanying financial statements of the Manitoba Agricultural Services Corporation, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba Agricultural Services Corporation as at March 31, 2014, and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Original signed by

Office of the Auditor General
Winnipeg, Manitoba
August 5, 2014

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2014 | IN THOUSANDS OF DOLLARS

	NOTE	MARCH 31, 2014	MARCH 31, 2013
FINANCIAL ASSETS			
Cash		\$ 4,951	\$ 3,477
Accounts receivable	7	4,914	3,670
Receivables from the Province of Manitoba	8	15,123	42,484
Receivables from the Government of Canada	9	12,115	7,270
Investments	10	310,822	192,162
Loans receivable	11	410,488	353,646
Total Financial Assets		\$ 758,413	\$ 602,709
LIABILITIES			
Accounts payable and accrued liabilities	12	\$ 23,867	\$ 23,737
Claims payable	13	19,602	46,680
Loans from the Province of Manitoba	14	438,108	387,071
Provisions for losses on guaranteed loans	15	15,100	16,176
Future employee benefits	16	8,957	8,865
Total Liabilities		\$ 505,634	\$ 482,529
Net Financial Assets		\$ 252,779	\$ 120,180
NON-FINANCIAL ASSETS			
Inventories held for use	2	\$ 350	\$ 451
Prepaid expenses	2	128	139
Tangible capital assets	18	152	168
Total Non-Financial Assets		\$ 630	\$ 758
Accumulated surplus		\$ 253,409	\$ 120,938
Loan guarantees and contingencies	15		
Commitments	17		

The accompanying notes and schedules are an integral part of these financial statements.

Approved by the Board:

Original signed by

John S. Plohman
CHAIR, BOARD OF DIRECTORS

Original signed by

Harry Sotas
CHAIR, BOARD AUDIT AND FINANCE COMMITTEE

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2014 | IN THOUSANDS OF DOLLARS

	BUDGET	2014 ACTUAL	2013 ACTUAL
REVENUE			
Premiums from insured producers	\$ 141,319	\$ 147,292	\$ 132,962
Interest from loans	18,538	20,296	19,049
Contribution from the Province of Manitoba	111,485	100,569	100,902
Contribution from the Government of Canada	110,580	116,190	103,811
Investment income	2,630	2,894	2,730
Other income	156	553	35
	384,708	387,794	359,489
EXPENSE			
Lending Programs	21,867	17,475	26,536
AgriInsurance Program	286,370	180,572	250,036
Hail Insurance Program	30,486	30,038	25,473
Wildlife Damage Compensation Program	3,543	3,697	3,381
Farmland School Tax Rebate Program	34,272	32,583	39,399
Western Livestock Price Insurance Program	1,200	751	-
Other Programs	48	(9,793)	(5,903)
	377,786	255,323	338,922
Income for the year	\$ 6,922	132,471	20,567
Accumulated surplus, beginning of year		120,938	100,371
Accumulated surplus, end of year		\$ 253,409	\$ 120,938

The accompanying notes and schedules are an integral part of these financial statements.

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED MARCH 31, 2014 | IN THOUSANDS OF DOLLARS

	2014 ACTUAL	2013 ACTUAL
Income for the year	\$ 132,471	\$ 20,567
Tangible capital assets		
Acquisition of tangible capital assets	(46)	(37)
Amortization of tangible capital assets	58	67
Disposal of tangible capital assets	4	-
	16	30
Other non-financial assets		
Disposal of inventory held for use	101	29
Decrease (increase) in prepaid expenses	11	(14)
	112	15
Increase in net financial assets	132,599	20,612
Net financial assets, beginning of year	120,180	99,568
Net financial assets, end of year	\$ 252,779	\$ 120,180

The accompanying notes and schedules are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2014 | IN THOUSANDS OF DOLLARS

	2014	2013
Cash provided by (used for):		
Operating		
Income for the year	\$ 132,471	\$ 20,567
Amortization of tangible capital assets	58	67
	132,529	20,634
Changes in:		
Receivables	21,273	61,428
Loans receivable	(7,060)	2,889
Accounts payable and accrued liabilities	130	(12,129)
Claims payable	(27,078)	(77,970)
Provisions for losses on guaranteed loans	(1,076)	347
Future employee benefits	92	90
Prepaid expenses	11	(14)
Inventories held for use	101	29
Cash provided by (used for) operating activities	118,922	(4,696)
Capital		
Acquisition of tangible capital assets	(46)	(37)
Disposal of tangible capital assets	4	-
Cash used for capital activities	(42)	(37)
Investing		
Investments redeemed (purchased)	(25,083)	43,623
Loans disbursed	(136,347)	(143,063)
Loan principal received	86,565	104,775
Cash provided by (used for) investing activities	(74,865)	5,335
Financing		
Debt repayments to the Province of Manitoba	(80,963)	(78,038)
Loans from the Province of Manitoba	132,000	120,000
Cash provided by financing activities	51,037	41,962
Net increase in cash and cash equivalents	95,052	42,564
Cash and cash equivalents, beginning of year	116,417	73,853
Cash and cash equivalents, end of year	\$ 211,469	\$ 116,417
Cash and cash equivalents are comprised of the following:		
Investments	\$ 310,822	\$ 192,162
Investments with terms greater than 90 days	(104,304)	(79,222)
Investments with terms of 90 days or less	206,518	112,940
Cash	4,951	3,477
	\$ 211,469	\$ 116,417
Supplemental Cash Flow Information		
Interest paid	\$ 15,583	\$ 15,324
Interest received	\$ 23,060	\$ 21,961

The accompanying notes and schedules are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2014 | TABULAR AMOUNTS IN THOUSANDS OF DOLLARS

1. NATURE OF ORGANIZATION

The Manitoba Agricultural Credit Corporation (MACC) was established under *The Agricultural Credit Corporation Act*. The Manitoba Crop Insurance Corporation (MCIC) was established under *The Crop Insurance Act*. As a result of the proclamation of *The Manitoba Agricultural Services Corporation Act*, C.C.S.M. c.A25 on September 1, 2005, MACC and MCIC were amalgamated to form a provincial Crown corporation called the Manitoba Agricultural Services Corporation (MASC) and the legislation establishing the former corporations was repealed.

MASC provides lending, insurance and other programs and services. Its core programs include direct loans to agriculture producers, loan guarantees, AgriInsurance and Hail Insurance. MASC also delivers the Wildlife Damage Compensation Program, Farmland School Tax Rebate Program and other programs and services.

2. SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

MASC's financial statements are presented in accordance with Canadian Public Sector Accounting (PSA) standards.

(A) Investments

Funds in excess of operational needs are invested with the Province of Manitoba, in accordance with Section 52(1) of *The Manitoba Agricultural Services Corporation Act*. Investments are carried at cost or amortized cost. Investments are normally held to maturity, but if early redemption is required and results in a gain or loss, the gain or loss is realized on disposal.

(B) Loans Receivable

Loans receivable are recorded at cost or amortized cost less any amount for provisions for credit losses.

Provisions for impaired loans are made when collection is in doubt. Interest is accrued on loans receivable until the date of write-off. The provision represents management's best estimate of probable losses. Where circumstances indicate doubt as to the ultimate collectability of principal or interest, specific provisions are established for individual accounts. These accounts are valued at the lower of their recorded value or the estimated net realizable value of the security held for the accounts. In addition to the provision for loss on loans identified on an individual loan basis, MASC establishes a general provision representing management's best estimate of additional probable losses based on other factors including the composition and credit quality of the portfolio and changes in economic and business conditions. Actual loan accounts that have been written off are charged to the appropriate provision once the available security has been realized and all other collection efforts have been exhausted.

(C) Claims Payable

Claims payable is comprised of claims approved but not yet disbursed and a provision for claims in process.

The provision represents management's best estimate of probable claims against the programs and is determined through a review of each program. For most programs, the provision is established by reviewing outstanding claims and either providing individual claim estimates or establishing an average loss and multiplying this amount by the number of claims outstanding.

(D) Loans from the Province of Manitoba

Loans from the Province of Manitoba are carried at cost.

(E) Provision for Losses on Guaranteed Loans

The provision for losses on loan guarantees is determined annually through a review of each guarantee program.

The provision represents management's best estimate of probable claims against the loan guarantees. Such provision is intended to cover MASC's share of principal, accrued and unpaid interest and any additional amounts that are recoverable by the financial institution that issued the loan.

Current year provisions for guaranteed loan losses are charged as expenses to the provision for guaranteed loan losses. Loan guarantee claims that have been paid are charged to the appropriate provision.

(F) Future Employee Benefits

The employees of MASC belong to The Civil Service Superannuation Pension Plan, which is a multi-employer joint trustee plan. This plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. The joint trustee board of the plan determines the required plan contributions annually.

Pension costs included in these statements are comprised of: the cost of employer contributions for the current year of service of employees, employer costs for past service costs relating to a portion of current and retired employees, plan amendments and accrued benefits. Experience gains and losses are amortized over the Expected Average Remaining Service Lifetime beginning in the year of the actuarial valuation.

MASC employees are entitled to vacation and severance pay in accordance with the terms of the collective agreements and corporate policy. The severance pay liability is recorded based on an actuarial valuation and vacation pay is recorded based on management's best estimate. Experience gains and losses are amortized over the Expected Average Remaining Service Lifetime beginning in the year of the actuarial valuation.

Note 16 provides additional information on future employee benefits.

(G) Inventories Held for Use

Real estate that was acquired for the purpose of providing long-term leases to producers through the Land Lease Option Program is recorded at cost. Occasionally, real estate is acquired through foreclosure and voluntary transfer of title in the settlement of loans and is recorded at the appraised value of the real estate at acquisition date.

(H) Prepaid Expenses

Prepaid expenses are payments for goods or services, which will provide economic benefit in future periods. The prepaid amount is recognized as an expense in the year the goods or services are consumed.

(I) Tangible Capital Assets

MASC's tangible capital assets are recorded at historical cost and amortized on a straight-line basis over their estimated useful life, as follows:

Leasehold improvements	remaining term of lease
Furniture and equipment	10 years
Computer hardware and software	4 years
Major software development	8 years

(J) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impractical.

Transfers (revenues from non-exchange transactions) are recognized as revenue when: the transfer is authorized, all eligible criteria are met, and a reasonable estimate of the amount can be made.

(K) Premiums and Government Contributions

MASC recognizes as revenue all premiums earned on insurance policies in force during the year.

The Canada-Manitoba AgrilInsurance Agreement, which is consolidated in Annex B of Growing Forward 2: A Federal Provincial Territorial Framework Agreement on Agriculture, Agri-Food and Agri-Based Products Policy, provides for the cost sharing of AgrilInsurance premiums. For most AgrilInsurance Programs, premiums are paid 40% by insured producers, 36% by the Government of Canada and 24% by the Province of Manitoba. The exceptions are: the Excess Moisture Insurance (EMI) Reduced Deductible Option, which is paid entirely by participating producers; and the highest EMI High Dollar Value option, which is paid 67% by insured producers, 20% by the Government of Canada and 13% by the Province of Manitoba.

(L) Administrative Expenses

Identifiable administrative expenses for all of the programs administered by MASC are charged directly to the specific program. Where the direct charging of administrative expenses to specific programs is not possible, these expenses are allocated to each program on a basis approved by MASC's Board of Directors.

The Canada-Manitoba AgrilInsurance Agreement referred to in Section (K) of this note, stipulates that associated administrative expenses, net of any administrative revenues, will be shared by the Government of Canada (60%) and the Province of Manitoba (40%).

(M) Financial Instruments

MASC's financial instruments include: cash, receivables, investments, loans receivable, accounts payable and accrued liabilities, claims payable, loans from the Province of Manitoba and provisions for losses on guaranteed loans.

All financial instruments are held at cost or amortized cost. The effective interest method is used to recognize interest income or expense. Transaction costs related to all financial instruments are expensed as incurred.

(N) Measurement Uncertainty

The preparation of financial statements that conform to Canadian PSA standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities, all at the date of the financial statements; as well as the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include: provisions for losses on accounts receivable, loans receivables, loan guarantees, liabilities for claims and program payments, future employee benefits and accrued administration liabilities.

3. FINANCIAL STRUCTURE

(A) Funding

The Board of Directors approved MASC's 2013/14 budget in April 2013. Provincial funding for the approved budget of \$111,525,000 was authorized by Manitoba's Legislative Assembly. Other Programs, with the exception of the Inspection Services component, do not have budgeted amounts. The table below provides the budgeted amounts that were approved by the Province of Manitoba and the Government of Canada and a reconciliation to the amounts that are shown in MASC's Statement of Operations:

	Province of Manitoba	Government of Canada
Funding approved by governments	\$ 111,525	\$ 110,551
Non-cash items*	(40)	29
Funding approved by governments	\$ 111,485	\$ 110,580

* Includes items such as amortization and unfunded pension expense.

(B) AgriInsurance and Hail Insurance Fund Balance Restrictions

The AgriInsurance and Hail Insurance funds are restricted as set out in Sections 58 and 61 of *The Manitoba Agricultural Services Corporation Act*. The only items to be paid out of these funds are: indemnities payable under the contracts of insurance; premiums or other amounts payable for reinsurance; interest on any money borrowed for the purpose of the funds; and expenses relating to the administration of the funds (for Hail Insurance only).

4. WILDLIFE DAMAGE COMPENSATION PROGRAM

MASC administers the Wildlife Damage Compensation Program, which pays producers for damage to agricultural crops and related products caused by migratory waterfowl or wildlife (big game animals), as well as for the injury or death of domestic livestock caused by natural predators. The program compensates for 90% of production loss with the top-up level (80% to 90%) of protection funded entirely by the Province of Manitoba. Administrative expenses and program payments up to the 80% level of protection are shared by the Government of Canada (60%) and the Province of Manitoba (40%).

5. FARMLAND SCHOOL TAX REBATE PROGRAM

In April 2005, MASC became responsible for administering the Farmland School Tax Rebate Program. The purpose of the program is to assist Manitoba farmland owners by providing a rebate on the school tax paid on farmland. The rebate of 80% remained unchanged from the 2012 tax year to the 2013 tax year. However, a number of the eligibility criteria changed starting in the 2013 tax year. The 2013 rebates are subject to a \$5,000 maximum, which includes all parties that are related persons of the applicant. The definition of related persons for this program includes the spouse or common-law partner and any corporation controlled by the applicant, whether it is jointly or solely owned. Eligible individuals and corporations who apply must be Manitoba residents. The deadline for applications for the 2011, 2012 and 2013 tax rebates was shortened to March 31, 2014.

Recorded rebate payments of \$31,791,000 are comprised of \$31,700,000 for the 2013 tax rebates, and an increase of \$91,000 for rebates relating to prior years. Included in the 2013 tax rebates is a provision of \$4,898,000 for rebates that have been applied for and are in process of payment as of March 31, 2014. A provision of \$1,899,000 remains for pre-2013 rebates which are in process for payment. The Province of Manitoba pays the full cost of the Farmland School Tax Rebate Program.

6. OTHER PROGRAMS

(A) Inspection Services

In support of Manitoba's agricultural sector, MASC provides inspection services at a reasonable cost. These services include: production loss assessments for windmill construction and maintenance, certificates of local production

for vendors at the St. Norbert Farmers Market, third-party loss appraisals for private sector property insurers, and on-farm livestock inspections for the Manitoba Livestock Cash Advance Program. Such services totalled \$29,000 in 2014 (2013 - \$37,000).

(B) Flood 2011 - Building and Recovery Action Plan

In May 2011, MASC was given the responsibility of administering the following flood assistance programs announced under the Flood 2011 - Building and Recovery Action Plan. All funding for these programs was provided to MASC by the Province of Manitoba.

a) Lake Manitoba Financial Assistance Program

Part A - Lake Manitoba Pasture Flooding Assistance Component: This program assisted Manitoba livestock producers in managing their feed requirements resulting from the loss of pasture in the designated Lake Manitoba Flood Zone.

Part B - Lake Manitoba Agricultural Infrastructure, Transportation and Crop/Forage Loss Component:

This program assisted agricultural producers with flood mitigation measures, lost crop production, damage to agricultural infrastructure and extra costs for feeding and transporting livestock in the Lake Manitoba Flood Zone.

Part C - Lake Manitoba Business, Principal and Non-Principal Residence Component: This program compensated residents and businesses for the cost of uninsurable property damage and flood protection measures taken as a direct result of the elevated water levels in the Lake Manitoba Flood Zone.

Part D - Lake Manitoba Flood Protection for Principal Residences, Non-Principal Residences and Business Structures: This program provided financial assistance for flood protection measures undertaken individually or cooperatively for the purpose of protecting principal residences, non-principal residences and business structures in the Lake Manitoba Flood Zone.

b) Hoop and Holler Compensation Program

This program provided compensation to families, businesses and agricultural producers in the area of the controlled release of water from the Assiniboine River near the Hoop and Holler Bend on Highway 331, and the overflow of water diverted from the Assiniboine River into the Portage Diversion. Compensation covered the majority of the cost of property damage, income loss and flood protection measures.

c) 2011 Dauphin River Flood Assistance Program

This program provided compensation to commercial fishers in the Dauphin River area for 2011 income losses resulting from the inability to access their fishery and fish processing facilities.

d) 2011 Lake Dauphin Emergency Flood Protection Program

This program provided financial assistance for emergency structural flood protection measures to protect principal residences and non-principal residences in the Lake Dauphin flood zone.

e) Shoal Lakes Agricultural Flooding Assistance Program

This program provided financial support to agricultural producers affected by chronic flooding in the Shoal Lakes complex in the Interlake area of Manitoba. This program consisted of: assistance for lost income due to flooded hay and pasture land in 2010 and 2011, transportation assistance for movement of feed and/or animals, a voluntary buy-out option for producers with flooded property and transition assistance for producers who participated in the voluntary buy-out option. The buy-out component of this program was administered by Manitoba Agriculture, Food and Rural Development.

f) Lake St. Martin Fishers Program

This program provided compensation to Lake St. Martin commercial fishers who experienced net income losses due to not being able to participate in the 2011/12 winter commercial fishery due to ice and/or flooding, or because they were evacuated from their community.

g) 2012 Dauphin River Commercial Fishers Income Loss Assistance Program

This program provided compensation to commercial fishers who experienced income losses for the 2012 summer commercial fishing season, due to lack of access to their fishery and fish processing facilities as a direct result of elevated water levels on Dauphin River in 2011.

h) 2012 Dauphin River Flood-Related Commercial Fishers Fall Income Loss Assistance Program

This program provided ongoing support for commercial fishers for income losses during the 2012 fall commercial fishing season resulting from elevated water levels on Dauphin River in 2011.

The table below outlines the total costs for each program as of March 31, 2014.

PROGRAM	COMPENSATION					ADMINISTRATION ¹				TOTAL EXPENDITURES March 31, 2014
	Expensed (recovered) in the year ended March 31, 2012	March 31, 2013	March 31, 2014 ³	Total Compensation	Provision for Payments ²	Expensed (recovered) in the year ended March 31, 2012	March 31, 2013	March 31, 2014	Total Administration	
Lake Manitoba Financial Assistance Program:										
Part A	\$ 2,753	\$ 10	\$ (2,106)	\$ 657	\$ 11					
Part B	37,598	(813)	(6,047)	30,738	2,023					
Part C	83,876	(12,499)	(5,781)	65,596	1,857					
Part D	2,652	5,913	(253)	8,312	42					
	\$126,879	\$ (7,389)	\$ (14,187)	\$ 105,303	\$ 3,933	\$ 10,057	\$ 4,477	\$ (1,449)	\$ 13,085	\$ 118,388
Hoop and Holler Compensation Program	9,114	2,158	(838)	10,434	1,870	364	44	22	430	10,864
2011 Dauphin River Flood Assistance Program	1,973	-	-	1,973	-	1	-	1	2	1,975
2011 Lake Dauphin Emergency Flood Protection Program	311	(23)	5	293	-	38	1	21	60	353
Shoal Lakes Agricultural Flooding Assistance Program	5,336	(58)	29	5,307	3	7	(7)	(4)	(4)	5,303
Lake St. Martin Fishers Program	-	127	-	127	3	-	6	(1)	5	132
2012 Dauphin River Commercial Fishers Income Loss Assistance Program	-	259	-	259	-	-	2	-	2	261
2012 Dauphin River Flood-Related Commercial Fishers Fall Income Loss Assistance Program	-	-	281	281	-	-	-	1	1	282
Total	\$143,613	\$ (4,926)	\$ (14,710)	\$ 123,977	\$ 5,809	\$ 10,467	\$ 4,523	(1,409)	\$ 13,581	\$ 137,558

¹ Includes provision for administration of claims in process and Flood Appeals Commission expenses and is net of any interest revenue and bad debt expense.

² The provision for payments is as of March 31, 2014 and represents the expected outstanding payments for each program. These amounts are included in total compensation.

³ In March 2014, \$7,664,000 of compensation from the Lake Manitoba Financial Assistance Program was reallocated to the 2011 Manitoba AgriRecovery Programs. Of this amount, \$2,048,000 was removed from Part A and \$5,616,000 from Part B.

(C) 2011 Manitoba AgriRecovery Programs

In June 2011, MASC was given the responsibility of administering the following emergency assistance programs. The purpose of these programs was to provide financial assistance for the restoration, maintenance and rehabilitation of farms that were impacted by excess moisture and flooding in 2011.

a) 2011 Manitoba Excess Moisture Assistance Program

This program provided financial assistance to farmers who could not seed a crop by June 20, 2011 or who had an annual crop or newly seeded forage crop that was destroyed by flooding or excess moisture prior to September 15, 2011. Producers received \$30 per acre for unseeded land or drowned out crop. This program was partially funded by the Government of Canada under the Canada-Manitoba Agricultural Recovery Program. The Government of Canada provided funding for 57% of the compensation payments (60% less a deemed deductible of 5% of compensation) and 60% of the program's administrative expenses. The remaining program cost was paid by the Province of Manitoba. The total program cost of \$109,392,000 was funded by the Government of Canada (\$62,407,000) and the Province of Manitoba (\$46,985,000).

b) 2011 Manitoba Transportation Assistance Program

This program provided livestock producers with financial assistance to deal with the extraordinary costs of transporting feed and animals, due to flooding and excess moisture conditions in 2011. The program covered breeding and market animals and provided for transportation costs that were associated with the pasture and overwinter feed shortages that were incurred from May 15, 2011 to March 31, 2012. This program was partially funded by the Government of Canada under the Canada-Manitoba Agricultural Recovery Program and the Canada-Manitoba Forage Shortfall and Restorative Assistance Initiative. The Government of Canada provided 60% of the funding for the cost of either transporting feed to breeding animals or transporting breeding animals to feed. The Government of Canada paid 60% of the related administrative expenses. The remaining program cost was paid by the Province of Manitoba. The total program cost of \$3,320,000 was funded by the Government of Canada (\$1,788,000) and the Province of Manitoba (\$1,532,000).

c) 2011 Manitoba Forage Shortfall Assistance Program

This program provided livestock producers with financial assistance to deal with extraordinary pasture and overwinter feeding costs due to shortfalls in their forage production caused by flooding or excess moisture conditions in 2011. The program was partially funded by the Government of Canada under the Canada-Manitoba Agricultural Recovery Program and the Canada-Manitoba Forage Shortfall and Restorative Assistance Initiative. The Government of Canada provided 60% of the funding for the feeding costs of breeding animals and related administrative expenses. The remaining cost was provided by the Province of Manitoba. The program's total cost of \$19,962,000 was funded by the Government of Canada (\$9,697,000) and the Province of Manitoba (\$10,265,000).

d) 2011 Manitoba Forage Restoration Assistance Program

This program provided forage producers with financial assistance to restore established tame forage and forage seed crops that were damaged by excess moisture in 2011. Producers were eligible for \$50 for each acre of forage that was destroyed and reseeded to forage. This program was partially funded by the Government of Canada under the Canada-Manitoba Forage Shortfall and Restoration Assistance Initiative. The Government of Canada provided 60% of the funding for the first \$30 of compensation per acre plus 60% of the related administrative expenses from June 1, 2011 to March 31, 2013. The remaining cost was provided by the Province of Manitoba. The total program cost of \$1,385,000 was funded by the Government of Canada (\$493,000) and the Province of Manitoba (\$892,000).

e) 2011 Manitoba Greenfeed Assistance Program

This program provided financial assistance to compensate producers who seeded greenfeed by July 22, 2011 on land that was left unseeded due to excess moisture. Producers were eligible for \$15 per acre based on the number of acres of greenfeed seeded that were in excess of their normal acreage of greenfeed. Greenfeed crops that were harvested for seed did not qualify for compensation. This program was funded entirely by the Province of Manitoba (\$3,018,000).

f) Manitoba 2011 Infrastructure and Individual Assessment Program

This program provided financial assistance to agricultural crop and livestock producers to recover from flood losses related to mitigation and damage to agricultural property and inventory that were not eligible for compensation under Disaster Financial Assistance or the Flood 2011 - Building and Recovery Action Plan. This program was funded entirely by the Province of Manitoba (\$4,658,000).

The table below outlines the cost expended for each program as of March 31, 2014.

PROGRAM	COMPENSATION					ADMINISTRATION ¹				TOTAL EXPENDITURES March 31, 2014
	Expensed (recovered) in the year ended March 31, 2012	March 31, 2013	March 31, 2014 ³	Total Compensation	Provision for Payments ²	Expensed (recovered) in the year ended March 31, 2012	March 31, 2013	March 31, 2014	Total Administration	
2011 Manitoba Excess Moisture Assistance Program	\$108,282	\$ (562)	\$ 1,293	\$ 109,013	\$ -	\$ 463	\$ (36)	\$ (48)	\$ 379	\$ 109,392
2011 Manitoba Transportation Assistance Program	2,300	(257)	1,161	3,204	-	97	21	(2)	116	3,320
2011 Manitoba Forage Shortfall Assistance Program	15,761	(1,450)	5,202	19,513	-	400	63	(14)	449	19,962
2011 Manitoba Forage Restoration Assistance Program	4,745	(3,504)	(100)	1,141	173	308	(13)	(51)	244	1,385
2011 Manitoba Greenfeed Assistance Program	2,903	(62)	-	2,841	-	181	(4)	-	177	3,018
2011 Manitoba Infrastructure and Individual Assessment Program	5,606	(112)	(1,162)	4,332	1,494	340	112	(126)	326	4,658
Total	\$139,597	\$(5,947)	\$ 6,394	\$ 140,044	\$ 1,667	\$ 1,789	\$ 143	\$ (241)	\$ 1,691	\$ 141,735

¹ Includes provision for administration of claims in process and appeal committee expenses and is net of any interest revenue and bad debt expense.

² The provision for payments is as of March 31, 2014 and is included in the total compensation amounts.

³ In March 2014, \$7,664,000 of compensation from the Lake Manitoba Financial Assistance Program was reallocated to the 2011 Manitoba AgriRecovery Programs. Of this amount, \$1,293,000 was added to the 2011 Manitoba Excess Moisture Assistance Program, \$1,161,000 to the 2011 Manitoba Transportation Assistance Program, \$5,202,000 to the 2011 Manitoba Forage Shortfall Assistance Program, and \$8,000 to the 2011 Manitoba Forage Restoration Assistance Program.

7. ACCOUNTS RECEIVABLE

	2014	2013
Amounts from insured persons:		
AgriInsurance	\$ 4,236	\$ 3,762
Hail Insurance	1,223	792
Other	880	785
	6,339	5,339
Less provision for credit losses	(1,425)	(1,669)
	\$ 4,914	\$ 3,670

The provisions for credit losses of \$1,425,000 (2013 - \$1,669,000) includes estimated losses on premiums and other accounts receivable, and is subject to measurement uncertainty. The provision estimate is formula based and depends on an assessment of MASC's ability to collect the outstanding balance. A 100% provision is assessed on accounts in arrears for more than two years, with lower provisions based on actual collection experience over the last seven years being applied to accounts that are in arrears by less than two years.

8. RECEIVABLES FROM THE PROVINCE OF MANITOBA

	2014	2013
AgriInsurance premiums	\$ 3,939	\$ 4,103
Administrative expenses	1,705	14,616
Pension liability	6,418	6,487
Severance liability	429	429
Vacation pay liability	169	169
Flood 2011 - Building and Recovery Action Plan (Note 6 (B))	1,693	16,680
2011 Manitoba AgriRecovery Programs (Note 6 (C))	770	-
	\$ 15,123	\$ 42,484

PENSION LIABILITY

The Province of Manitoba has accepted responsibility for funding MASC's pension liability (for pensionable service earned by employees of the former MACC prior to the amalgamation of MACC and MCIC on September 1, 2005) and related expense, which includes an interest component. MASC has therefore recorded a receivable from the Province of Manitoba equal to the estimated value of its actuarially determined pension liability of \$6,418,000 as of March 31, 2014 (2013 - \$6,487,000), and has recorded a decrease under other contributions from the Province of Manitoba for 2013/14 equal to the related pension reduction of \$69,000 (2013 - \$48,000 expense). The Province of Manitoba makes payments on the receivable when it is determined that the cash is required to discharge the related pension obligation.

SEVERANCE PAY LIABILITY

The amount recorded as a receivable from the Province of Manitoba for severance pay was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as of March 31, 1999. Subsequent to that date, the Province of Manitoba has included in its ongoing annual funding to MASC an amount equal to its share of the current year's expense for severance. As a result, the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance pay expense. The receivable for severance pay will be paid by the Province of Manitoba when it is determined that the cash is required to discharge the related severance pay liabilities. As of March 31, 2014, the receivable for severance pay liability was \$429,000 (2013 - \$429,000).

VACATION PAY LIABILITY

The amount recorded as a receivable from the Province of Manitoba for vacation pay expenses was initially based on the estimated value of the corresponding liability as of March 31, 1999. Subsequent to that date, the Province of Manitoba has included in its ongoing annual funding to MASC, an amount equal to its share of the current year's expense for vacation pay entitlements. As of March 31, 2014, the receivable for vacation pay liability was \$169,000 (2013 - \$169,000).

9. RECEIVABLES FROM THE GOVERNMENT OF CANADA

	2014	2013
AgriInsurance Program	\$ 6,793	\$ 6,388
Wildlife Damage Compensation Program	234	228
Western Livestock Price Insurance Program	451	-
Other programs	4,637	654
	\$ 12,115	\$ 7,270

10. INVESTMENTS

MASC's investments as of March 31, 2014 consist of the following:

Maturity Terms	Average Interest Rate	Lending Programs	AgriInsurance Program	Hail Insurance Program	Farmland School Tax Rebate Program	Other Programs	2014	2013
90 days or less	0.940%	\$ -	\$ 172,649	\$ 16,977	\$ 5,904	\$ 10,555	\$ 206,085	\$ 112,637
1 year	1.124%	11,000	38,500	7,147	-	1,782	58,429	43,722
2 years	-	-	-	-	-	-	-	-
3 years	1.558%	-	-	24,000	-	-	24,000	21,000
5 years	2.352%	-	-	21,875	-	-	21,875	14,500
	1.122%	11,000	211,149	69,999	5,904	12,337	310,389	191,859
Accrued Interest		-	236	176	8	13	433	303
		\$ 11,000	\$ 211,385	\$ 70,175	\$ 5,912	\$ 12,350	\$ 310,822	\$ 192,162

11. LOANS RECEIVABLE

MASC's loans receivable as of March 31, 2014 consist of the following:

	Regular Program Loans	Special Assistance Loans*	Total	Regular Program Loans	Special Assistance Loans*	Total
Recorded investment	\$ 404,505	\$ 19,115	\$ 423,620	\$ 340,116	\$ 37,195	\$ 377,311
Specific provision	(2,521)	(15,020)	(17,541)	(2,379)	(23,067)	(25,446)
General provision	(1,933)	(1,432)	(3,365)	(1,987)	(3,478)	(5,465)
	400,051	2,663	402,714	335,750	10,650	346,400
Accrued interest	7,319	455	7,774	6,394	852	7,246
Net carrying value	\$ 407,370	\$ 3,118	\$ 410,488	\$ 342,144	\$ 11,502	\$ 353,646

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.

Impaired loans included in the preceding schedule:

	Regular Program Loans	Special Assistance Loans*	Total	Regular Program Loans	Special Assistance Loans*	Total
Impaired loan balance	\$ 12,035	\$ 15,118	\$ 27,153	\$ 13,825	\$ 27,589	\$ 41,414
Specific provision	(2,521)	(15,020)	(17,541)	(2,379)	(23,067)	(25,446)
	\$ 9,514	\$ 98	\$ 9,612	\$ 11,446	\$ 4,522	\$ 15,968

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.

A loan becomes impaired as a result of deterioration in credit quality to the extent that MASC no longer has reasonable assurance of timely collection of the full amount of principal and interest. The table above provides the amount of impaired loans and the specific provision for credit losses on these loans as of March 31, 2014. A total of \$1,464,000 (2013 - \$2,116,000) of interest on impaired loans was included in revenue for the year ended March 31, 2014.

Provisions for impaired loans:

	Regular Program Loans	2014 Special Assistance Loans*	Total	Regular Program Loans	2013 Special Assistance Loans*	Total
Beginning provision balance	\$ 4,366	\$ 26,545	\$ 30,911	\$ 6,896	\$ 21,964	\$ 28,860
Write-offs, net of recoveries	(72)	(6,347)	(6,419)	(611)	(1,576)	(2,187)
Provision (recovery) expense	160	(3,746)	(3,586)	(1,919)	6,157	4,238
Ending provision balance	\$ 4,454	\$ 16,452	\$ 20,906	\$ 4,366	\$ 26,545	\$ 30,911

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.

Included in loans receivable is a specific provision of \$17,541,000 (2013 - \$25,446,000) and a general provision of \$3,365,000 (2013 - \$5,465,000) that are subject to measurement uncertainty. The amount established for specific and general provisions of \$20,906,000 (see Note 2 (B)) could change substantially in the future, if the factors considered by management in establishing these estimates change significantly.

Loans receivable are secured by tangible assets consisting predominantly of land, followed by buildings, livestock and other assets. The estimated values of such tangible securities are \$822,371,000 (2013 - \$779,980,000).

Remaining terms to maturities are as follows:

	Regular Program Loans	2014 Special Assistance Loans*	Total	Regular Program Loans	2013 Special Assistance Loans*	Total
Less than 5 years	\$ 47,538	\$ 18,748	\$ 66,286	\$ 45,519	\$ 32,777	\$ 78,296
5 years to up to 10 years	74,301	367	74,668	69,830	1,202	71,032
10 years to up to 15 years	88,346	-	88,346	82,107	3,216	85,323
15 years to up to 20 years	118,361	-	118,361	90,061	-	90,061
More than 20 years	75,959	-	75,959	52,599	-	52,599
Recorded investment	\$404,505	\$ 19,115	\$423,620	340,116	\$ 37,195	\$377,311

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at March 31, 2014 consist of the following:

	Lending Programs	AgriInsurance Program	Wildlife Damage Compensation Program	Western Livestock Price Insurance Program	Other Programs	2014	2013
Accounts payable - general	\$ -	\$ 4,145	\$ 18	\$ 567	\$ 1,359	\$ 6,089	\$ 7,317
Salaries and benefits	44	384	39	1	1,505	1,973	3,164
Accrued vacation pay	-	1,248	-	-	-	1,248	1,276
Other	277	5,522	-	-	8,758	14,557	11,980
	\$ 321	\$ 11,299	\$ 57	\$ 568	\$ 11,622	\$ 23,867	\$ 23,737

13. CLAIMS PAYABLE

	2014	2013
AgriInsurance Program	\$ 4,840	\$ 15,066
Wildlife Damage Compensation Program	373	295
Farmland School Tax Rebate Program (Note 5)	6,861	5,901
Flood 2011 - Building and Recovery Action Plan (Note 6 (B))*	5,861	21,699
2011 Manitoba AgriRecovery Programs (Note 6 (C))*	1,667	3,719
	\$ 19,602	\$ 46,680

*Includes claims approved but not paid and provisions for claims as outlined in the notes that are referenced.

14. LOANS FROM THE PROVINCE OF MANITOBA

Following the practices established by the Province of Manitoba, MASC must repay advances according to the amortization schedule or be subject to a prepayment penalty. The prepayment penalty is calculated as the net present value of the future cash flows of the loan being prepaid minus the net present value of a loan with the same terms, except for the interest rate, which is equal to the rate for a semi-annual non-callable Province of Manitoba bond with the same term to maturity. Advances are repayable in equal annual blended instalments of principal and interest, with March 31, 2014 interest rates ranging from 1.340% to 7.000% (2013 - 1.400% to 7.625%).

Maturities of principal over the following terms	2014	2013
1 year	\$ 82,967	\$ 74,544
2 years	49,965	46,303
3 years	43,585	43,108
4 years	41,060	36,528
5 years	37,941	33,797
More than 5 years	182,590	152,791
	\$438,108	\$387,071

15. LOAN GUARANTEES AND CONTINGENCIES

(A) Contingent liabilities and the corresponding provisions for MASC's loan guarantee programs as of March 31, 2014 are shown below:

	Contingent liability	2014 Provision for losses	Net Contingent Liability	Contingent liability	2013 Provision for losses	Net Contingent Liability
Operating Credit Guarantees for Agriculture	\$ 9,389	\$ (939)	\$ 8,450	\$ 9,519	\$ (952)	\$ 8,567
Operating Credit Guarantees for Rural Small Business	148	(15)	133	205	(20)	185
Manitoba Livestock Associations Loan Guarantees	5,009	(1,002)	4,007	5,254	(1,051)	4,203
Enhanced Diversification Loan Guarantees	54,542	(11,342)	43,200	53,122	(12,142)	40,980
Rural Entrepreneur Assistance Program	10,422	(1,802)	8,620	11,964	(2,011)	9,953
	\$ 79,510	\$(15,100)	\$ 64,410	\$ 80,064	\$(16,176)	\$ 63,888

The change in the provision for guaranteed loan losses is as follows:

	2014	2013
Beginning provision balance	\$ 16,176	\$ 15,829
Write-offs, net of recoveries	(138)	(874)
Provision expense (recovery)	(938)	1,221
Ending provision balance	\$ 15,100	\$ 16,176

The Operating Credit Guarantee for Agriculture Program was introduced in 2003, replacing the Guaranteed Operating Loan Program. Participating lending institutions are provided a guarantee of 25% of the maximum amount advanced on an individual's line of credit (not to exceed 25% of the approved operating limit). The maximum allowable loan is \$700,000 for individuals and \$1,000,000 for partnerships, corporations and co-operatives.

The Operating Credit Guarantee for Rural Small Business Program was introduced in 2009. Participating lending institutions are provided a guarantee of the lesser of 25% of the maximum amount advanced on an individual's line of credit (not to exceed 25% of the approved operating limit) or 75% of the lender's actual eligible loss. To be eligible for the program, annual sales have to be less than \$2,000,000. The maximum allowable loan is \$200,000.

The Manitoba Livestock Associations Loan Guarantee Program was introduced in 1991. For each livestock association, MASC provides a 25% guarantee to the association's lending institution, based on a maximum loan of \$5,000,000 per association.

The Diversification Loan Guarantee Program was introduced in 1995 to provide guarantees on loans made by participating lenders for diversification or farm value-added activities. Under this program, 25% of the lender's total associated loan portfolio was guaranteed. The maximum allowable individual loan was \$3,000,000. The Enhanced Diversification Loan Guarantee Program replaced the Diversification Loan Guarantee Program in 2001. Under the new program, guarantees are based on 25% of the original principal amount of each individual loan, with no maximum loan amount.

The Rural Entrepreneur Assistance (REA) Program provides a guarantee of up to 80% on loans made by participating lenders to small rural non-agricultural businesses. REA guarantees loans up to a maximum of \$200,000. MASC took over the administration of the program in 2005.

(B) Various legal actions for additional indemnity payments have been commenced by insured producers against MASC. The outcome of these claims cannot be determined at this time.

16. FUTURE EMPLOYEE BENEFITS

Severance Liability

MASC's employees are eligible for severance, as a result of retirement, permanent layoff or death. Benefits are based on an employee's years of service. Commencing March 31, 1999, MASC began recording the accumulated severance pay benefit. The amount of recorded severance pay obligation is based on actuarial calculations, which are carried out every three years.

Actuarial valuations are carried out every three years to provide an estimate of the accrued liability for severance pay benefits. An actuarial valuation of the severance obligations as of March 31, 2014 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions include an interest rate of 6.5% (2011 - 6.5%), severance rate of 0.74% of average salary of \$64,946 for administration staff and 0.44% of average salary of \$42,015 for adjusting staff (2011 - 0.72% of average salary of \$59,978 for administration staff and 0.39% of average salary of \$38,454 for adjusting staff), and salary inflation rate increases of 3.75% (2011 - 2.75%). The accrued benefit cost method with salary projection was used.

The average remaining service life of the employees is 13 years. For 2013/14, the amortization of the net actuarial loss was \$11,000 (2013 - nil).

Provision for severance liability	2014	2013
Accrued severance obligation, beginning of year	\$ 2,424	\$ 2,273
Benefits accrued	92	87
Interest accrued on benefits	158	143
Benefits paid	(88)	(79)
Actuarial loss	132	-
Accrued severance obligation, end of year	\$ 2,718	\$ 2,424
Unamortized actuarial loss	(121)	-
Provision, end of year	2,597	2,424

MASC's severance costs consist of the following:	2014	2013
Benefits accrued	\$ 92	\$ 87
Interest accrued on benefits	158	143
Amortization of experience loss	11	-
Severance cost	261	230

Pension Liability

MASC's employees are eligible for defined benefit pensions under *The Civil Service Superannuation Act*. MASC contributes 50% of the pension disbursements made to retired employees of the former MACC for service up to September 1, 2005. In addition, MASC has pension liability for employees whose earnings are out of the scope of the Civil Service Superannuation Fund plan.

Effective April 1, 1998, the former MCIC became a fully funded matching employer. Upon the formation of MASC, the current pension obligations to the Civil Service Superannuation Board (CSSB) for former MCIC employees continued to be matched by MASC. As a matching employer, MASC discharges its pension liability on a current basis and, therefore, has no additional pension obligation.

Prior to the amalgamation of MACC and MCIC into MASC, MACC did not match employees' current service contributions, and instead contributed 50% of the pension disbursements made to retired employees. Starting September 1, 2005, the current pension contributions for former MACC employees have been matched. MASC accrues a provision for its liability for the pensionable service that was earned by former MACC employees prior to September 1, 2005, which includes future cost of living adjustments based on an actuarial valuation. The Province of Manitoba provides funding for this liability (Note 8).

Actuarial valuations are carried out every year to provide an estimate of the accrued liability for unfunded pension benefits. An actuarial valuation of the pension obligations as of December 31, 2012 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions include a rate of return of 6.50% (2011 - 6.50%), inflation of 2.0% (2011 - 2.0%), salary inflation rate increases of 3.75% (2011 - 3.75%), discount rate of 6.0% (2011 - 6.0%) and post-retirement indexing at two-thirds of the inflation rate. The service to date projected benefit method prorated on services has been applied and the liabilities (adjusted for a provision for adverse experience and a trust fund credit) have been estimated to March 31, 2014, all according to the formula prescribed by the consulting actuary.

The average remaining service life of this group of employees is six years. For 2013/14, the amortization of the net actuarial gain was \$41,000 (2013 - \$36,000).

Provision for employer's share of employees' pension plan	2014	2013
Accrued pension obligation, beginning of year	\$ 6,260	\$ 6,126
Interest accrued on benefits	415	411
Benefits paid	(429)	(317)
Actuarial (gain) loss	(52)	40
Accrued pension obligation, end of year	\$ 6,194	\$ 6,260
Unamortized actuarial gain	166	181
Provision, end of year	\$ 6,360	\$ 6,441

MASC's pension plan costs consist of the following:	2014	2013
Interest accrued on benefits	\$ 415	\$ 411
Interest earned	(16)	(10)
Amortization of experience gain	(41)	(36)
Pension cost	\$ 358	\$ 365

17. COMMITMENTS

	2014	2013
Approved, undisbursed loans	\$ 19,193	\$ 23,449
Estimated farm loan incentives	6,938	6,748
Operating leases	98	150
	\$ 26,229	\$ 30,347

The estimated farm loan incentives relate to future payments for the Young Farmer Rebate and Management Training Credit programs. The Young Farmer Rebate is based on rebates that clients under 40 years of age at the time of the loan application can earn for the first five years of a loan, with the rebate being applied to the client's loan balance. The Management Training Credit is deducted from the loan balance once the eligible training has been completed. Management Training Credits are no longer being offered, with the program being in a run-off situation in respect of existing obligations.

The operating lease commitments are for equipment and vehicles.

18. TANGIBLE CAPITAL ASSETS

	Leasehold Improvements	Furniture and Equipment	Computer Hardware and Software	2014	2013
Cost					
Beginning of year	\$ 344	\$ 436	\$ 474	\$ 1,254	\$ 1,217
Additions	-	11	34	45	37
Disposals and write-downs	-	(12)	(15)	(27)	-
	344	435	493	1,272	1,254
Accumulated amortization					
Beginning of year	340	333	413	1,086	1,019
Amortization expense	4	23	31	58	67
Disposals and write-downs	-	(9)	(15)	(24)	-
	344	347	429	1,120	1,086
Net book value at March 31, 2014	\$ -	\$ 88	\$ 64	\$ 152	\$ 168

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments comprise the majority of MASC's assets and liabilities. For lending operations, MASC borrows from the Province of Manitoba at fixed interest rates and then provides fixed term loans to clients at interest rates that generally earn a reasonable interest rate margin to cover associated administrative expenses. For insurance operations, MASC places the retained funds mainly in short-term investments, in order to have sufficient capital available to make insurance payments when losses exceed the current year's premium income plus interest revenue less reinsurance premiums.

MASC's risk management policies are designed to: identify and analyze risk, set appropriate risk limits and controls, and monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Board of Directors approves these policies and management is responsible for ensuring that the policies are properly carried out. The Board of Directors receives confirmation that the risks are being appropriately managed through regular reporting, third-party compliance reporting and by reviews conducted by MASC's internal auditors.

MASC is exposed to credit, liquidity and market risks in respect of its use of financial instruments.

Credit Risk

Credit risk is the likelihood of one party to a financial instrument failing to discharge an obligation and causing financial loss to the counter party. The financial instruments that potentially subject MASC to credit risk mainly consist of accounts receivable, loans receivable and guarantees on loans. MASC's investments are held by the Province of Manitoba, which guarantees the associated payments of principal and interest.

MASC's maximum possible exposure to credit risk is as follows:

	2014	2013
Investments	\$ 310,822	\$ 192,162
Accounts receivable	4,914	3,670
Receivables from the Province of Manitoba	15,123	42,484
Receivables from the Government of Canada	12,115	7,270
Loans receivable	410,488	353,646
Loan guarantees	79,510	80,064
	\$ 832,972	\$ 679,296

INVESTMENTS - MASC is not exposed to significant credit risk as its investments are held by the Province of Manitoba, with a guarantee of the associated payments of principal and interest.

ACCOUNTS RECEIVABLE - MASC's accounts receivable consist largely of insurance premiums due from participating producers. The insurance programs offer credit for producer premiums, which are due and payable at the time of billing. Interest is charged on premiums that are not paid by October 31 of that crop year, with March 31 being the final payment deadline. MASC terminates the insurance contracts of producers who do not make acceptable payment arrangements prior to the upcoming crop year. The importance of insurance programs to the financial well being of an ongoing farming operation serves to mitigate the credit risk associated with the non-payment of insurance premiums.

RECEIVABLES FROM THE PROVINCE OF MANITOBA AND THE GOVERNMENT OF CANADA - MASC is not exposed to significant credit risk given the very high probability that payment in full will be collected when due.

LOANS RECEIVABLE - Impairment provisions are provided for losses that have been incurred as of the end of the fiscal year. Significant changes in the economic well being of Manitoba's agricultural industry or the deterioration of specific sectors of the industry, which represent a concentration within MASC's overall loan portfolio, may result in losses that differ from those provided for as of the date of the Statement of Financial Position. Management of credit risk associated with loans is an integral part of MASC's activities, with careful monitoring and appropriate remedial actions.

The Board of Directors is responsible for approving and monitoring MASC's tolerance of credit exposures, which it does through review and approval of the guidelines for lending and loan guarantee programs and by setting general limits on credit exposures to individual clients. MASC has comprehensive policy and procedures manuals in place for all lending programs. In general, MASC emphasizes responsible lending, which is comprised of a combination of adequate loan security and a client's ability to pay.

MASC is also mandated to deliver higher risk special assistance loan programs on behalf of the Government of Manitoba and economic development loans as directed by the Manitoba Government, which fall outside the normal limits set out in regular loan policies. These loans have provisions for credit losses that are established by the Provincial Treasury Board. In addition, MASC closely monitors the performance of these loans in an effort to mitigate losses. Special assistance loans make up 5% of the MASC's overall lending portfolio.

Summarized below are the loan balances that are past due but not impaired.

	Regular Program Loans	2014 Special Assistance Loans*	Total	Regular Program Loans	2013 Special Assistance Loans*	Total
Less than 1 year in arrears	\$ 5,054	\$ 158	\$ 5,212	\$ 4,570	\$ 319	\$ 4,889
1 to 2 years in arrears	2,605	276	2,881	1,438	460	1,898
Over 2 years in arrears	20	87	107	25	-	25
	\$ 7,679	\$ 521	\$ 8,200	\$ 6,033	\$ 779	\$ 6,812

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.

Loans that are past due but not impaired generally reflect situations where it is thought that the client has sufficient cash flow to meet their payment obligations and the loan is adequately secured. The majority of MASC's term loans have semi-annual payments and therefore a loan that is in the "Less than 1 year" category is generally only one payment in arrears. Two payments in arrears put the loan in the "1 to 2 years" category. In addition, Stocker Loans, which provide short-term financing for the purchase or retention of feeder cattle, are due at the end of the term, which is generally one year. Any delay in the sale of the cattle at the end of the term technically puts the loan in arrears; however, such loans are normally paid in full once the associated cattle are sold.

MASC's lending exposure, as provided in Note 11, is broken down by agricultural sector as shown in the table below:

Loans Receivable by Agricultural Sector

	Regular Program Loans	2014 Special Assistance Loans*	Total	Regular Program Loans	2013 Special Assistance Loans*	Total
Grains and oilseeds	\$ 256,744	\$ 2,329	\$259,073	\$ 206,816	\$ 2,189	\$ 209,005
Potatoes	621	-	621	479	-	479
Other crops	8,175	64	8,239	8,108	50	8,158
Cattle	100,189	4,095	104,284	107,054	6,897	113,951
Hogs	3,995	12,753	16,748	4,842	25,141	29,983
Poultry	3,806	-	3,806	2,787	-	2,787
Dairy	9,971	17	9,988	5,849	55	5,904
Other	28,323	312	28,635	10,575	3,715	14,290
Provisions and concessions	(4,454)	(16,452)	(20,906)	(4,366)	(26,545)	(30,911)
	\$ 407,370	\$ 3,118	\$410,488	342,144	\$ 11,502	\$ 353,646

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Enterprise Development Loans.

Given that the Province of Manitoba provides funding for the full amount of loans that are written off, MASC's loans receivable risk is minimal.

LOAN GUARANTEES - MASC provides loan guarantees to private sector financial institutions, which encourage the provision of credit to operations that financial institutions consider to be higher risk. Each loan guarantee request is reviewed to assess its viability and to ensure a fit within the established program parameters. Loan guarantees are approved based on a delegated approval authority. MASC's loan guarantee activity involves five separate programs: Operating Credit Guarantees for Rural Small Business and Rural Entrepreneur Assistance (REA), which are directed at rural non-agricultural businesses; Manitoba Livestock Associations Loan Guarantees, which are directed at the cattle industry; and Operating Credit Guarantees for Agriculture and Diversification Loan Guarantees, which are generally available to Manitoba's agricultural industry. MASC's loan guarantee exposure by agricultural sector is summarized below:

Loan Guarantees by Agricultural Sector

	Diversification Loan Guarantees		Operating Credit Guarantees	
	2014	2013	2014	2013
Grains and oilseeds	-	-	53%	52%
Potatoes	5%	2%	10%	11%
Other crops	-	1%	4%	4%
Cattle	-	-	14%	13%
Hogs	39%	44%	10%	15%
Poultry	8%	8%	1%	1%
Dairy	45%	44%	2%	1%
Other	3%	1%	6%	3%
	100%	100%	100%	100%

The Province of Manitoba provides funding for all claims by private sector financial institutions on loan guarantees, resulting in minimal associated risk to MASC.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The interest rate exposure relates to investments, loans receivable and advances from the Province of Manitoba.

INVESTMENTS - MASC's investment portfolio is mainly in short-term interest bearing investments. These investments are normally held to maturity so changes in interest rates do not affect the value of the investments. All of MASC's investments are placed through Manitoba Finance.

LOANS RECEIVABLE/LOANS FROM THE PROVINCE OF MANITOBA - MASC borrows funds for lending operations from the Province of Manitoba at fixed rates and normally lends those funds to clients at 1.5 percentage points above the associated borrowing rate. The vast majority of loans from the Province of Manitoba have fixed interest rates for the full term of the advance and MASC only offers fixed interest rate loans to its clients. This arrangement mitigates MASC's interest rate risk; however, some interest rate risk is imparted through MASC's lending policy of allowing prepayment of loans without penalty, given that MASC does not have the offsetting ability to prepay the associated advances from the Province of Manitoba without penalty. MASC mitigates this risk by closely matching the cash flow from client loan payments, including estimated annual prepayments, to the cash flow required to repay advances from the Province of Manitoba.

Loans Receivable and Advances from the Province of Manitoba

	SCHEDULED REPAYMENTS					2014	2013
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Not Interest Rate Sensitive*		
Loans receivable	\$ 49,658	120,016	105,044	148,902	(13,132)	\$410,488	\$353,646
Average Interest Rate	5.03%	5.10%	5.16%	5.12%	-	5.11%	5.25%
Due to the Province of Manitoba	\$ 82,967	172,551	107,777	74,813	-	\$438,108	387,071
Average Interest Rate	3.78%	3.96%	3.96%	3.90%	-	3.91%	4.05%
	\$ (33,309)	(52,535)	(2,733)	74,089	(13,132)	\$ (27,620)	\$ (33,425)

*Includes provisions for impaired loans and accrued interest.

Liquidity Risk

Liquidity risk relates to MASC's ability to access sufficient funds to meet its financial commitments.

Advances from the Province of Manitoba have a direct correlation to the loans receivable, as the funds borrowed are directly lent to MASC clients. Funding is provided by the Province of Manitoba for the full amount of loans that are written. MASC has minimal liquidity risk on its lending portfolio in respect of advances from the Province of Manitoba.

MASC's primary liquidity risk relates to its liability for insurance claims. MASC does not have material liabilities that can be called unexpectedly at the demand of a lender or client, and has no material commitments for capital expenditures, or need for same, in the normal course of business.

Insurance claims payments are funded firstly out of current net revenue, which normally exceeds cash requirements. In addition, insurance program funds are retained and placed in short-term investments, making such funds available to pay claims in excess of current net revenue. Private sector reinsurance is in place for AgrilInsurance and Hail Insurance, providing significant protection against catastrophic losses. If all of the above are exhausted for AgrilInsurance, the Government of Canada and the Province of Manitoba have an agreement in place which provides for unlimited additional funding for claim payments (Note 22). MASC also has the ability to borrow funds from the Province of Manitoba for AgrilInsurance and Hail Insurance, if required.

20. ACTUARIAL REVIEW

Actuarial certifications of AgrilInsurance premium rates and the financial self-sustaining ability of the overall program were completed by Towers Watson, consulting actuaries, in July and October 2012, respectfully. The actuarial review concluded that: the premium rate methodologies are actuarially sound and therefore sufficient to meet expected claim costs over time; and the overall program meets the overall financial self-sustaining criteria, as defined by the Government of Canada. The actuarial review of the methodologies used to establish the probable yields and coverage levels was completed in October 2013, and with the finding that the methodologies reflect the productive capabilities. MASC requires that all program changes receive actuarial approval prior to implementation and that the probable yield tests as prescribed by the Federal Government be completed annually.

21. RELATED PARTY TRANSACTIONS

MASC is related in terms of common ownership to all Province of Manitoba departments, agencies and Crown corporations. MASC enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

Information is provided throughout these statements which disclose the significant related party transactions MASC entered into, with the exception of the following:

	2014	2013
Interest earned on investments from the Province of Manitoba	\$ 2,540	\$ 2,456
Interest paid on loans from the Province of Manitoba	\$ 15,583	\$ 15,324

22. REINSURANCE FUNDS

AgrilInsurance

In accordance with the terms of the reinsurance agreement between the Government of Canada and the Province of Manitoba, the two levels of government maintain separate reinsurance accounts. MASC pays reinsurance premiums to the Crop Reinsurance Fund of Canada for Manitoba and to the Crop Reinsurance Fund of Manitoba, based on the amount of premiums collected and the cumulative financial balance of the AgrilInsurance Program.

When indemnities paid to insured producers exceed the funds retained by MASC, after accounting for private sector reinsurance recoveries, transfers are made from the reinsurance funds to MASC. Interest is not credited or charged to the respective reinsurance funds by the Government of Canada or the Province of Manitoba. The balances in the Crop Reinsurance Fund of Canada for Manitoba and the Crop Reinsurance Fund of Manitoba are held by the Government of Canada and the Province of Manitoba, respectively. Federal-provincial reinsurance is essentially an agreement on how to share the financing of any deficits in the AgrilInsurance Program.

	Crop Reinsurance Fund of Canada for Manitoba		Crop Reinsurance Fund of Manitoba	
	2014	2013	2014	2013
Opening surplus	\$ 18,703	\$ 5,783	\$ 40,722	\$ 27,802
Current year premium contributions (net)*	17,353	12,920	17,353	12,920
Net book value	\$ 36,056	\$ 18,703	\$ 58,075	\$ 40,722

*Current year reinsurance premium contributions are shown net of an allowance for uncollectible AgrilInsurance premiums, which is an expense of \$8,000 (2013 - \$14,000).

In addition to the financial protection provided by federal-provincial reinsurance as noted above, MASC entered into a one-year agreement with private sector reinsurers for the 2013 crop year. The agreement involves 33 reinsuring companies assuming 90% (2013 - 90%) of losses (including deemed losses for adjustment expenses and a deemed loss of premium as a result of insurable land that is unseeded due to excess moisture) from 15.0% to 27.5% of AgrilInsurance liability (coverage). Reinsurance premiums were \$40,890,000 (2013 - \$36,935,000). There was a \$119,000 private sector reinsurance claim reversal reimbursement (2013 - \$177,000 claim reversal reimbursement) for outstanding prior year claims.

Hail Insurance

For 2013/14, MASC entered into a one-year agreement with private sector reinsurers for the Hail Insurance Program. The agreement involves 18 reinsuring companies assuming 90% of hail insurance losses (including actual loss adjustment expenses) from 4.25% to 7.00% of hail insurance liability (coverage). Reinsurance premiums were \$1,785,000 (2013 - \$1,807,000), with no reinsurance recoveries (2013 - nil).

SCHEDULE 1: SCHEDULE OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED MARCH 31, 2014 | IN THOUSANDS OF DOLLARS

	Lending Programs		AgriInsurance Program		Hail Insurance Program	
	2014	2013	2014	2013	2014	2013
REVENUE						
Insurance Premiums						
Insured producers	\$ -	\$ -	\$ 116,905	\$ 105,524	\$ 30,387	\$ 27,438
Province of Manitoba	-	-	68,944	61,264	-	-
Government of Canada	-	-	103,418	91,897	-	-
	-	-	289,267	258,685	30,387	27,438
Interest from loans	20,296	19,049	-	-	-	-
Other contributions - Province of Manitoba	7,593	4,872	3,935	4,074	-	-
Other contributions - Government of Canada	-	-	5,865	6,081	-	-
Investment income	24	41	1,461	1,232	1,204	1,142
Other income	643	175	(119)	(177)	-	-
Total revenue	28,556	24,137	300,409	269,895	31,591	28,580
EXPENSE						
Insurance indemnities and compensation payments	-	-	95,163	177,287	24,480	19,973
Reinsurance premiums (Note 22)	-	-	75,605	62,789	1,785	1,807
Interest on borrowed funds	15,583	15,324	-	-	-	-
Provision (recoveries) for credit losses	(3,585)	4,238	3	(195)	8	2
Provision (recoveries) for guaranteed loan losses (Note 15)	(938)	1,221	-	-	-	-
Young farmer incentives	1,898	1,655	25	19	-	-
Farmland school tax rebates (Note 5)	-	-	-	-	-	-
Other program payments (Note 6)	-	-	-	-	-	-
Administrative expenses (Schedule 2)	4,517	4,098	9,776	10,136	3,765	3,691
Total expenses	17,475	26,536	180,572	250,036	30,038	25,473
Income (loss) for the year	11,081	(2,399)	119,837	19,859	1,553	3,107
Accumulated surplus (deficit), beginning of year	(44,394)	(41,995)	95,247	75,388	70,085	66,978
Surplus (deficit), end of year	\$ (33,313)	\$ (44,394)	\$ 215,084	\$ 95,247	\$ 71,638	\$ 70,085

Wildlife Damage Compensation Program		Farmland School Tax Rebate Program		Western Livestock Price Insurance Program		Other Programs		Total 2014	Total 2013
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 147,292	\$ 132,962
-	-	-	-	-	-	-	-	68,944	61,264
-	-	-	-	-	-	-	-	103,418	91,897
-	-	-	-	-	-	-	-	319,654	286,123
-	-	-	-	-	-	-	-	20,296	19,049
1,692	1,543	32,522	39,351	301	-	(14,418)	(10,202)	31,625	39,638
2,005	1,838	-	-	450	-	4,452	3,995	12,772	11,914
-	-	61	48	-	-	144	267	2,894	2,730
-	-	-	-	-	-	29	37	553	35
3,697	3,381	32,583	39,399	751	-	(9,793)	(5,903)	387,794	359,489
3,203	2,869	-	-	-	-	-	-	122,846	200,129
-	-	-	-	-	-	-	-	77,390	64,596
-	-	-	-	-	-	-	-	15,583	15,324
-	-	1	1	-	-	(173)	540	(3,746)	4,586
-	-	-	-	-	-	-	-	(938)	1,221
-	-	-	-	-	-	-	-	1,923	1,674
-	-	31,791	39,046	-	-	-	-	31,791	39,046
-	-	-	-	-	-	(8,316)	(10,873)	(8,316)	(10,873)
494	512	791	352	751	-	(1,304)	4,430	18,790	23,219
3,697	3,381	32,583	39,399	751	-	(9,793)	(5,903)	255,323	338,922
-	-	-	-	-	-	-	-	132,471	20,567
-	-	-	-	-	-	-	-	120,938	100,371
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 253,409	\$ 120,938

SCHEDULE 2: SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED MARCH 31, 2014 | IN THOUSANDS OF DOLLARS

	2014	2013
Adjustors' wages, benefits and expenses	\$ 4,795	\$ 5,841
Advertising	345	200
Amortization expense	62	67
Appeal Tribunal	(1,178)	346
Audit fees and legal	253	623
Directors' remuneration and expense	112	111
Furniture and equipment	63	43
Information technology	418	406
Office rental and utilities	1,158	1,156
Other administrative expenses	541	976
Other administrative recoveries	(852)	(728)
Postage	143	195
Printing and office supplies	179	187
Salaries and employee benefits	12,176	13,098
Telephone	221	223
Travel and vehicle expenses	354	475
Total administrative expenses	\$ 18,790	\$ 23,219
Administrative expenses allocation:		
Lending Programs	\$ 4,517	\$ 4,098
AgriInsurance Program	9,776	10,136
Hail Insurance Program	3,765	3,691
Wildlife Damage Compensation Program	494	512
Farmland School Tax Rebate Program	791	352
Western Livestock Price Insurance Program	751	-
Other Programs	(1,304)	4,430
Total administrative expenses	\$ 18,790	\$ 23,219

OFFICE LOCATIONS



Corporate Offices:

MASC

400-50-24th Street NW
Portage la Prairie MB R1N 3V9

MASC

Unit 100-1525 First Street S
Brandon MB R7A 7A1



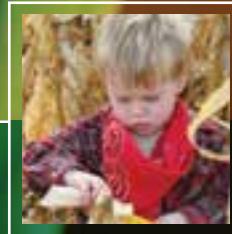
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