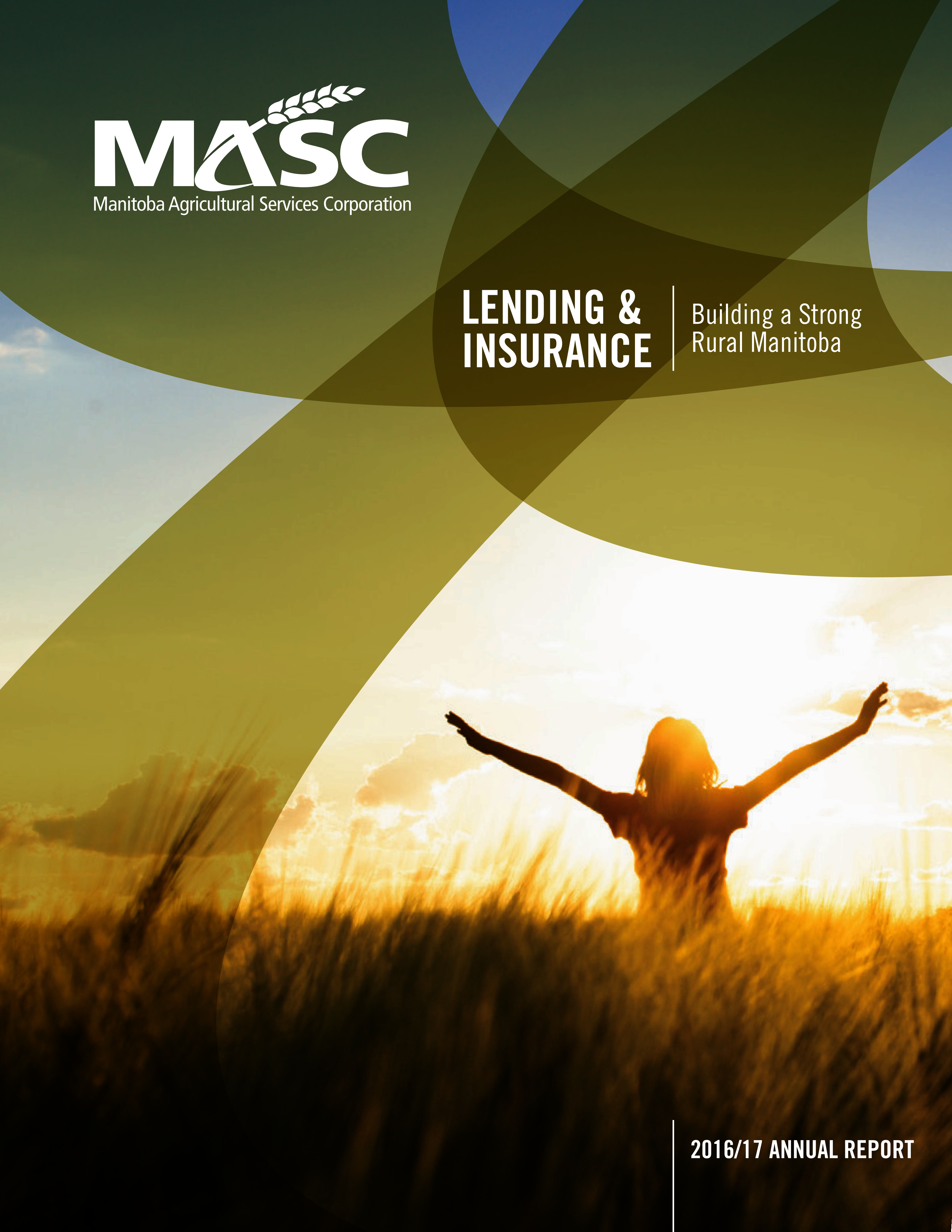
MASC

Manitoba Agricultural Services Corporation

LENDING & INSURANCE

Building a Strong Rural Manitoba



2016/17 ANNUAL REPORT

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Executive Management

Jared Munro – *Acting President & CEO*
Fern Comte – *Chief Financial Officer*
Kevin Craig – *Vice President, Lending Operations*
Tyler Gooch – *Chief Information Officer*
David Van Deynze – *Vice President, Insurance Operations*
Lester Vopni – *Vice President, Corporate Services*
Vacant – *Vice President, Research & Program Development*

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

Room 165
Legislative Building
Winnipeg, Manitoba CANADA
R3C 0V8

Her Honour the Honourable Janice C. Filmon, C.M., O.M.
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg MB R3C 0V8

May it Please Your Honour:

It is my privilege to present for the information of Your Honour, the Annual Report of the Manitoba Agricultural Services Corporation for the fiscal year ending March 31, 2017.

Yours truly,

Original signed by
Honourable Ralph Eichler
Minister of Agriculture

The Honourable Ralph Eichler
Minister of Agriculture
Room 165, Legislative Building
Winnipeg MB 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, 2017.

Yours truly,

Original signed by
Jim Wilson
Chair, Board of Directors

CHAIR'S MESSAGE

For almost six decades, the Manitoba Agricultural Services Corporation (MASC) and its former corporate entities have delivered risk management and lending programs to Manitoba's agricultural producers. As incoming Chair of MASC's Board of Directors, I am proud to lead MASC's present and future efforts in support of the Minister of Agriculture's mandate to fortify the agricultural sector as a key economic driver in the province.

With the unpredictability of Manitoba's climate and economy, I truly admire MASC's record for delivering its programs and services throughout its long history. This past year saw some significant weather events, with record setting hail payouts, damaging winds and a late harvest that resulted in about 56,000 acres being left to overwinter. Yet MASC handled these occurrences in stride.

As a long time provider of credit, MASC continues to work closely with Manitoba producers to provide financing solutions they need to succeed. In the past three years, MASC's direct loan portfolio has grown over 50%, partly due to sustained low interest rates and strong land prices. As more capital is needed to allow agriculture to meet its potential, it's good to know that our customers rely on us to meet their needs.

At MASC, we strive to continuously improve our service to our customers. MASC is currently undergoing a significant information technology upgrade to better serve a connected rural Manitoba. A new mobile-friendly corporate website is up and running, and the groundwork is being laid for major upgrades to interoffice communications and MASC's online services portal to accommodate more e-business.

We constantly seek feedback on our programs and services. In February 2017, MASC conducted an online customer satisfaction survey, with about 12% of our customers responding. In addition, MASC met with 17 Manitoba producer groups. Feedback from these sources helps the corporation chart its programming direction.

For such a steadfast pillar of Manitoba's rural landscape, I see two constants that have helped MASC earn its reputation — our employees and our customers.

MASC was named one of Manitoba's Top Employers for the third straight year, and it's obvious that our employees enjoy their role in helping people. As one of MASC's core strengths, it's not surprising that our frontline staff earned a resounding 92% satisfaction rating for all aspects of customer service, according to those clients who completed our online survey.

Year-after-year, our customers put their trust in MASC and its programs and services. In 2016/17, over 94% of Manitoba's annual crop acres were insured by AgriInsurance, and MASC's Hail Insurance represented over 60% of Manitoba's hail insurance market. MASC's lending activities continue to target the next generation of young and beginning farmers, which represented 69% of the total number of Direct Loans issued. Such sizeable market shares are the result of effective programming, efficient delivery and reliable results.

In closing, I would like to thank MASC's outgoing Board members, who made important contributions to MASC during their tenure. I would also like to thank Neil Hamilton, who recently retired as President and CEO, after 28 years of dedicated service. Neil's experience and extensive knowledge of the industry have been instrumental in leading the corporation to where it is today.

In the coming years, there will undoubtedly be new challenges and opportunities. MASC will continue striving to enhance the growth of rural Manitoba as we move forward to meet the needs of an ever-changing agricultural industry. Our success depends on our customers success – and we are proud to be a part of it.

Original signed by
Jim Wilson
Chair, Board of Directors

OPERATIONAL HIGHLIGHTS

For the year ended March 31:

AGRIINSURANCE	2015	2016	2017
Insured acres (millions)	9.8	9.7	9.6
Total coverage (liability) ($ millions)	2,210.7	2,252.5	2,453.7
Total premiums ($ millions)	232.8	226.1	217.6
Total indemnities ($ millions)	171.4	117.6	81.1
Net income ($ millions)	32.1	77.6	110.1
HAIL INSURANCE			
Insured acres (millions)	4.3	4.8	4.7
Total coverage (liability) ($ millions)	809.7	892.1	887.0
Total premiums ($ millions)	28.1	27.3	28.6
Total indemnities ($ millions)	12.3	31.1	43.6
Net income (loss) ($ millions)	10.4	(10.5)	(15.8)
LENDING			
Number of loans approved	978	1,283	1,391
Amount approved ($ millions)	155.1	206.4	202.2
Loan portfolio ($ millions)	483.3	588.9	665.0
Net loan portfolio growth (%)	12.0	21.9	12.9
Number of guaranteed loans approved	161	166	169
Associated loan amounts approved ($ millions)	75.6	96.7	88.1
Guaranteed loan portfolio ($ millions)	286.4	307.3	280.8

Board of Directors (L to R)
Back Row: *Suszanne Jones, Charles Mayer, Darrell McElroy, Karen Fatteicher;* Front Row: *Laurent Ponsin, Jim Wilson, Diane Rourke*

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
- **Employee Engagement** – in a productive and positive work environment

GOALS

- **Insurance** – provide agricultural insurance-based programs that mitigate financial risk for the majority of farmers
- **Lending** – provide young, beginning and other farmers, and rural business operators, with access to credit
- **Other Programs and Services** – deliver emergency assistance and other initiatives that align with government priorities, as well as inspection services
- **Corporate** – pursue a digital business model to maximize the value of programs and services for clients while conducting business effectively and efficiently

CORPORATE GOVERNANCE

Mandate of the Board

The Manitoba Agricultural Services Corporation (MASC) is established as a Crown corporation of the Manitoba Government through The Manitoba Agricultural Services Corporation Act. MASC's Board of Directors is comprised of up to nine directors who are appointed by the Lieutenant-Governor in Council (i.e. the Manitoba Government), as are the Board Chair and Vice Chair.

The Board is responsible for the overall stewardship of MASC. It 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, ensures that the corporate governance policies by which MASC operates are relevant, and is responsible for overseeing and monitoring corporate operations according to applicable legislative requirements within acceptable levels of risk.

The **Board Audit and Finance Committee**, comprised of several Board members, reviews MASC's financial reporting, risk management, actuarial and audit functions, and monitors corporate integrity and compliance with applicable authorities. The Committee met once in April 2016. The Board, as a committee of the whole, dealt with audit and finance matters for the balance of the fiscal year.

ADMINISTRATION

MASC has a permanent staff of 158, complemented by part-time staff and 144 adjustors who are employed as needed. MASC is represented by 18 insurance and 15 lending offices located across the province, with corporate offices in Portage la Prairie and Brandon.

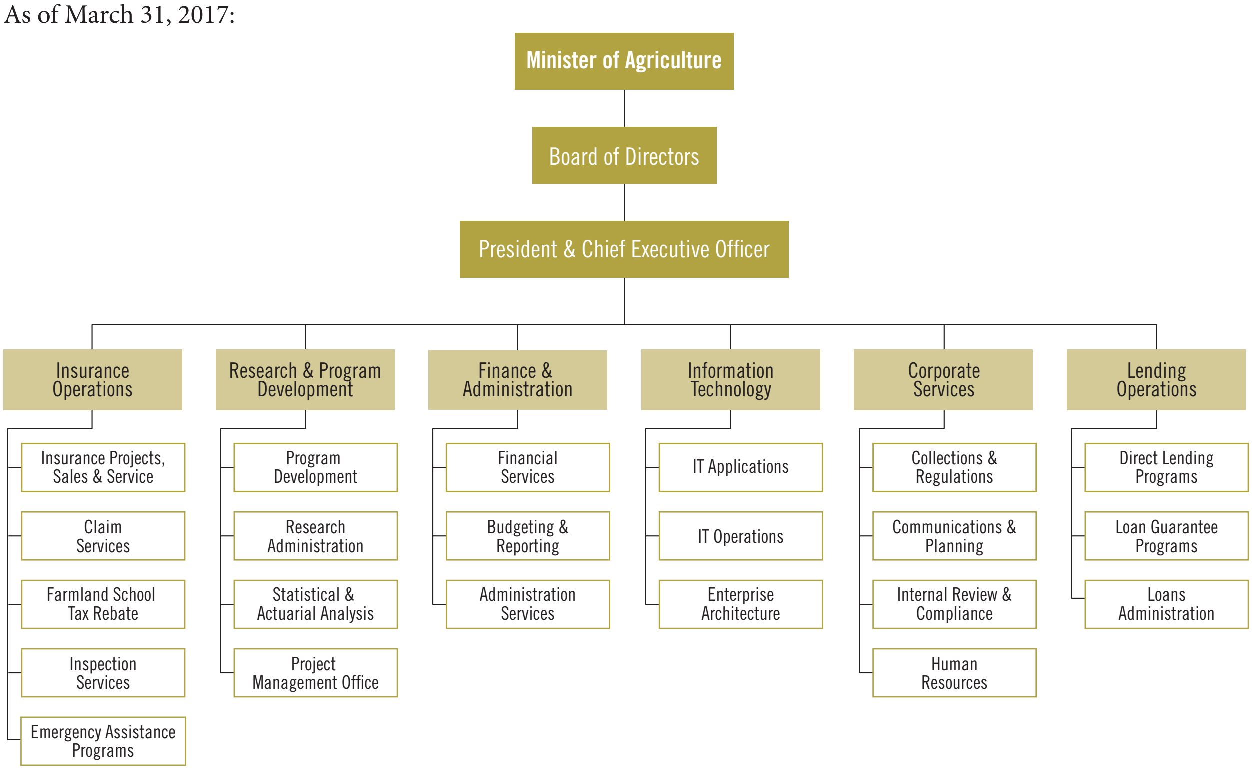
An independent Appeal Tribunal hears disputes between insured producers and MASC regarding MASC's assessment of insurance and wildlife damage losses. The Appeal Tribunal's decisions are final and binding on both parties.

MASC encourages and facilitates day-to-day sustainable business practices that conserve natural resources. MASC actively promotes web conferencing, and has significantly reduced its printed materials by replacing most internal paper manuals with digital versions, as well as offering clients digital versions of insurance contracts, and adopting the Manitoba Government's plan for red tape reduction.

MASC is also increasing the opportunities for clients to complete business online, such as applying for hail insurance, registering a hail claim, and reporting their seeded acreage, harvested production and carryover grain through MASC's Online Services. MASC uses software that facilitates paperless meetings of MASC's Board of Directors and Executive Management.

Corporate Structure

As of March 31, 2017:



STRATEGIC PLAN REVIEW

MASC's vision of a strong rural Manitoba is achieved through four focused strategic goals. At the corporate level, key objectives are set and performance is measured against specific targets, based on a rolling three-year business planning process. This three-year process was initiated in 2016/17, with the Business Plan being reviewed annually and adjusted as required. The following is a review of the progress made towards some of the major three-year targets as at March 31, 2017.

GOAL

Provide agricultural insurance-based programs that mitigate financial risk for the majority of farmers

Key Objectives

- Maintain effective AgriInsurance programs for annual crops
- Continue to be the preferred hail insurance provider in Manitoba
- Increase participation in insurance-based programs for livestock producers

Performance Measures	**Targets** (March 31, 2019)	**Results** (March 31, 2017)
Percentage of annual crops insured by AgriInsurance	> 90%	94.2%
Average coverage level selected by clients	> 77.5%	77.5%
MASC's share of Manitoba's hail insurance market (based on percentage of premiums)	> 60%	60.9%
Percentage of forage acres insured	> 20%	16.0%

GOAL

Provide young, beginning and other farmers, and rural business operators, with access to credit

Key Objectives

- Enhance programs to support young farmers (under the age of 40)
- Ensure the Diversification Loan Guarantee Program continues to generate net benefits to Manitoba's economy

Performance Measures	**Targets** (March 31, 2019)	**Results** (March 31, 2017)
Young farmers as a percentage of MASC's total Direct Loan portfolio	75% of Direct Loan approvals	69%
Economic value of Diversification Loan Guarantees	Benefit ratio > 1	Benefit ratio > 2

GOAL

Deliver emergency assistance and other initiatives that align with government priorities, as well as inspection services

Key Objectives

- Continue to protect Manitoba's agricultural producers from wildlife losses by delivering the Wildlife Damage Compensation Program effectively and efficiently
- Continue to reduce input costs for Manitoba's agricultural producers and create a more equitable distribution of local education costs by delivering Farmland School Tax Rebates effectively and efficiently
- Provide value to Manitoba's agricultural sector by providing third party inspection services

Performance Measures	Targets (March 31, 2019)	Results (March 31, 2017)
Administrative expenses as a percent of Wildlife Damage Compensation paid	< 17%	11.4%
Average time from Wildlife Damage Compensation claim registration to payment	< 25 business days	28.6 business days
Administrative expenses as a percentage of Farmland School Tax Rebates	< 2%	1.3%
Average time from receipt of Farmland School Tax Rebate application to payment	< 12 business days	14.8 business days
Number of third-party inspections completed	> 100	49

GOAL

Pursue a digital business model to maximize the value of programs and services for clients while conducting business effectively and efficiently

Key Objectives

- Enhance customer service
- Provide effective options for transacting business online
- Enhance external website as an effective way of communicating MASC's products and services
- Continuously improve the efficiency of MASC's operations
- Increase the percentage of loan applications and insurance claims processed electronically
- Continually improve the effectiveness and reliability of information technology (IT) services

Performance Measures	Targets (March 31, 2019)	Results (March 31, 2017)
Satisfaction rating of frontline staff performance, as measured through the Customer Satisfaction Survey	> 90%	92%
Satisfaction rating of core programs, as measured through the Customer Satisfaction Survey	> 80% for insurance of annual crops	75%
	> 77% for Hail Insurance	68%
	> 82% support for MASC's involvement in direct lending	90%
Business activities completed using Online Services	> 40% of insurance reports	33.6%
Number of clients registered for Online Services	> 65% of AgriInsurance clients	64.1%
Website activity for public-facing website	15% increase	24.6% increase
Administrative expenses as a percentage of premium	AgriInsurance < 10%	5.0%
	Hail Insurance < 17%	17.5%
Administrative expenses as a percentage of outstanding Direct Loans	< 1.0%	0.7%
Percentage of insurance claims completed electronically	> 75% of post-harvest claims	75.2%
	> 90% of Hail Insurance claims	93.1%
Progress towards a contemporary, sustainable information technology architecture	Architecture is well defined, with implementation on schedule for both primary business applications	Architecture is under development with the new integrated business application in the analysis and design phase

PERFORMANCE INDICATORS

AgriInsurance

About 9.6 million acres (9.5 million seeded and 0.1 million unseeded) were insured in 2016/17, which was 200,000 acres fewer than the targeted amount. Total AgriInsurance liability of $2.5 billion was 9% higher than the previous year. Liability was consistent with the $2.5 billion that was budgeted.

Indemnities for the year totalled $81.1 million, which was below the breakeven budgeted amount of $199.4 million. For the year, there were 5,062 claims, which was 56% lower than budgeted. On a provincial basis, above average yields were experienced for most major crops.

Hail Insurance

In 2016/17, MASC's Hail Insurance covered 4.7 million acres, with associated liability of $887.0 million. Liability was 2% higher than budgeted. MASC's share of the Manitoba hail market decreased from 64% to 61%.

Hail losses for the year were $43.6 million, which was higher than the breakeven budgeted amount of $25.8 million. This was the highest level of hail indemnity for MASC's program since the program's inception in 1970. On a percentage of premium basis, it was MASC's highest Hail Insurance loss since 1993.

Loans

MASC approved 1,391 loans in 2016/17 totalling $202.2 million. The number of new loans increased by 108 compared to 2015/16, with the associated dollar amount decreasing by $4.2 million (2%). Direct loan activity was well above the target, which was 860 loans for $125.0 million. The amount by which loan levels exceeded the target is attributed to the overall profitability of the agricultural sector, MASC's expanded lending mandate that was introduced in 2012/13, and the hard work of MASC's staff.

Loan Guarantees

In 2016/17, MASC approved 169 guarantees on loans totalling $88.1 million. Compared to the previous year, the number of guarantees increased by three and the associated loan amounts decreased by a total of $8.6 million. Actual results did not meet the target of 191 loan guarantees or the loan amount target of $96.0 million. Typically, when the economic state of the agricultural industry is relatively buoyant, fewer loan guarantees are sought by private sector lenders.

Administration

MASC's administrative expenses for its regular programming totalled $20.6 million in 2016/17, which was $4.9 million under budget. The savings were mainly due to the number of insurance claims being significantly less than the budgeted target and the annualized cost of the information technology reorganization not being fully realized in 2016/17.

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 caused by natural perils for a wide range of agricultural crops, as well as price protection for livestock. 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 Farmland School Tax Rebates, Wildlife Damage Compensation payments, and emergency assistance programs on behalf of the governments of Manitoba and Canada.

Insurance

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

AgriInsurance

AgriInsurance protects against diminished crop production and quality caused by natural perils, including: drought, excess moisture (rainfall and flood), frost, hail, fire, excess heat, wind, wildlife, disease and pests. Losses within a producer's control are not covered. Manitoba's AgriInsurance Program covers over 70 different annual crops, forages during establishment and production, as well as the inability to seed land in the spring due to wet conditions.

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

MASC also has 'Insurance Test Areas' (ITAs) that provide coverage for soybeans, grain corn, dry edible beans, sunflowers and lentils outside of the previously insurable areas. The ITA trial extends insurance coverage to all of agro-Manitoba. To account for the historically higher production risk in the ITAs, starting coverage was initially set at 80% of the lowest existing insurable area. Up to three years of experience is now being incorporated into the coverage calculations. The seeding deadline for an ITA is the earliest seeding deadline established elsewhere for that crop, and no extended seeding periods are provided.

Producers can select AgriInsurance coverage levels of 50, 70 or 80%. Coverage levels can be selected 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), 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 payment is subject to a deductible that varies according to the producer's loss experience, but cannot be less than 5% of the farm's total cultivated acres. Additional protection options of $25 and $50 per acre are available, resulting in maximum available coverage of $100 per acre. An option is also available for producers to buy down their EMI deductible to 5%.

MASC's forage programs include: Select Hay Insurance for producers who want the maximum protection against production shortfalls and quality losses; and Basic Hay Insurance, which provides a lower cost alternative for protection against production shortfalls. The Hay Disaster Benefit, which provides additional indemnity payments in times of a province-wide disaster, is included with both Select Hay and Basic Hay Insurance. Additional options include: the Harvest Flood Option, which provides coverage on coarse hay when conditions are too wet to harvest; and the Enhanced Quality Option, which provides a higher Relative Feed Value (RFV) guarantee for alfalfa.

The Forage Restoration Benefit is a standard program feature, which provides protection for tame hay and forage seed crops that are destroyed by excess moisture. Damaged forage crops that are overseeded qualify for a reduced level of Forage Restoration Benefit.

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

For producers with forage insurance, pasture insurance is available using their Basic Hay or Select Hay loss as a proxy for their pasture loss. Under this program, 310 producers insured pasture for 34,195 livestock in 2016/17. In addition, MASC continues to offer the Pasture Days Insurance Program that provides protection against having to remove livestock from pasture earlier than normal (due to drought or excess moisture). Under this program, 104 producers insured pasture for 19,962 livestock in 2016/17.

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

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 honeybees. In 2016/17, 57 beekeepers insured 43,300 colonies for a total liability of $5.5 million.

For most AgriInsurance programs, premiums are paid 40% by insured producers, 36% by the Government of Canada and 24% by the Manitoba Government. Exceptions include: the EMI Reduced Deductible Option, for which participating producers pay the entire premium; the highest level of optional EMI coverage, which is paid 67% by insured producers, 20% by Canada and 13% by Manitoba; and the Hay Disaster Benefit, which is paid 60% by Canada and 40% by Manitoba. Administrative expenses for the AgriInsurance Program are shared 60% by Canada and 40% by Manitoba.

A one-time Young Farmer Crop Plan Credit of $300 on AgriInsurance premium is available to new AgriInsurance entrants (under the age of 40). To qualify, a young farmer must complete a cropping plan that is acceptable to their Manitoba Agriculture Farm Production Extension Specialist or Agricultural Extension Coordinator. In 2016/17, 48 young farmers qualified for credits totalling $14,000. The cost of these credits is paid entirely by the Manitoba Government.

2016/17 Crop Conditions

Too much moisture, excessive wind and widespread frequent hail storms had the biggest impact on the 2016 crop year. Despite these adverse conditions, Manitoba farmers were rewarded with reasonably good yields.

A warmer than normal winter with limited snowfall lead to an early spring in 2016 in southern Manitoba. By early March, daily maximum temperatures were already above zero and dry conditions saw producers eager to get started in their fields. By the beginning of May, seeding was well underway in most of agro-Manitoba. Some areas showed drier topsoil conditions, and with a lack of early-season precipitation, uneven germination was a common issue. Seeding was largely completed through much of the province by the end of May.

Throughout June to September, excessive moisture was the foremost concern for many producers, with some areas of the province receiving more than double their normal precipitation. Intense rainfall accumulations created problems throughout the growing season, with many crops showing signs of yellowing, and in some instances crop death, due to saturated soil conditions. Higher disease pressure was also noted in many crops, including fusarium head blight in wheat and sclerotinia in canola.

Though high winds were also a concern in some areas, hail storms were more damaging. Hail activity prevailed throughout the growing season, causing widespread damage and yield losses across the province.

As the growing season wound down, wet weather delayed harvest. In many cases, crops were not harvested until late October. Of those crops that were harvested, many required aeration or artificial drying due to having to harvest at tough or damp moisture levels. Excessive moisture late in the season resulted in about 56,000 acres being overwintered. Soil moisture at freeze-up was above normal throughout Manitoba, though some areas such as the Interlake, central and southwestern parts of the province were somewhat drier.

Despite the challenging weather, most crop yields in 2016 were above average. New provincial yield records were set for soybeans (42 bu/ac), grain corn (146 bu/ac) and winter wheat (72 bu/ac). Quality for the majority of crops though was average to below average. Tame forage yields were significantly above average, with quality below average largely due to frequent rains during the haying season.

Figure 1 illustrates the major causes of loss for all crops in 2016, as compared to historic averages. Excess moisture accounted for 71% of losses in 2016, while hail accounted for 14%. Drought and heat, frost, wind and diseases were lesser concerns, accounting for 3%, 3%, 2% and 1% of losses, respectively.

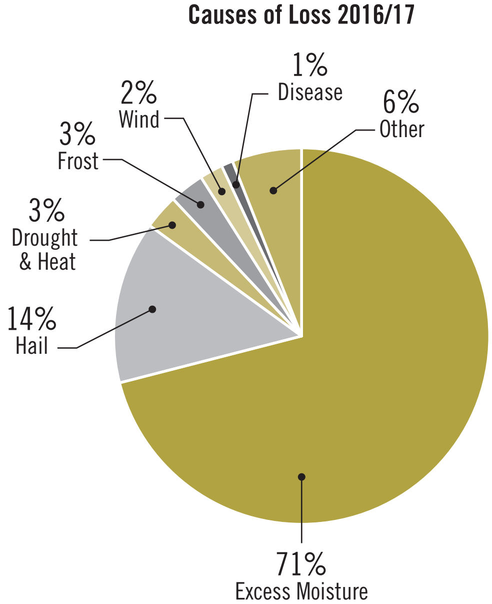
In summary, a total of 9.6 million acres were protected by AgriInsurance in 2016/17, with about 127,000 of those insured acres remaining unseeded due to excess moisture. Total premium was $217.6 million on $2.5 billion of coverage (liability). Indemnities for the year totalled $81.1 million.

Figure 2 shows how premiums and indemnities for 2016/17 compare to the four previous years. After accounting for interest revenue of $2.5 million, and reinsurance premiums of $29.9 million, AgriInsurance had net income of $110.1 million for 2016/17. This resulted in the AgriInsurance reserve increasing from $324.8 million to $434.9 million.

Large fluctuations in the level of the reserve are normal in AgriInsurance. 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, combined with the protection realized through the purchase of private reinsurance, provides a significant buffer against a range of potential losses.

The overall AgriInsurance loss ratio (loss as a percentage of total premium) was 37% for 2016/17. Loss ratios for individual crops are listed in Table 1.

FIGURE 1 – AgriInsurance Causes of Loss



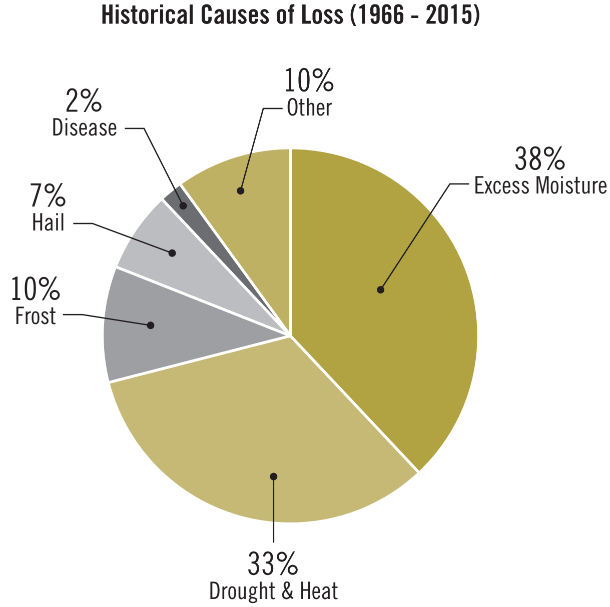


FIGURE 2 – AgriInsurance Premiums and Indemnities ($ millions)

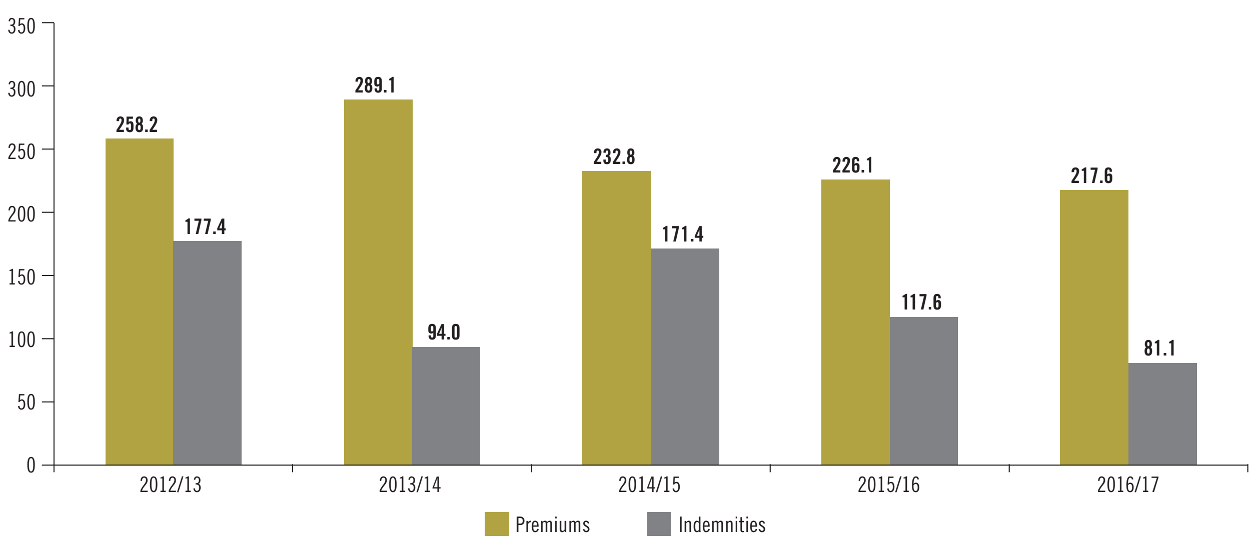


TABLE 1 – Summary of 2016/17 AgriInsurance

Crop/Feature	Acres Insured	Coverage (000)	Total Premium (000)	Indemnities (000)	Loss Ratio (%)
Red Spring Wheat	2,134,687	$465,663.2	$29,176.0	$14,960.8	51
Durum Wheat	2,723	350.7	29.0	9.9	34
Extra Strong Wheat	-	-	-	-	-
Prairie Spring Wheat	70,334	14,882.1	1,263.8	249.4	20
Hard White Wheat	1,906	397.9	21.3	17.0	80
Feed Wheat	347,493	69,485.6	6,860.2	1,740.5	25
Winter Wheat	125,743	29,907.6	1,714.7	328.0	19
Barley	342,258	65,976.4	6,597.3	2,692.3	41
Oats	325,429	61,515.4	5,655.3	1,925.9	34
Mixed Grain	2,713	219.9	23.7	47.7	201
Fall Rye	92,545	17,007.4	1,606.1	292.7	18
Triticale	968	114.3	7.6	18.6	245
Canola	3,040,795	877,422.2	53,487.2	22,240.9	42
Rapeseed	5,158	1,499.2	125.0	370.1	296
Flax	64,373	13,764.9	1,216.3	1,675.4	138
Mustard	4,983	1,160.9	246.3	340.9	138
Oil Sunflowers	34,668	9,017.0	1,083.1	692.6	64
Non-Oil Sunflowers	28,838	8,568.5	1,386.6	1,005.3	73
Buckwheat	7,572	1,091.1	321.6	129.0	40
Grain Corn	305,004	116,382.8	16,554.6	602.3	4
Silage Corn	82,733	31,272.8	2,097.5	936.7	45
Potatoes	44,542	115,640.5	4,971.1	865.3	17
Vegetables (1)	2,355	6,841.8	353.0	805.2	228
Field Peas	158,069	35,641.3	3,984.4	5,502.6	138
Lentils	7,339	1,657.3	390.2	242.4	62
Fababeans	8,328	1,357.8	253.0	79.9	32
Dry Edible Beans (2)	110,326	41,842.1	5,445.1	6,759.6	124
Soybeans	1,545,250	358,962.2	40,759.6	2,845.5	7
Select Hay	193,285	29,947.0	2,688.5	1,941.9	72
Basic Hay (3)	115,794	10,906.1	991.8	483.9	49
Hay Disaster Benefit	-	15,865.4	339.5	-	-
Pasture	-	1,331.1	169.4	101.0	60
Pasture Days	-	2,673.0	73.1	20.8	29
Forage Establishment	93,506	6,674.4	1,160.7	133.2	12
Strawberry Establishment	-	1.2	0.1	-	-
Saskatoon Establishment	-	-	-	-	-
Pedigreed Timothy Seed	19,635	3,694.5	575.2	178.7	31
Alfalfa Seed	21,026	6,742.0	1,870.7	1,169.6	63
Canaryseed	6,846	1,828.9	281.8	203.6	72
Annual Ryegrass Seed	2,212	391.1	63.3	10.5	17
Perennial Ryegrass Seed	20,399	5,002.7	742.5	57.5	8
Proso Millet Seed	2,225	367.2	73.3	92.1	126
Tall Fescue Seed	2,431	534.2	143.6	87.6	61
Hemp Grain	8,388	2,001.1	447.9	209.8	47
Greenfeed	43,023	4,188.1	851.3	305.4	36
Open Pollinated Corn	222	30.0	6.8	-	-
Open Pollinated Silage Corn	583	108.3	7.6	-	-
Overwinter Bee Mortality	-	5,450.2	654.0	475.2	73
Estimate of Incomplete Claims	-	-	-	3,239.5	-
Subtotal	9,426,707	$2,445,379.4	$196,770.7	$76,086.8	39
Excess Moisture Insurance (4)	126,731	8,328.8	20,861.8	5,027.2	24
TOTAL	**9,553,438**	**$2,453,708.2**	**$217,632.5**	**$81,114.0**	**37**

(1) Vegetables include carrots, cooking onions, rutabagas and 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) Basic Hay includes the Harvest Flood Option premium and indemnities.
(4) Excess Moisture Insurance (EMI) acreage and coverage shown in the table is only for land that could not be seeded due to excess moisture and on which claims were paid. Total EMI insured acreage and coverage were 9,028,787 and $593,372,890, 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 pay their premiums early are entitled to a 5% premium discount. Producers are also eligible for an increased premium discount if their CHIO coverage is maintained for more than two consecutive years. In 2016/17, 66% of MASC's Hail Insurance Contract holders participated in CHIO.

Dollar selections for Hail Insurance on all crops (except potatoes, vegetables and strawberries) are $120, $160 and $200 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 resulted in a loss in the value of the affected crop.

Manitoba experienced significant hail activity throughout the province in 2016/17, including areas where hail activity is normally infrequent. As a result, hail indemnity payments were the largest in the program's history, and nearly four times the 10-year average (excluding 2015).

MASC insured 4.7 million acres in 2016/17, with total Hail Insurance coverage (liability) of $887.0 million. Premiums prior to discounts were $28.6 million, and with indemnities of $43.6 million, the resulting loss ratio (loss as a percentage of premium) was 152%.

After accounting for hail reinsurance recoveries of $6.5 million, interest revenue of $0.9 million, CHIO discounts and early payment discounts totalling $1.7 million, reinsurance premium of $1.5 million and administrative expenses of $5.0 million, Hail Insurance had a net loss for the year of $15.8 million. As a result, the Hail Insurance reserve decreased from $71.6 million to $55.8 million. This was the second time in as many years that MASC's Hail Insurance lost money. The last loss was in 2015/16, when a loss ratio of 114% occurred.

Figure 3 provides a summary of Hail Insurance premiums and indemnities for the past five years. In 2016/17, MASC's Hail Insurance represented 61% of Manitoba's crop hail insurance market (based on premium).

FIGURE 3 – Hail Insurance Premiums and Indemnities ($ millions)

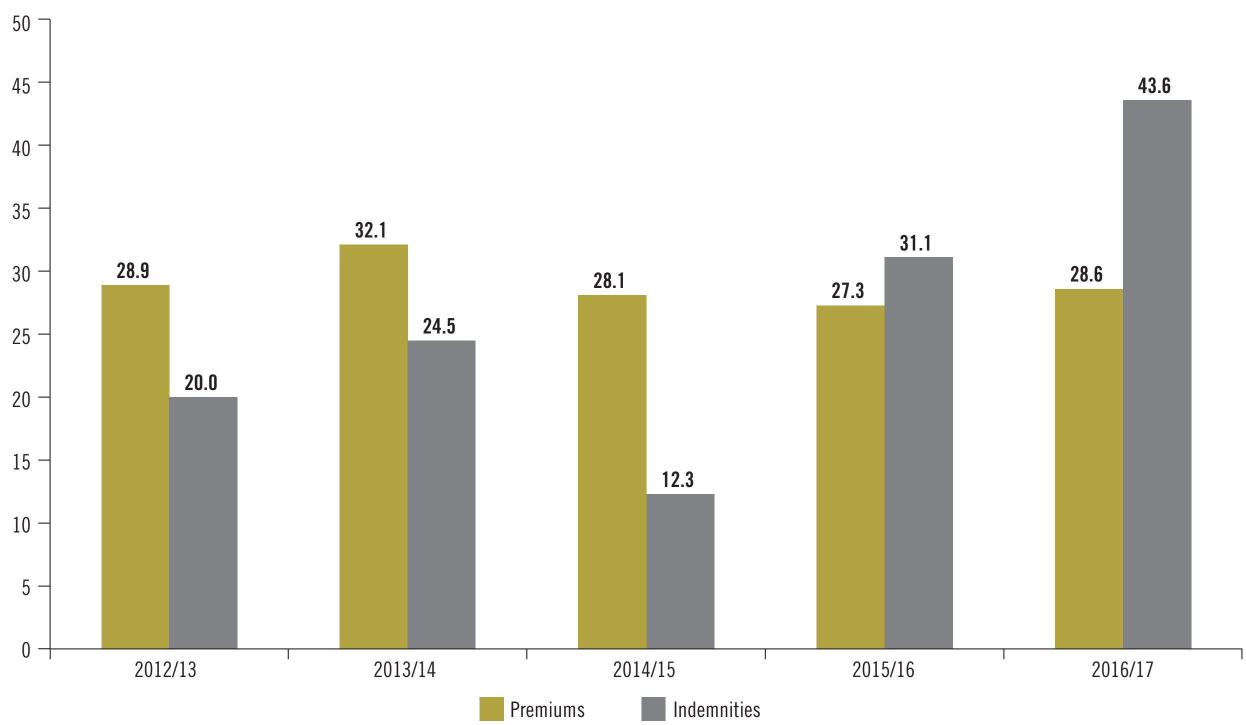


TABLE 2 – Insurance Statistics – 2012/13 to 2016/17

AgriInsurance	2012/13	2013/14	2014/15	2015/16	2016/17
Number of producer contracts	9,196	9,076	8,891	8,635	8,385
Insured acres (millions)	9.6	9.8	9.8	9.7	9.6
Total coverage (liability) ($ millions)	2,376.8	2,703.8	2,210.7	2,252.5	2,453.7
Producer premiums ($ millions)	105.3	116.8	94.3	92.7	88.1
Total premiums ($ millions)	258.2	289.1	232.8	226.1	217.6
Average coverage level selected (%)	77.2	77.5	77.6	77.5	77.5
Number of claims paid	8,098	5,167	9,141	6,806	5,062
Indemnities paid ($ millions)	177.4	94.0	171.4	117.6	81.1
Income for the year ($ millions)	19.9	119.8	32.1	77.6	110.1
Funds retained, end of year ($ millions)	95.2	215.1	247.2	324.8	434.9
Indemnities to total premium ratio (%)	69	33	74	52	37
Indemnities to coverage ratio (%)	7.5	3.5	7.8	5.2	3.3
Hail Insurance	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**
Number of producer contracts	4,811	4,568	4,114	4,289	4,144
Insured acres (millions)	5.1	4.9	4.3	4.8	4.7
Total coverage (liability) ($ millions)	850.8	915.2	809.7	892.1	887.0
Premiums, prior to discounts ($ millions)	28.9	32.1	28.1	27.3	28.6
Number of claims paid	1,746	2,022	1,125	2,782	3,746
Indemnities paid ($ millions)	20.0	24.5	12.3	31.1	43.6
Income (loss) for the year ($ millions)	3.1	1.5	10.4	(10.5)	(15.8)
Funds retained, end of year ($ millions)	70.1	71.6	82.0	71.6	55.8
Indemnities to premium ratio (%)	69	76	44	114	152
Indemnities to coverage ratio (%)	2.4	2.7	1.5	3.5	4.9

Note: The above statistics are based on the insurance crop year and, as such, may not correspond exactly to the 2016/17 financial statements.

Western Livestock Price Insurance Program

Introduced to Manitoba in 2014 as a four-year pilot, 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 with coverage 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 during the policy's claim period, an indemnity payment is triggered, regardless of the market price actually realized for the individual's livestock.

Livestock price insurance was first implemented for Alberta producers in 2009 through the Agriculture Financial Services Corporation (AFSC). Producers in Manitoba, Saskatchewan and British Columbia were able to participate in the program starting in April 2014. MASC is the insurer for Manitoba producers, with the Internet application, premium payment and indemnity settlement being handled by AFSC (on behalf of MASC). A paper process for buying policies was implemented in May 2016 as an alternative to the Internet-based approach. AFSC's administrative expenses are shared by the participating provinces.

For the year ending March 31, 2017, Manitoba's share of AFSC's administrative expenses was $641,000 (20% of the total). In addition, MASC directly incurred $207,000 in expenses, bringing Manitoba's total expenses to $848,000 (2015/16 - $821,000). Administration for this program is cost-shared 60% by Canada and 40% by Manitoba. Canada is providing deficit financing for WLPIP for the duration of the pilot program; however, any deficit on account of Manitoba producers at the end of the four-year pilot will be the responsibility of the Manitoba Government.

In 2016/17, Manitoba producers purchased 498 WLPIP policies. The total insurance coverage was $40.5 million, with indemnities of $1.7 million. Table 3 provides a summary of the insurance protection that was provided in 2016/17 compared to the previous year of the program.

TABLE 3 – Western Livestock Price Insurance Program – Manitoba Statistics 2016/17

Livestock Type	Number of Livestock Insured		Coverage (000)		Premium (000)		Indemnities (000)	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
Calves	16,365	28,391	$25,614.7	$31,184.3	$252.7	$740.6	$604.3	$1,615.8
Feeder Cattle	4,353	3,895	8,023.1	4,799.0	134.8	154.7	74.4	71.4
Fed Cattle	499	2,740	1,006.0	4,554.1	24.2	127.8	34.9	15.0
Hogs	-	-	-	-	-	-	-	-
TOTAL	**21,217**	**35,026**	**$34,643.8**	**$40,537.4**	**$411.7**	**$1,023.1**	**$713.6**	**$1,702.2**

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, to assist in the creation and expansion of operations in rural Manitoba.

The **Bridging Generations Initiative** supports young farmers (under the age of 40) with the inter-generational transfer of assets by providing flexible financing options and Young Farmer Rebates.

MASC's lending activities continue to be targeted to the next generation of Manitoba producers. In 2016/17, MASC issued 726 Direct Loans totalling $116.9 million to producers under the age of 40. This represented 69% of the number of Direct Loans issued in 2016/17, and 72% of the total dollar amount of Direct Loans issued.

MASC's **Flexible Financing** options give young farmers a choice between 90% financing or five years of interest-only payments, thereby 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 2016/17, MASC approved 197 loans for $42.3 million under the 90% financing and the five-year interest-only options.

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 two 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 2016/17, YFRs totalled $1.7 million.

Loans

MASC provides short, intermediate and long-term financing at reasonable interest rates to eligible Manitoba agricultural producers and rural businesses. Clients are not penalized for prepaying 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 4, as of March 31, 2017, MASC had 5,528 loans outstanding with current balances totalling $665.0 million.

Direct Loans are available for purposes such as: the purchasing of agricultural land and buildings, agricultural equipment, breeding livestock, and quota for supply managed commodities; constructing or renovating farm buildings, including farm homes, greenhouses and nurseries; consolidating and refinancing debts; and financing operating expenses.

Also included in the Direct Loan category are Alternate Energy Loans and Environmental Enhancement Loans. Alternate Energy Loans are available to finance the capital costs associated with alternate energy projects such as ethanol, bio-diesel, biomass and wind energy production. Environmental Enhancement Loans provide financial assistance to producers to improve the environmental sustainability of their operations.

In 2016/17, MASC approved 1,062 new Direct Loans for a total of $163.3 million, an increase of 6% in the total new loan amount from the previous year. As of March 31, 2017, MASC's total Direct Loan portfolio was $600.9 million (4,854 loans). As shown in Figure 4, the Direct Loans issued in 2016/17 were used predominantly for purchasing land and buildings (54%), consolidating debt (15%) and refinancing (8%).

Stocker Loans provide producers with short-term financing to purchase feeder cattle or lambs, or as a cash advance on their own retained feeder animals. MASC issued 314 Stocker Loans in 2016/17 (up 6% from 2015/16) for a total value of $35.6 million. As of March 31, 2017, the Stocker Loan portfolio consisted of 288 loans for $29.1 million.

Comprehensive Refinancing Loans assist existing MASC clients who are experiencing financial difficulty. In 2016/17, 15 refinancing loans were approved, which was a 67% increase from 2015/16, while the associated dollar amount increased 14% to $3.3 million. As of March 31, 2017, the Comprehensive Refinancing Loan portfolio consisted of 302 loans for $20.7 million.

Enterprise Development Loans provide financial support for Manitoba Government initiatives that are aimed at developing and diversifying the rural economy. As of March 31, 2017, there was one outstanding Enterprise Development Loan for $4.0 million.

Emergency Assistance Loans are one-time loan programs designed to deal with specific emergency situations, and have included: Manitoba Hog Assistance Loans, BSE Recovery Loans, Enhanced Flood Proofing Assistance Loans and Producer Recovery Loans. There were no new loan programs in this category in 2016/17; however, existing portfolios remain in run-off status. As of March 31, 2017, there were a total of 83 loans outstanding for $10.3 million.

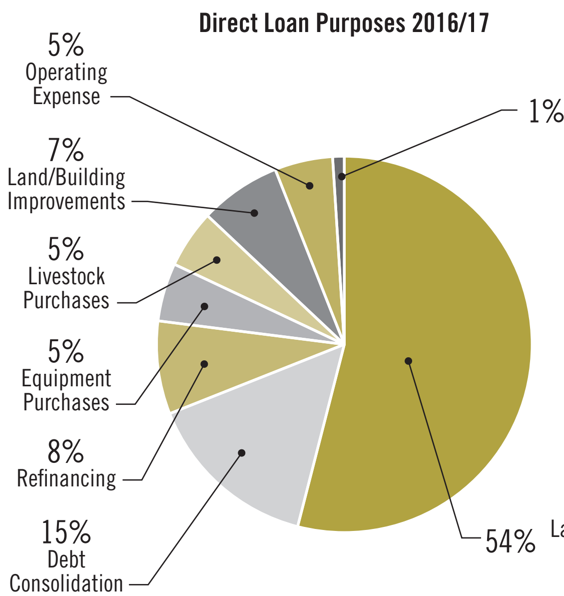
Property Management
As a result of debt settlement negotiations and foreclosure proceedings, MASC occasionally acquires title to land. During 2016/17, MASC did not acquire any property, however, one long-term lease was sold reducing the inventory of land to 1,587 acres as of March 31, 2017. All of this land is under long-term leases through the Land Lease Option Program, which operated from 1974 to 1977, and involved purchasing farmland from willing sellers and leasing it to qualified producers.

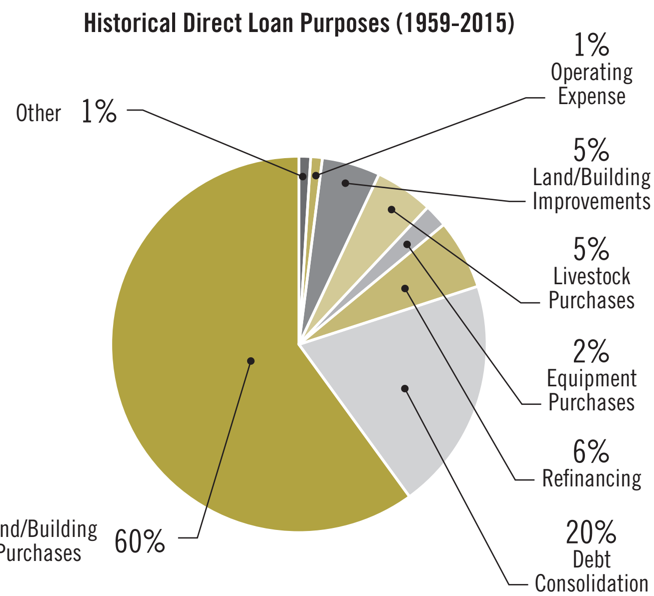
TABLE 4 - Loan Summary

	Approvals 2015/16		Approvals 2016/17		Outstanding as of March 31, 2017	
	Number	Millions	Number	Millions	Number	Millions
Direct Loans[1]	977	$154.7	1,062	$163.3	4,854	$600.9
Stocker Loans	297	48.8	314	35.6	288	29.1
Comprehensive Refinancing Loans	9	2.9	15	3.3	302	20.7
Enterprise Development Loans	-	-	-	-	1	4.0
Manitoba Hog Assistance Loans[2]	-	-	-	-	13	8.6
BSE Recovery Loans[2]	-	-	-	-	58	1.5
Enhanced Flood Proofing Assistance Loans[2]	-	-	-	-	12	0.2
TOTAL	**1,283**	**$206.4**	**1,391**	**$202.2**	**5,528**	**$665.0**

1 Includes Environmental Enhancement, Alternate Energy and Onsite Wastewater Management Systems Loans
2 Emergency Assistance Loans that are still outstanding and in run-off

FIGURE 4 – Direct Loan Purposes





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. Without MASC's guarantees, these loans would either not be made, or would involve significantly higher interest rates that would hamper the viability of the undertaking. This partnership between MASC and private sector lenders provides agricultural producers and rural entrepreneurs with opportunities to develop and expand their operations, by encouraging financing that the private sector generally considers to be higher risk. As shown in Table 5, as of March 31, 2017, MASC had 473 outstanding loan guarantees amounting to $77.9 million, which facilitated loans by participating lenders totalling $280.8 million. MASC does not charge any fees for loan guarantees. With the exception of the Diversification Loan Guarantee Program, all loan guarantees are subject to maximum amounts.

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 2016/17, MASC approved 26 guarantees on loans totalling $16.2 million. As of March 31, 2017, MASC had 189 active loan guarantees with related loan amounts of $201.4 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 members of livestock associations with more favourable financing terms than they would be able to access individually. In addition, members benefit from 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. As of March 31, 2017, there were eight associations with 122 active members, and an approved maximum total loan amount of $32.6 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 the actual eligible loss incurred by the participating private lender, up to 25% of the maximum amount advanced under a line of credit. The guarantee facilitates financing that otherwise would likely not be offered by private sector lending institutions. As of March 31, 2017, MASC had 98 active guarantees with a maximum total loan amount of $34.4 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 guarantees 75% of the actual eligible loss incurred by the participating private sector lender, up to 25% of the maximum amount advanced under a line of credit. The guaranteed lines of credit may be used to purchase inventory, finance receivables and cover general operating expenses. As of March 31, 2017, there were three active guarantees with a total loan amount of $0.2 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. In 2016/17, 34 guarantees were approved through REA on loans totalling $4.0 million. As of March 31, 2017, the REA portfolio had 175 active guarantees with related outstanding loans of $12.2 million.

FIGURE 5 – Five Year Lending Statistics – Year End Totals ($ Millions)

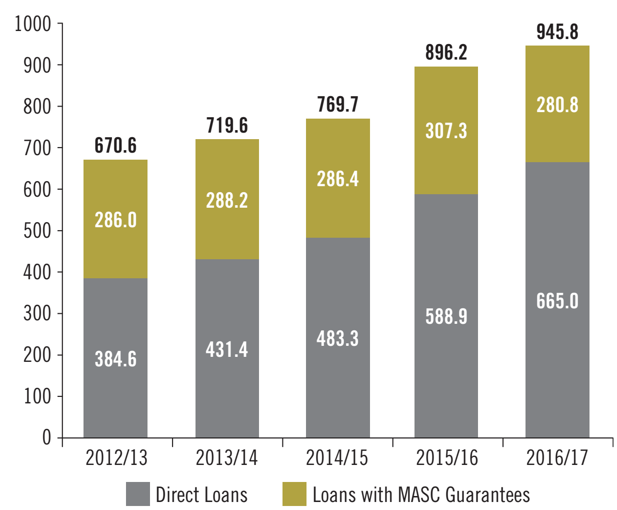


TABLE 5 – Loan Guarantee Summary

	Loan Approvals 2015/16		Loan Approvals 2016/17		Related Outstanding Loans by Lending Institutions as of March 31, 2017		Outstanding Loan Guarantees as of March 31, 2017
	Number	Millions	Number	Millions	Number	Millions	Millions
Diversification Loan Guarantees	26	$27.4	26	$16.2	189	$201.4[1]	$50.3
Manitoba Livestock Associations Loan Guarantees	8	30.9	8	32.6	8	32.6[1]	8.1
Operating Credit Guarantees for Agriculture	96	34.4	98	35.2	98	34.4[1]	8.6
Operating Credit Guarantees for Rural Small Business	3	0.2	3	0.1	3	0.2[1]	0.1
Rural Entrepreneur Assistance	33	3.8	34	4.0	175	12.2[2]	10.8
TOTAL	**166**	**$96.7**	**169**	**$88.1**	**473**	**$280.8**	**$77.9**

[1] Amounts represent the original amounts for loans that were guaranteed under the program as of March 31, 2017.
[2] Amounts represent the participating lending institutions' loan balances as of March 31, 2017 for loans guaranteed by MASC.

TABLE 6 – Agricultural Lending Activity by Sector (as of March 31, 2017)

Primary Enterprise	Direct Lending	Manitoba Livestock Associations Loan Guarantees	Operating Credit Guarantees for Agriculture	Diversification Loan Guarantees	TOTAL
	%	%	%	%	%
Grains/Oilseeds	59.6	-	58.6	0.2	**54.8**
Potatoes	0.1	-	2.9	4.8	**0.5**
Other Crops	1.3	-	2.3	3.5	**1.4**
Cattle	32.1	100.0	14.4	0.5	**30.5**
Hogs	1.4	-	8.7	22.8	**3.0**
Poultry	0.8	-	0.4	9.5	**1.4**
Dairy	2.5	-	1.9	53.0	**5.9**
Other	2.2	-	10.8	5.7	**2.5**
Total by Program	**100.0**	**100.0**	**100.0**	**100.0**	**-**
Share of All Programs (%)	**90.8**	**1.1**	**1.2**	**6.9**	**100.0**

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

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. There were no new emergency assistance programs delivered in 2016/17.

Wildlife Damage Compensation

The Wildlife Damage Compensation Program reduces financial losses to producers caused by livestock predators, big game and migratory waterfowl. If a producer takes reasonable steps to mitigate damage, the program compensates for 90% of a producer's loss, 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 2016/17, Wildlife Damage Compensation payments and related administration totalled $8.1 million, up from $4.8 million in the previous year. Administration for 2016/17 was 10.3% of the total program cost. Table 7 provides a breakdown by type of damage.

TABLE 7 – Wildlife Damage Compensation Program

Type of Damage	Number of Claims		Compensation (000)		Administration (000)		Total (000)	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
Big Game	792	1,069	$2,144.4	$4,365.4	$265.5	$467.9	$2,409.9	$4,833.3
Waterfowl	226	352	559.7	1,221.1	64.4	101.6	624.1	1,322.7
Livestock Predation	1,803	1,909	1,557.5	1,645.5	218.5	257.5	1,776.0	1,903.0
TOTAL	**2,821**	**3,330**	**$4,261.6**	**$7,232.0**	**$548.4**	**$827.0**	**$4,810.0**	**$8,059.0**

Farmland School Tax Rebate

Since 2005, MASC has been responsible for administering the Manitoba Government's Farmland School Tax Rebate Program. As of March 31, 2017, MASC had disbursed rebates for the 2016 tax year to 25,930 applicants totalling $37.5 million, with incurred administrative expenses of $532,000 (1.3% of the estimated total program cost). Details are provided in Table 8.

TABLE 8 – Farmland School Tax Rebates (as of March 31, 2017)

Program Year	Rebate Level (subject to capping)	Applications Paid	Actual Rebate Paid to March 31, 2017 (Millions)	Provision for Future Rebates (Millions)	Estimated Total Rebate (Millions)
2012	80%	34,221	$39.6	$0.0	$39.6
2013[1]	80%	28,516	$31.5	$0.0	$31.5
2014	80%	27,928	$33.2	$0.0	$33.2
2015	80%	27,872	$33.7	$0.0	$33.7
2016[2]	80%	25,930	$37.5	$2.4	$39.9

[1] 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.

[2] Represents less than a full year of activity.

Inspection Services

In support of Manitoba's agricultural sector, MASC provides inspection services at a reasonable cost. In 2016/17, MASC provided crop adjusting services in situations where windmill construction or maintenance activities resulted in crop damage; completed third-party crop loss appraisals for private sector property insurers; provided inspection services for pedigreed seed status; collected canola stems for the Canadian Food Inspection Agency as part of a verticillium wilt disease survey; and conducted livestock inspections for the Manitoba Livestock Cash Advance Program. Total revenue of $26,000 was generated by these services.

Manitoba Agricultural Services Corporation

FINANCIAL STATEMENTS

MASC
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
Jared Munro
Acting President and CEO

Original signed by
Fern Comte
Chief Financial Officer

July 24, 2017

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

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, 2017, 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, 2017, 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.

Office of the Auditor General

Office of the Auditor General
Winnipeg, Manitoba
July 24, 2017

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2017 | IN THOUSANDS OF DOLLARS

	NOTE	March 31, 2017	March 31, 2016
FINANCIAL ASSETS			
Cash		**$ 6,445**	$ 6,042
Accounts receivable	8	**4,772**	4,161
Receivables from the Province of Manitoba	9	**15,488**	12,498
Receivables from the Government of Canada	10	**8,283**	6,243
Investments	11	**510,048**	412,578
Loans receivable	12	**647,225**	568,427
Total Financial Assets		**$ 1,192,261**	$ 1,009,949
LIABILITIES			
Accounts payable and accrued liabilities	13	**$ 20,586**	$ 15,438
Claims payable	14	**19,058**	11,401
Loans from the Province of Manitoba	15	**668,752**	595,478
Provisions for losses on guaranteed loans	16	**14,514**	14,853
Future employee benefits	17	**8,890**	8,834
Total Liabilities		**$ 731,800**	$ 646,004
Net Financial Assets		**$ 460,461**	$ 363,945
NON-FINANCIAL ASSETS			
Inventories held for use	2	**$ 247**	$ 274
Prepaid expenses	2	**108**	112
Tangible capital assets	2	**240**	300
Total Non-Financial Assets		**$ 595**	$ 686
Accumulated surplus		**$ 461,056**	$ 364,631
Loan guarantees and contingencies	16		
Commitments	18		

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

Approved by the Board:

Original signed by
Jim Wilson
Chair, Board of Directors

Original signed by
Charles Mayer
Vice Chair, Board of Directors

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2017 | IN THOUSANDS OF DOLLARS

	2017 BUDGET	2017 ACTUAL	2016 ACTUAL
REVENUE			
Premiums from insured producers	$ 118,709	**$ 116,029**	$ 118,560
Interest from loans	23,712	**26,766**	24,411
Contribution from the Province of Manitoba	100,339	**98,273**	94,637
Contribution from the Government of Canada	90,868	**89,103**	89,385
Reinsurance recoveries	-	**6,621**	-
Investment income	3,055	**3,552**	2,898
Other income	195	**296**	156
	336,878	**340,640**	330,047
EXPENSE			
Lending Programs	27,130	**22,523**	25,905
AgriInsurance Program	244,609	**121,002**	160,410
Hail Insurance Program	31,671	**50,109**	37,274
Wildlife Damage Compensation Program	4,533	**8,059**	4,810
Farmland School Tax Rebate Program	36,039	**40,383**	34,006
Western Livestock Price Insurance Program	2,186	**2,695**	1,598
Other Programs	95	**(556)**	(52)
	346,263	**244,215**	263,951
Income for the year	$ (9,385)	**96,425**	66,096
Accumulated surplus, beginning of year		**364,631**	298,535
Accumulated surplus, end of year		**$ 461,056**	$ 364,631

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, 2017 | IN THOUSANDS OF DOLLARS

	2017 ACTUAL	2016 ACTUAL
Income for the year	**$ 96,425**	$ 66,096
Tangible capital assets		
Acquisition of tangible capital assets	**-**	(53)
Amortization of tangible capital assets	**60**	67
	60	14
Other non-financial assets		
Disposal of inventory held for use	**27**	-
Decrease in prepaid expenses	**4**	21
	31	21
Increase in net financial assets	**96,516**	66,131
Net financial assets, beginning of year	**363,945**	297,814
Net financial assets, end of year	**$ 460,461**	$ 363,945

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2017 | IN THOUSANDS OF DOLLARS

	2017	2016
Cash provided by (used for):		
OPERATING		
Income for the year	$ 96,425	$ 66,096
Amortization of tangible capital assets	60	67
	96,485	66,163
Changes in:		
Receivables	(5,641)	3,343
Loans receivable	(3,624)	(152)
Accounts payable and accrued liabilities	5,148	(5,787)
Claims payable	7,657	(5,552)
Provisions for losses on guaranteed loans	(339)	(338)
Future employee benefits	56	(16)
Prepaid expenses	4	21
Inventories held for use	27	-
Cash provided by operating activities	99,773	57,682
CAPITAL		
Acquisition of tangible capital assets	-	(53)
Cash used for capital activities	-	(53)
INVESTING		
Investments purchased	(1,084)	(14,000)
Loans disbursed	(201,162)	(210,930)
Loan principal received	125,988	106,315
Cash used for investing activities	(76,258)	(118,615)
FINANCING		
Debt repayments to the Province of Manitoba	(133,226)	(97,583)
Loans from the Province of Manitoba	206,500	210,512
Cash provided by financing activities	73,274	112,929
Net increase in cash and cash equivalents	96,789	51,943
Cash and cash equivalents, beginning of year	313,620	261,677
Cash and cash equivalents, end of year	$ 410,409	$ 313,620
Cash and cash equivalents are comprised of the following:		
Investments	$ 510,048	$ 412,578
Investments with terms greater than 90 days	(106,084)	(105,000)
Investments with terms of 90 days or less	403,964	307,578
Cash	6,445	6,042
	$ 410,409	$ 313,620
Supplemental Cash Flow Information		
Interest paid	$ 18,552	$ 17,351
Interest received	$ 30,211	$ 27,439

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

NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2017 | 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 agricultural producers, loan guarantees, AgriInsurance and Hail Insurance. MASC also delivers the Wildlife Damage Compensation Program, Farmland School Tax Rebate Program, Western Livestock Price Insurance 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 are 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 Manitoba Civil Service Superannuation Fund plan, which is a multi-employer joint trustee pension 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 Life beginning in the year of the actuarial valuation.

Note 17 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 AgriInsurance 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 AgriInsurance premiums. For most AgriInsurance 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; 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; and the Hay Disaster Benefit, which is paid 60% by the Government of Canada and 40% 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 AgriInsurance 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 receivable, 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 2016/17 budget in August 2016. MASC's approved budget includes provincial funding of $100,339,000. Inspection Services is budgeted under Other Programs, while other activities such as emergency assistance programming are not budgeted. The table below provides the budgeted amounts for 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	**$ 100,433**	$ 90,835
Non-cash items*	**(94)**	33
Funding approved by MASC's Board of Directors	**$ 100,339**	$ 90,868

*Includes items such as amortization and unfunded pension expense.

(B) Lending Programs

The Lending Programs' accumulated deficit of $29,523,000 (2016 - $32,403,000) is mainly comprised of the provision for loan losses and the provision for losses on guaranteed loans. The Province of Manitoba only funds loan losses when they are written off or when an eligible claim is submitted by a private sector financial institution for a loan guarantee. Annual changes to the provisions are not funded, but are part of MASC's budget.

(C) 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 level of 80% remained unchanged from the 2014 tax year to the 2016 tax year. The 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 and/or the applicant's spouse or common-law partner. Eligible individuals and corporations who apply must be Manitoba residents. The application deadline is March 31 of the year following the taxation year.

Included in the 2016 tax rebates is a provision of $2,429,000 for rebates that have been applied for and are in process of payment as of March 31, 2017. A provision of $28,000 remains for pre-2016 rebates that are in process of payment. The Province of Manitoba pays for the full cost of the Farmland School Tax Rebate Program.

6. WESTERN LIVESTOCK PRICE INSURANCE PROGRAM

Introduced in Manitoba as a four-year pilot, 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. Livestock price insurance was first implemented for Alberta producers in 2009 through the Agriculture Financial Services Corporation (AFSC). Producers in Manitoba, Saskatchewan and British Columbia were able to participate in the program starting in April 2014. In Manitoba, MASC is the insurer, with the application, premium payment and indemnity settlement being handled by AFSC (on behalf of MASC). AFSC's administrative expenses are shared by the participating provinces with MASC paying 20% of the cost. Participating producers pay 100% of the insurance premiums, with Canada and Manitoba sharing the administration expenses 60% and 40%, respectively. Canada is providing a financial backstop for WLPIP for the duration of the pilot. Any deficit on account of Manitoba producers at the end of the four-year pilot will be the responsibility of the Province of Manitoba. Indemnities totalled $1,702,000 in 2017 (2016 - $714,000).

7. OTHER PROGRAMS

(A) Inspection Services

In support of Manitoba's agricultural sector, MASC provides inspection services at a reasonable cost. These services include such things as assisting in adjusting hail claims for another province, third-party loss appraisals for private sector property insurers, and on-farm livestock inspections for the Manitoba Livestock Cash Advance Program. Inspection Services revenue totalled $26,000 in 2017 (2016 - $95,000).

(B) Flood 2011 - Building and Recovery Action Plan

In May 2011, MASC was given the responsibility of administering emergency assistance programs announced under the Flood 2011 - Building and Recovery Action Plan. These programs provided compensation for flood protection measures, property damage, income loss and feed and transportation costs for livestock. Total compensation payments of $121,001,000 include a provision for outstanding claims of $1,689,000. Administrative expenses are estimated to be $12,555,000. The programs total cost of $133,556,000 was funded by the Province of Manitoba.

(C) 2011 Manitoba AgriRecovery Programs

In June 2011, MASC was given the responsibility of administering emergency assistance programs to provide financial assistance for the restoration, maintenance and rehabilitation of farms that were impacted by excess moisture and flooding in 2011. Total compensation payments of $138,991,000 include a provision for outstanding claims of $45,000. Administrative expenses are estimated to be $1,555,000. The programs total cost of $140,546,000 was funded by the Government of Canada ($74,376,000) and the Province of Manitoba ($66,170,000).

(D) 2014 Canada-Manitoba Forage Shortfall and Transportation Assistance Initiative

In October 2014, MASC became responsible for the administration of the 2014 Canada-Manitoba Forage Shortfall and Transportation Assistance Initiative. The purpose of the program was to provide assistance to Manitoba livestock producers who experienced extraordinary costs caused by elevated water levels or excess moisture conditions in 2014. The program included a forage shortfall component that provided feed assistance to producers in the Lake Manitoba, Lake Winnipegosis and Lake St. Martin regions to maintain their breeding herds, as well as an all-province transportation component that provided assistance for extraordinary costs incurred in transporting feed to livestock or livestock to feed. Compensation payments totalling $3,375,000 were made to producers. Total administrative expenses for the program were $278,000. The program's total cost of $3,653,000 was funded by the Government of Canada ($2,205,000) and the Province of Manitoba ($1,448,000).

(E) 2014 Portage Diversion Fail-Safe Compensation Program

In October 2014, MASC became responsible for the administration of the 2014 Portage Diversion Fail-Safe Compensation Program. The purpose of the program was to provide financial assistance to Manitoba agricultural producers affected by 2014 flooding as a result of the operation of the Portage Diversion fail-safe structure. The program was funded entirely by the Province of Manitoba. Total compensation payments of $1,441,000 include a provision for outstanding claims of $290,000. Administrative expenses are estimated to be $24,000.

8. ACCOUNTS RECEIVABLE

	2017	2016
Amounts from insured persons:		
AgriInsurance	$ **4,177**	$ 3,616
Hail Insurance	**882**	753
Other	**1,694**	1,216
	6,753	5,585
Less provision for credit losses	**(1,981)**	(1,424)
	$ **4,772**	$ 4,161

The provisions for credit losses of $1,981,000 (2016 - $1,424,000) 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.

9. RECEIVABLES FROM THE PROVINCE OF MANITOBA

	2017	2016
AgriInsurance premiums (Note 2(K))	$ **6,798**	$ 3,830
Administrative expenses	**1,598**	1,558
Pension liability	**6,282**	6,300
Severance liability	**429**	429
Vacation pay liability	**169**	169
Other Programs (Note 7)	**212**	212
	$ **15,488**	$ 12,498

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 $6,282,000 as of March 31, 2017 (2016 - $6,300,000), and has recorded a decrease under other contributions from the Province of Manitoba for 2016/17 equal to the related pension reduction of $18,000 (2016 - $100,000 reduction). 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, 2017, the receivable for severance pay liability was $429,000 (2016 - $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, 2017, the receivable for vacation pay liability was $169,000 (2016 - $169,000).

10. RECEIVABLES FROM THE GOVERNMENT OF CANADA

	2017	2016
AgriInsurance Program	**$ 6,122**	$ 5,749
Wildlife Damage Compensation Program	**1,485**	198
Western Livestock Price Insurance Program	**471**	90
Other Programs	**205**	206
	$ 8,283	$ 6,243

11. INVESTMENTS

MASC's investments as of March 31, 2017 consist of the following:

Maturity Terms	Average Interest Rate	Lending Programs	AgriInsurance Program	Hail Insurance Program	Farmland School Tax Rebate Program	Other Programs	2017	2016
90 days or less	0.638%	$ 10,000	$ 371,322	$ 9,682	$ 3,310	$ 9,240	**$ 403,554**	$ 307,275
1 year	1.014%	-	62,084	-	-	-	**62,084**	50,000
3 years	1.212%	-	-	23,000	-	-	**23,000**	29,000
5 years	1.922%	-	-	21,000	-	-	**21,000**	26,000
	0.763%	10,000	433,406	53,682	3,310	9,240	**509,638**	412,275
Accrued Interest		-	321	84	-	5	**410**	303
		$ 10,000	$ 433,727	$ 53,766	$ 3,310	$ 9,245	**$ 510,048**	$ 412,578

12. LOANS RECEIVABLE

MASC's loans receivable as of March 31, 2017 consist of the following:

	2017			2016		
	Regular Program Loans	Special Assistance Loans*	**Total**	Regular Program Loans	Special Assistance Loans*	Total
Recorded investment	$ 641,098	$ 14,069	**$ 655,167**	$ 563,600	$ 16,014	$ 579,614
Specific provision	(1,868)	(8,971)	**(10,839)**	(1,761)	(11,823)	(13,584)
General provision	(6,701)	(161)	**(6,862)**	(6,251)	(407)	(6,658)
Unamortized discount on loans with concessionary interest	-	(90)	**(90)**	-	(270)	(270)
	632,529	4,847	**637,376**	555,588	3,514	559,102
Accrued interest	9,599	250	**9,849**	9,027	298	9,325
Net carrying value	$ 642,128	$ 5,097	**$ 647,225**	$ 564,615	$ 3,812	$ 568,427

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

Impaired loans included in the preceding schedule:

	2017			2016		
	Regular Program Loans	Special Assistance Loans*	**Total**	Regular Program Loans	Special Assistance Loans*	Total
Impaired loan balance	$ 20,818	$ 12,327	**$ 33,145**	$ 17,150	$ 15,149	$ 32,299
Specific provision	(1,868)	(8,971)	**(10,839)**	(1,761)	(11,823)	(13,584)
	$ 18,950	$ 3,356	**$ 22,306**	$ 15,389	$ 3,326	$ 18,715

*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, 2017. A total of $1,453,000 (2016 - $1,443,000) of interest on impaired loans was included in revenue for the year ended March 31, 2017.

Provisions for impaired loans:

	2017			2016		
	Regular Program Loans	Special Assistance Loans*	**Total**	Regular Program Loans	Special Assistance Loans*	Total
Beginning provision balance	$ 8,012	$ 12,230	**$ 20,242**	$ 5,212	$ 14,031	$ 19,243
Write-offs, net of recoveries	(227)	(96)	**(323)**	(997)	(310)	(1,307)
Provision (recovery) expense	784	(3,002)	**(2,218)**	3,797	(1,491)	2,306
Ending provision balance	$ 8,569	$ 9,132	**$ 17,701**	$ 8,012	$ 12,230	$ 20,242

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

Included in loans receivable is a specific provision of $10,839,000 (2016 - $13,584,000) and a general provision of $6,862,000 (2016 - $6,658,000) that are subject to measurement uncertainty. The resulting amount established for specific and general provisions of $17,701,000 (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 types of assets. The estimated value of such tangible securities is $1,084,668,000 (2016 - $990,355,000).

Remaining terms to maturities are as follows:

	2017			2016		
	Regular Program Loans	Special Assistance Loans*	**Total**	Regular Program Loans	Special Assistance Loans*	Total
Less than 5 years	$ 85,599	$ 10,069	**$ 95,668**	$ 84,416	$ 11,998	$ 96,414
5 years to up to 10 years	93,238	-	**93,238**	85,943	16	85,959
10 years to up to 15 years	104,801	4,000	**108,801**	101,965	4,000	105,965
15 years to up to 20 years	170,756	-	**170,756**	159,201	-	159,201
More than 20 years	186,704	-	**186,704**	132,075	-	132,075
Recorded investment	$ 641,098	$ 14,069	**$ 655,167**	$ 563,600	$ 16,014	$ 579,614

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

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at March 31, 2017 consist of the following:

	Lending Programs	AgriInsurance Program	Wildlife Damage Compensation Program	Farmland School Tax Rebate Program	Western Livestock Price Insurance Program	Other Programs	2017	2016
Accounts payable - general	$ -	$ 7,246	$ 24	$ 662	$ 190	$ 579	**$ 8,701**	$ 6,025
Salaries and benefits	2	315	65	2	-	320	**704**	1,530
Accrued vacation pay	-	1,270	-	-	-	-	**1,270**	1,207
Other*	216	3,270	-	-	115	6,310	**9,911**	6,676
	$ 218	$ 12,101	$ 89	$ 664	$ 305	$ 7,209	**$ 20,586**	$ 15,438

*Other accounts payable of $6,310,000 includes amounts owing to the Province of Manitoba ($6,299,000) and the Government of Canada ($11,000) for various other programs administered by MASC.

14. CLAIMS PAYABLE*

	2017	2016
AgriInsurance Program	**$ 12,165**	$ 6,281
Hail Insurance Program	**93**	25
Wildlife Damage Compensation Program	**2,282**	380
Farmland School Tax Rebate Program	**2,494**	1,836
Other Programs	**2,024**	2,879
	$ 19,058	$ 11,401

*Includes claims approved but not paid as well as provisions for outstanding claims.

15. 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, 2017 interest rates ranging from 1.1% to 7.625% (2016 – 1.025% to 7.625%).

Maturities of Principal Over the Following Terms	2017	2016
1 year	**$ 175,432**	$ 132,903
2 years	**69,564**	64,289
3 years	**61,980**	60,606
4 years	**56,306**	52,791
5 years	**41,510**	46,854
More than 5 years	**263,960**	238,035
	$ 668,752	$ 595,478

16. LOAN GUARANTEES AND CONTINGENCIES

(A) Contingent liabilities and the corresponding provisions for MASC's loan guarantee programs as of March 31, 2017 are shown below:

	2017			2016		
	Contingent Liability	Provision for Losses	**Net Contingent Liability**	Contingent Liability	Provision for Losses	Net Contingent Liability
Operating Credit Guarantees for Agriculture	$ 8,601	$ (860)	**$ 7,741**	$ 8,658	$ (865)	$ 7,793
Operating Credit Guarantees for Rural Small Business	45	(4)	**41**	87	(9)	78
Manitoba Livestock Associations Loan Guarantees	8,152	(1,223)	**6,929**	7,739	(1,161)	6,578
Diversification Loan Guarantees	50,346	(10,196)	**40,150**	57,410	(11,074)	46,336
Rural Entrepreneur Assistance Program	10,763	(2,231)	**8,532**	10,346	(1,744)	8,602
	$ 77,907	$ (14,514)	**$ 63,393**	$ 84,240	$ (14,853)	$ 69,387

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

	2017	2016
Beginning provision balance	**$ 14,853**	$ 15,191
Write-offs, net of recoveries	**(55)**	(227)
Provision expense (recovery)	**(284)**	(111)
Ending provision balance	**$ 14,514**	$ 14,853

The Operating Credit Guarantee for Agriculture Program was introduced in 2003, replacing the Guaranteed Operating Loan Program. MASC guarantees the actual eligible loss incurred by the participating private lender up to 25% of the maximum amount advanced under an individual's line of credit. 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. MASC guarantees 75% of the actual eligible loss incurred by the participating private sector lender based on 25% of the maximum amount advanced under an individual's line of credit. 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 participating livestock association, MASC provides a 25% guarantee to the association's lending institution, based on a maximum loan of $8,000,000 per association.

The Diversification Loan Guarantee Program was introduced in 2001, whereby 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% of the principal amount of a qualifying loan made by participating lenders to small rural non-agricultural businesses. REA guarantees loans up to a maximum of $200,000. MASC assumed administration of the program in 2005.

(B) Certain 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.

17. 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.

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 actuarial valuation as of March 31, 2017 is currently in progress. 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 10 years. For 2016/17, the amortization of the net actuarial loss was $10,000 (2016 - $10,000).

Provision for Severance Liability	2017	2016
Accrued severance obligation, beginning of year	**$ 2,707**	$ 2,626
Benefits accrued	**138**	85
Interest accrued on benefits	**176**	171
Benefits paid	**(258)**	(175)
Actuarial loss	**-**	-
Accrued severance obligation, end of year	**2,763**	2,707
Unamortized actuarial loss	**(91)**	(101)
Provision, end of year	**$ 2,672**	$ 2,606

MASC's Severance Costs Consist of the Following:	2017	2016
Benefits accrued	**$ 138**	$ 85
Interest accrued on benefits	**176**	171
Amortization of experience loss	**10**	10
Severance cost	**$ 324**	$ 266

Pension Liability

MASC's employees are eligible for pension benefits in accordance with the provision of The Civil Service Superannuation Act. Plan members are required to contribute to the Civil Service Superannuation Fund (Fund) at prescribed rates for defined benefits and will receive benefits based on length of service and on the average of annualized earnings calculated on the best five years of service prior to retirement, termination or death that provides the highest earnings. MASC is required to match the contributions made to the Fund by employees at prescribed rates, which is recorded as an operating expense.

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 for this particular group of employees, 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 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 9).

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, 2015 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions include a rate of return of 6.00% (2014 - 6.00%), inflation of 2.00% (2014 - 2.00%), salary inflation rate increases of 3.75% (2014 - 3.75%), discount rate of 6.00% (2014 - 6.00%) 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, 2017, all according to the formula prescribed by the consulting actuary.

The average remaining service life of this group of employees is five years. For 2016/17, the amortization of the net actuarial gain was $52,000 (2016 - $15,000).

Provision for Employer's Share of Employee's Pension Plan	2017	2016
Accrued pension obligation, beginning of year	**$ 6,292**	$ 6,095
Interest accrued on benefits	**377**	395
Benefits paid	**(334)**	(470)
Actuarial (gain) loss	**(224)**	272
Accrued pension obligation, end of year	**6,111**	6,292
Unamortized actuarial gain (loss)	**107**	(64)
Provision, end of year	**$ 6,218**	$ 6,228

MASC's Pension Plan Costs Consist of the Following:	2017	2016
Interest accrued on benefits	**$ 377**	$ 395
Interest earned	**(8)**	(10)
Amortization of experience gain	**(52)**	(15)
Pension cost	**$ 317**	$ 370

18. COMMITMENTS

	2017	2016
Approved, undisbursed loans	**$ 29,546**	$ 28,090
Estimated farm loan incentives	**4,341**	5,012
Operating leases	**306**	326
	$ 34,193	$ 33,428

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 in a run-off situation in respect of existing obligations.

The operating lease commitments are for equipment and vehicles.

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 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:

	2017	2016
Investments	**$ 510,048**	$ 412,578
Accounts receivable	**4,772**	4,161
Receivables from the Province of Manitoba	**15,488**	12,498
Receivables from the Government of Canada	**8,283**	6,243
Loans receivable	**647,225**	568,427
Loan guarantees	**77,907**	84,240
	$ 1,263,723	$ 1,088,147

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 and private reinsurance recoveries. 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. There is a very high probability that MASC will receive full payment for the reinsurance recoveries from the private reinsurers, therefore MASC is not exposed to a significant credit risk.

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 Manitoba Government and economic development loans (referred to as Enterprise 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 2% of MASC's overall lending portfolio.

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

	2017			2016		
	Regular Program Loans	Special Assistance Loans*	**Total**	Regular Program Loans	Special Assistance Loans*	Total
Less than 1 year in arrears	$ 8,985	$ -	**$ 8,985**	$ 4,444	$ -	$ 4,444
1 to 2 years in arrears	3,323	23	**3,346**	1,143	20	1,163
Over 2 years in arrears	-	-	**-**	-	-	-
	$ 12,308	$ 23	**$ 12,331**	$ 5,587	$ 20	$ 5,607

*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 12, is broken down by agricultural sector as shown in the table below:

Loans Receivable by Agricultural Sector

	2017			2016		
	Regular Program Loans	Special Assistance Loans*	**Total**	Regular Program Loans	Special Assistance Loans*	Total
Grains and oilseeds	$ 392,196	$ 1,834	**$ 394,030**	$ 344,477	$ 1,813	$ 346,290
Potatoes	552	-	**552**	386	-	386
Other crops	8,444	51	**8,495**	7,066	47	7,113
Cattle	211,112	1,167	**212,279**	188,669	1,604	190,273
Hogs	2,381	7,019	**9,400**	2,294	8,567	10,861
Poultry	5,311	-	**5,311**	2,835	-	2,835
Dairy	16,277	-	**16,277**	14,348	-	14,348
Other	14,424	4,248	**18,672**	12,552	4,281	16,833
Provisions and concessions	(8,569)	(9,222)	**(17,791)**	(8,012)	(12,500)	(20,512)
	$ 642,128	$ 5,097	**$ 647,225**	$ 564,615	$ 3,812	$ 568,427

* 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, 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	
	2017	2016	**2017**	2016
Grains and oilseeds	**-**	-	**59%**	54%
Potatoes	**5%**	4%	**3%**	6%
Other crops	**3%**	3%	**2%**	2%
Cattle	**-**	-	**14%**	15%
Hogs	**23%**	32%	**9%**	9%
Poultry	**10%**	8%	**-**	-
Dairy	**53%**	48%	**2%**	3%
Other	**6%**	5%	**11%**	11%
	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 eligible 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 or renewable interest rates for the full term of the advance and MASC offers fixed and renewable 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						
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Not Interest Rate Sensitive*	**2017**	2016
Loans Receivable	$ 75,737	$ 171,827	$ 155,208	$ 252,395	$ (7,942)	**$ 647,225**	$ 568,427
Average Interest Rate	4.31%	4.36%	4.39%	4.27%	-	**4.33%**	4.62%
Due to the Province of Manitoba	175,431	229,361	147,503	116,457	-	**668,752**	595,478
Average Interest Rate	2.93%	3.28%	3.32%	3.30%	-	**3.20%**	3.31%
	$ (99,694)	$ (57,534)	$ 7,705	$ 135,938	$ (7,942)	**$ (21,527)**	$ (27,051)

*Includes provisions for impaired loans, unamortized discount on loans with concessionary interest 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 off. Consequently, 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 indemnities 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 AgriInsurance and Hail Insurance, providing significant protection against catastrophic losses. If all of the above are exhausted for AgriInsurance, the Government of Canada and the Province of Manitoba have an agreement in place that provides for unlimited additional funding for claim payments (Note 22). MASC also has the ability to borrow funds from the Province of Manitoba for AgriInsurance and Hail Insurance, if required.

20. ACTUARIAL REVIEW

Actuarial certifications of AgriInsurance premium rates and the financial sustainability of the overall AgriInsurance 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 that the entire 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. The value for interest paid and interest earned are as follows:

	2017	2016
Interest earned on investments from the Province of Manitoba	**$ 3,298**	$ 2,635
Interest paid on loans from the Province of Manitoba	**$ 18,552**	$ 17,351

22. REINSURANCE FUNDS

AgriInsurance

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 AgriInsurance 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 AgriInsurance Program.

	Crop Reinsurance Fund of Canada for Manitoba		Crop Reinsurance Fund of Manitoba	
	2017	2016	**2017**	2016
Opening surplus	**$ 36,024**	$ 36,040	**$ 58,044**	$ 58,060
Current year premium contributions (net)*	**2**	(16)	**2**	(16)
Net book value	**$ 36,026**	$ 36,024	**$ 58,046**	$ 58,044

*For 2016/17, there were no current year premium contributions, as the reinsurance premium rates for the year were zero. The current year premium contributions (net) are the result of prior year adjustments and are shown net of an allowance for uncollectible accounts, which in 2016/17 is a recovery of $4,000 (2016 - $3,000 recovery).

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 2016 crop year. The agreement involved 32 reinsuring companies assuming 90% (2016 - 90%) of losses (including deemed losses for adjusting 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 AgriInsurance liability (coverage). Reinsurance premiums were $29,869,000 (2016 - $30,289,000). There was no private sector reinsurance recovery for 2017.

Hail Insurance

For 2016/17, MASC entered into a one-year agreement with private sector reinsurers for the Hail Insurance Program. The agreement involved 21 reinsuring companies assuming 90% of hail insurance losses (including actual loss adjusting expenses) from 4.25% to 7.00% of hail insurance liability (coverage). Reinsurance premiums were $1,499,000 (2016 - $1,675,000), with a reinsurance recovery of $6,542,000 (2016 - nil).

SCHEDULE 1: SCHEDULE OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED MARCH 31, 2017 | IN THOUSANDS OF DOLLARS

	Lending Programs		AgriInsurance Program		Hail Insurance Program	
	2017	2016	2017	2016	2017	2016
REVENUE						
Insurance premiums						
Insured producers	$ -	$ -	$ 88,132	$ 92,416	$ 26,874	$ 25,732
Province of Manitoba	-	-	51,800	53,089	-	-
Government of Canada	-	-	77,703	79,639	-	-
	-	-	217,635	225,144	26,874	25,732
Interest from loans	26,766	24,411	-	-	-	-
Other contributions - Province of Manitoba	(1,679)	752	4,372	4,460	-	-
Other contributions - Government of Canada	-	-	6,539	6,662	-	-
Reinsurance recoveries	-	-	-	-	6,542	-
Investment income	46	19	2,512	1,742	925	1,059
Other income	270	61	-	-	-	-
Total revenue	25,403	25,243	231,058	238,008	34,341	26,791
EXPENSE						
Insurance indemnities and compensation payments	-	-	79,428	118,216	43,578	31,134
Reinsurance premiums (Note 22)	-	-	29,869	30,254	1,499	1,675
Interest on borrowed funds	18,552	17,351	-	-	-	-
Provision (recoveries) for credit losses	(2,218)	2,306	794	817	24	4
Provision (recoveries) for guaranteed loan losses (Note 16)	(284)	(111)	-	-	-	-
Young farmer incentives	1,751	1,838	14	19	-	-
Farmland school tax rebates (Note 5)	-	-	-	-	-	-
Other program payments (Note 7)	-	-	-	-	-	-
Administrative expenses (Schedule 2)	4,722	4,521	10,897	11,104	5,008	4,461
Total expenses	22,523	25,905	121,002	160,410	50,109	37,274
Income (loss) for the year	2,880	(662)	110,056	77,598	(15,768)	(10,483)
Accumulated surplus (deficit), beginning of year	(32,403)	(31,741)	324,816	247,218	71,590	82,073
Surplus (deficit), end of year	$ (29,523)	$ (32,403)	$ 434,872	$ 324,816	$ 55,822	$ 71,590

Wildlife Damage Compensation Program		Farmland School Tax Rebate Program		Western Livestock Price Insurance Program		Other Programs		Total	Total
2017	2016	2017	2016	2017	2016	2017	2016	**2017**	2016
$ -	$ -	$ -	$ -	$ 1,023	$ 412	$ -	$ -	**$ 116,029**	$ 118,560
-	-	-	-	-	-	-	-	**51,800**	53,089
-	-	-	-	-	-	-	-	**77,703**	79,639
-	-	-	-	1,023	412	-	-	**245,532**	251,288
-	-	-	-	-	-	-	-	**26,766**	24,411
3,706	2,208	40,368	33,997	339	328	(633)	(197)	**46,473**	41,548
4,353	2,602	-	-	509	493	(1)	(11)	**11,400**	9,746
-	-	-	-	79	-	-	-	**6,621**	-
-	-	15	9	2	8	52	61	**3,552**	2,898
-	-	-	-	-	-	26	95	**296**	156
8,059	4,810	40,383	34,006	1,952	1,241	(556)	(52)	**340,640**	330,047
7,232	4,262	-	-	1,702	714	-	-	**131,940**	154,326
-	-	-	-	145	63	-	-	**31,513**	31,992
-	-	-	-	-	-	-	-	**18,552**	17,351
-	-	15	9	-	-	106	(21)	**(1,279)**	3,115
-	-	-	-	-	-	-	-	**(284)**	(111)
-	-	-	-	-	-	-	-	**1,765**	1,857
-	-	39,836	33,449	-	-	-	-	**39,836**	33,449
-	-	-	-	-	-	(684)	(157)	**(684)**	(157)
827	548	532	548	848	821	22	126	**22,856**	22,129
8,059	4,810	40,383	34,006	2,695	1,598	(556)	(52)	**244,215**	263,951
-	-	-	-	(743)	(357)	-	-	**96,425**	66,096
-	-	-	-	628	985	-	-	**364,631**	298,535
$ -	$ -	$ -	$ -	$ (115)	$ 628	$ -	$ -	**$ 461,056**	$ 364,631

SCHEDULE 2: SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED MARCH 31, 2017 | IN THOUSANDS OF DOLLARS

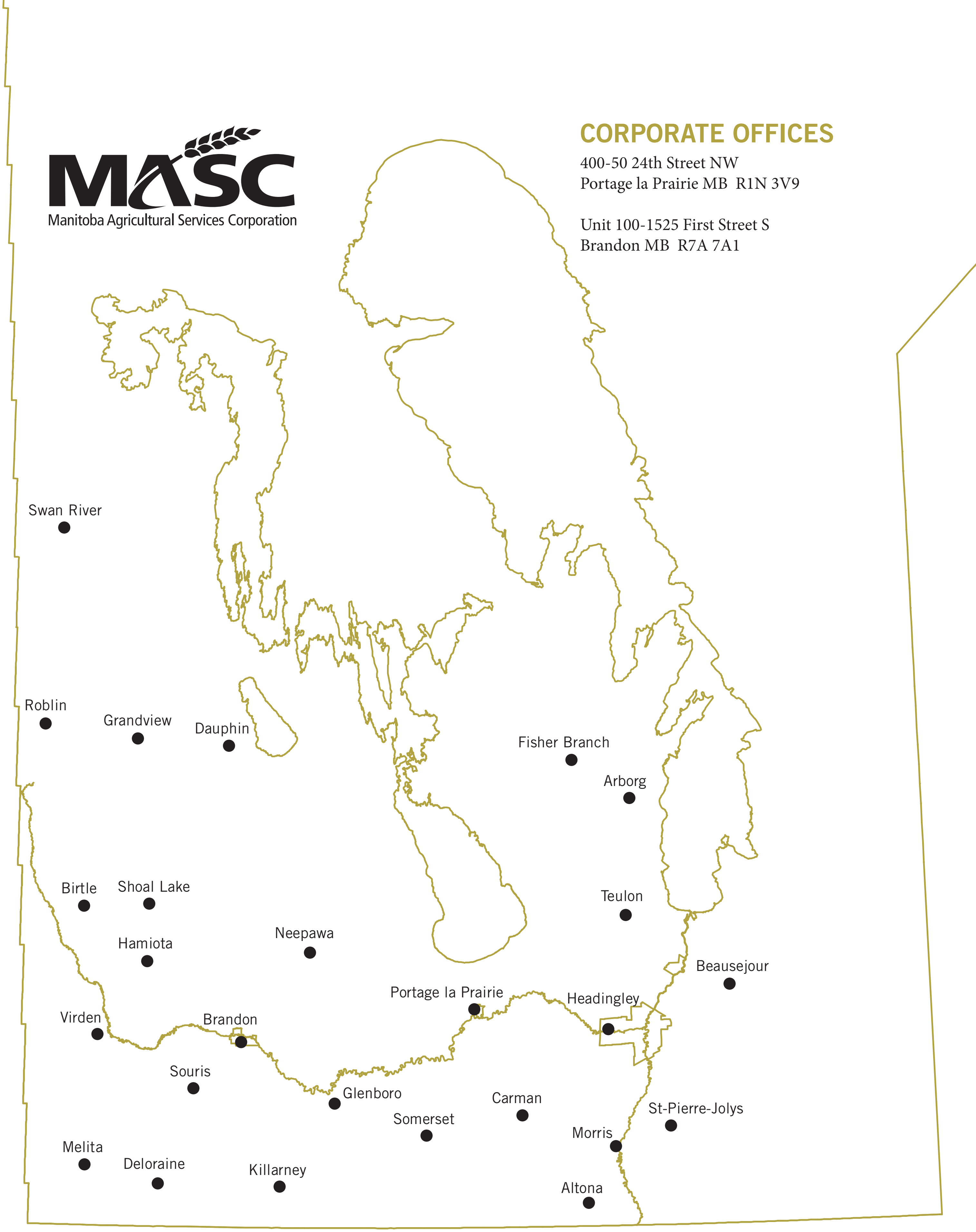
	2017	2016
Adjustors' wages, benefits and expenses	**$ 5,485**	$ 5,225
Advertising	**384**	378
Amortization expense	**60**	67
Appeal Tribunal	**38**	(1)
Audit fees and legal	**390**	362
Directors' remuneration and expense	**57**	113
Furniture and equipment	**82**	109
Information technology	**608**	560
Office rental and utilities	**1,310**	1,329
Other administrative expenses	**811**	811
Other administrative recoveries	**(933)**	(910)
Postage	**173**	196
Printing and office supplies	**140**	178
Salaries and employee benefits	**13,659**	13,104
Telephone	**240**	231
Travel and vehicle expenses	**352**	377
Total administrative expenses	**$ 22,856**	$ 22,129
Administrative expenses allocation:		
Lending Programs	**$ 4,722**	$ 4,521
AgriInsurance Program	**10,897**	11,104
Hail Insurance Program	**5,008**	4,461
Wildlife Damage Compensation Program	**827**	548
Farmland School Tax Rebate Program	**532**	548
Western Livestock Price Insurance Program	**848**	821
Other Programs	**22**	126
Total administrative expenses	**$ 22,856**	$ 22,129

Manitoba Agricultural Services Corporation

CORPORATE OFFICES

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

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

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