2017/18 ANNUAL REPORT

MASC
Manitoba Agricultural Services Corporation

LENDING AND INSURANCE

Building a Strong Rural Manitoba

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Board of Directors

Jim Wilson (Chair)
Charles Mayer (Vice Chair)
Karen Fatteicher
Betty Green
Suszanne Jones
Darrell McElroy
Laurent Ponsin
Diane Rourke

Executive Management

Jared Munro – President & CEO
Fern Comte – Chief Financial Officer
Kevin Craig – Vice President, Client Service
Tyler Gooch – Chief Information Officer
David Van Deynze – Vice President, Innovation & Product Support
Lester Vopni – Vice President, Corporate Services

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, 2018.

Yours truly,

original signed by

Honourable Ralph Eichler
Minister of Agriculture

Manitoba Agricultural Services Corporation

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, 2018.

Yours truly,

original signed by

Jim Wilson
Chair, Board of Directors

Chair's Message

Record crop yields and stable commodity prices have contributed to another successful year for Manitoba farmers. For nearly 60 years, the Manitoba Agricultural Services Corporation (MASC) has played a prominent supporting role. I can say, with confidence, that MASC has fulfilled its duties to help build a strong rural economy with successful farms and businesses.

MASC's efforts continue to support the Minister of Agriculture's mandate to accelerate the sustainable growth of Manitoba's agricultural sector. MASC also supports Manitoba's red tape reduction strategy resulting from The Regulatory Accountability Act (2017). MASC is currently rebalancing regulatory requirements and the reduction in red tape within its policies and processes.

The growth of agriculture in Manitoba is a direct result of hard work, mindful stewardship, favorable conditions, and a supportive framework. Through the new Canadian Agricultural Partnership, MASC will continue to strive to ensure that Manitoba producers have the most effective tools to manage the production risks they face.

MASC unveiled changes in 2018/19 programming to further support Manitoba producers, including: new Novel Crops Insurance for crops not covered by traditional AgriInsurance; the removal of the 15% deductible for corn and soybeans destroyed prior to harvest; the replacement of the Insurance Test Area for soybeans with 'Soybean Area 4'; and the continuation of the Western Livestock Price Insurance Program.

With success in recent years and a promising outlook for farmers, MASC's lending activity was pushed to record levels for portfolio growth and size. I am quite pleased to report that young farmers (under the age of 40) comprised 70% of MASC's Direct Loan approvals this year. To ensure MASC's loans are attractive to young, beginning farmers, and to keep pace with rising input and fixed costs, the maximum Direct Loan limit was increased to $3.5 million for 2018/19. This recent change compliments previous enhancements to MASC's direct lending criteria, such as removing the net worth and off-farm income caps.

Looking forward, MASC is continuing its upgrades to Information Technology (IT) infrastructure, making it easier for customers to engage with us, whether by phone, personal visit or the Internet. With much of the backend IT work completed, MASC customers will soon see upgrades with the rollout of 'myMASC', expanding MASC's online services in 2018/19.

MASC's digital transformation is more than hardware and software upgrades. We are changing how we interact with clients, adapting to a new reality of the always-on, ever-present unbroken connection. We want clients to receive a customer experience based on their personal needs, for all insurance concerns and lending opportunities, entirely accessible from any MASC office or kitchen table.

Our customers have certainly helped guide these changes. MASC actively seeks out feedback from clients, producer groups, and staff to improve programs and services. In 2017/18, MASC met with 16 producer groups, which I consider valuable interactions.

Agriculture is changing, as are producer needs and the rural businesses that serve them. MASC too must adapt to stay relevant. As a corporation, we've recently reorganized our structure, to address changes we see today, and those coming in the near future.

MASC's Board of Directors is reviewing its governance policies and practices, and participating in ongoing education and training to enhance board members' governance and leadership competencies. In particular, a number of board members have attended the province's Board Performance Training Program. With this knowledge, we are charting a new strategic course to navigate the future.

MASC owes its success, in part, to its people. They are dedicated to ongoing learning and expertise, and with many having roots in agriculture, they also understand the challenges faced by our customers. They all played a role to help make MASC one of Manitoba's Top Employers for the fourth straight year. I would like to thank each and every staff member for their continued commitment.

I would also like to welcome Betty Green, our newest board member, and to congratulate Jared Munro, MASC's new President and Chief Executive Officer. With a number of years' experience in the agricultural industry, I know Jared will serve admirably in his new role.

As Manitoba farmers continue to face new challenges and opportunities, MASC will continue to adapt to their changing needs.

original signed by

Jim Wilson
Chair, Board of Directors

Operational Highlights

For the year ended March 31:

AGRIINSURANCE	2016	2017	2018
Insured acres (millions)	9.7	9.6	9.6
Total coverage (liability) ($ millions)	2,252.5	2,453.6	2,658.9
Total premiums ($ millions)	226.1	217.6	239.5
Total indemnities ($ millions)	117.7	85.0	42.2
Net income from operations ($ millions)	77.6	110.1	166.0
HAIL INSURANCE			
Insured acres (millions)	4.8	4.7	4.5
Total coverage (liability) ($ millions)	892.1	887.0	858.0
Total premiums ($ millions)	27.3	28.6	28.5
Total indemnities ($ millions)	31.1	43.6	16.0
Net income (loss) from operations ($ millions)	(10.5)	(15.8)	5.6
LENDING			
Number of loans approved	1,283	1,391	1,502
Amount approved ($ millions)	206.4	202.2	223.8
Loan portfolio ($ millions)	588.9	665.0	762.7
Net loan portfolio growth (%)	21.9	12.9	14.7
Number of guaranteed loans approved	166	169	146
Associated loan amounts approved ($ millions)	96.7	88.1	83.7
Guaranteed loan portfolio ($ millions)	307.3	280.8	258.6

Board of Directors (L to R)

Back Row: Laurent Ponsin, Betty Green, Karen Fatteicher, Charles Mayer, Darrell McElroy

Front Row: Suszanne Jones, Jim Wilson, Diane Rourke

Executive Management (L to R)

Back Row: Fern Comte, Kevin Craig, David Van Deynze

Front Row: Tyler Gooch, Jared Munro, Lester Vopni

Vision

A strong rural economy with successful farms and businesses

Mission

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

Values

- **Innovation** – in developing programs and services
- **Responsiveness** – in program delivery
- **Excellence** – in customer service
- **Consultation** – with client and government stakeholders
- **Accountability** – in managing public funds
- **Social Responsibility** – in balancing public policy and business objectives
- **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 the relevance of MASC's corporate governance policies, and oversees and monitors MASC's corporate operations according to applicable legislative requirements within acceptable levels of risk.

Administration

As of April 1, 2018, MASC employs 158 permanent staff, complemented by 149 adjustors who are employed on a casual basis. MASC is represented by 18 insurance offices, 15 lending offices and one loan guarantee office in 26 different locations 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 actively facilitates the combination of sustainable business practices, which conserve natural resources, and the application of its digital transformation strategy, which serves the needs of its clients and staff. MASC's continually developing IT infrastructure supports inter-office video collaboration, paperless processes and online services. It also allows staff the opportunity to work effectively from alternate locations, and gives MASC clients the option to conduct nearly all of their business with the corporation from any Internet-connected location.

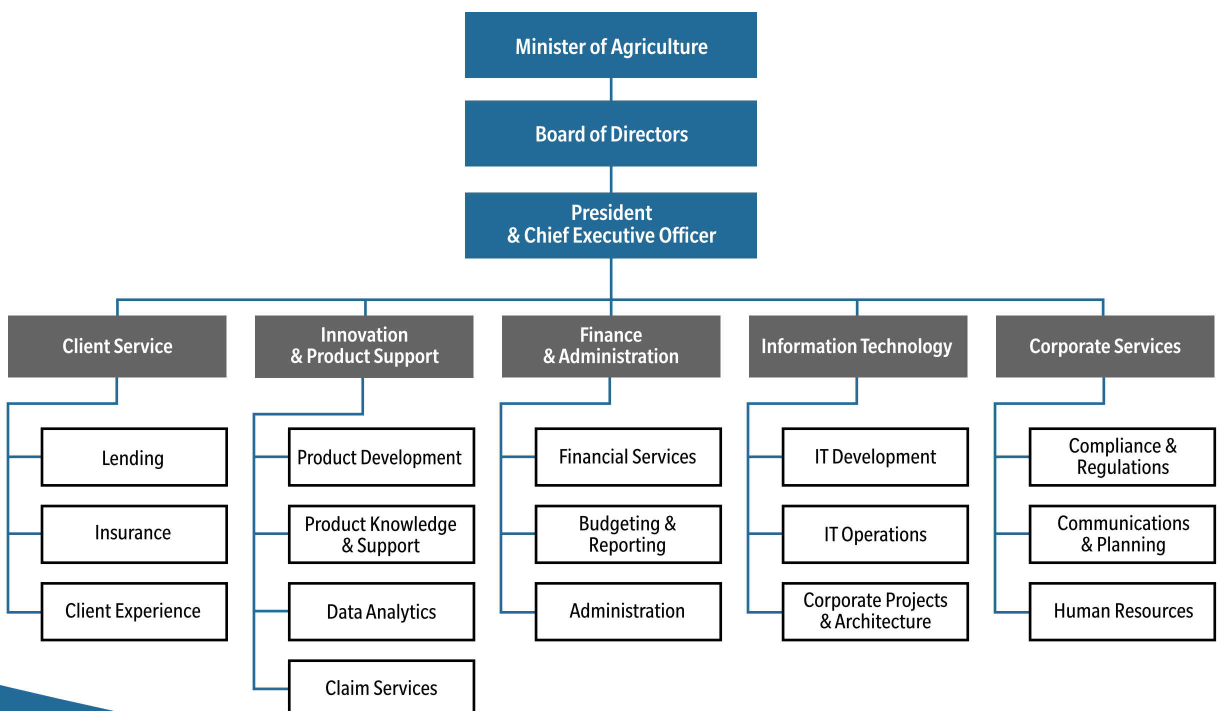
MASC is committed to implementing the principles of regulatory accountability as set out in The Regulatory Accountability Act that was passed in June 2017. MASC works to achieve a balance with regulatory requirements and the reduction in red tape. Progress of MASC's reduction of regulatory requirements since the baseline count at April 1, 2016, is reported in Manitoba Agriculture's 2017/18 Annual Report.

MASC is the trustee for the Production Insurance Trust and the Hail Insurance Trust. These trusts were created for the benefit of program participants and to reduce volatility in MASC, which is consolidated into the Province of Manitoba's financial reporting.

CORPORATE STRUCTURE

As of April 1, 2018:

Manitoba Agricultural Services Corporation



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 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, 2018.

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
- Develop, enhance and implement business risk management programs to address existing gaps

Performance Measures	Targets (March 31, 2020)	Results (March 31, 2018)
Percentage of annual crops insured by AgriInsurance	> 90%	90.2%
Average coverage level selected by clients	> 77.5 %	77.7%
MASC's share of Manitoba's hail insurance market (based on percentage of premiums)	> 60%	56.9%
Percentage of forage acres insured	> 20%	17%
Percentage of all livestock insured under the Western Livestock Price Insurance Program, based on total breeding herd (beef cows) in Manitoba	15%	12%
Number of new or enhanced crop or crop coverage options	1 new or enhanced program	2 new programs – AgriInsurance and Hail Insurance for Novel Crops, and AgriInsurance coverage for Canada Northern Hard Red Wheat; 2 enhancements – increased pre-harvest coverage for corn and soybeans, and increased dollar coverage for Hail Insurance

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, 2020)	Results (March 31, 2018)
Young farmers as a percentage of the annual Direct Loan approvals	75%	70%
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, 2020)	Results (March 31, 2018)
Administrative expenses as a percent of Wildlife Damage Compensation paid	< 17%	15.3%
Average time from Wildlife Damage Compensation claim registration to payment	< 25 business days	26.9 business days
Administrative expenses as a percentage of Farmland School Tax Rebates	< 2%	1%
Average time from receipt of Farmland School Tax Rebate application to payment	< 12 business days	12 business days
Number of third-party inspections completed	> 100	64

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
- Continuously improve the efficiency of MASC's operations
- Delivery quality multi-channel services for clients, staff and partners
- Apply innovative technologies to maximize public value generated by MASC's services

Performance Measures	**Targets** (March 31, 2020)	**Results** (March 31, 2018)
Average time from registration of insurance claims to final payment	< 45 business days for post-harvest claims	32.9 business days
	< 20 days for Hail Insurance claims	12.1 business days
Average time from client's application to approval of Direct Loans	< 10 business days	13 business days
Administrative expenses as a percentage of premium	AgriInsurance < 10%	4.7%
	Hail Insurance < 17%	16%
Direct lending administrative expense as a percentage of outstanding Direct Loans	< 1%	0.6%
Client interactions completed online	> 40% of insurance reports	35%
Number of clients registered for Online Services	> 65%	35%
Internal business processes completed digitally	100% of loan administration processes	71.7%
	> 75% of adjusted post-harvest claims	73.9%
	> 90% of Hail Insurance claims	93.4%
Progress towards a contemporary, sustainable information technology architecture	30% of all applications migrated	18%

Performance Indicators

AgriInsurance

About 9.6 million acres (160,000 unseeded) were insured in 2017/18, which was 100,000 acres less than the targeted amount. Total AgriInsurance liability of $2.7 billion was 8% higher than the previous year. Liability was $0.1 billion higher than the $2.6 billion that was budgeted.

Indemnities for the year totalled $42.2 million, which was below the breakeven budgeted amount of $206.6 million. On a percentage of total liability, it was one of MASC's lowest AgriInsurance losses since the program's inception in 1961. For the year, there were 3,378 claims, which was 72% lower than budgeted. On a provincial basis, average to above average yields were experienced for most major crops.

Hail Insurance

In 2017/18, MASC's Hail Insurance covered 4.5 million acres, with associated liability of $858.0 million. Liability was 95% of budget. MASC's share of the Manitoba hail market decreased from 61% to 57%.

Hail losses for the year were $16.0 million, which was lower than the breakeven budgeted amount of $23.7 million.

Loans

MASC approved 1,502 loans in 2017/18 totalling $223.8 million. The number of new loans increased by 111 compared to 2016/17, with the associated dollar amount increasing by $21.6 million (11%). Direct loan activity was well above the target of 915 loans for $135.0 million. The amount by which loan levels exceeded the target is attributed to the overall profitability of the agricultural sector, as well as MASC's expanded lending mandate.

Loan Guarantees

In 2017/18, MASC approved 146 guarantees on loans totalling $83.7 million. Compared to the previous year, the number of approved guarantees decreased by 23 and the associated approved loan amounts decreased by $4.4 million. Actual results did not meet the target of 180 loan guarantees or the loan amount target of $101.9 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 $21.1 million in 2017/18, which was $4.5 million under budget. The savings were mainly due to the number of insurance claims being significantly less than the budgeted target and a reduction in management positions.

Core Programs

MASC's financial and risk management programs contribute directly to the development, growth and sustainability of a strong rural Manitoba.

MASC's insurance programs protect against losses caused by natural perils for a wide range of agricultural crops and offers 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, 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 with 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.

MASC divides Manitoba into 15 areas of similar crop production risk, which form the geographic basis for determining insurance coverages (liabilities) and premiums for most crops. 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 grain corn, dry edible beans, sunflowers and lentils outside of the traditional insurable areas. The ITA trial extends insurance coverage to all of agro-Manitoba. To account for the historically higher production risk in the ITAs, coverage was initially set at 80% of the lowest existing insurable area. Coverage remains at 80% for all ITA crops, except for grain corn, which has adequate acreage to enable recent actual experience to be incorporated into its ITA coverage calculation. ITA seeding deadlines are 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. AgriInsurance coverage (liability) is based on: producer's expected (probable) yield, multiplied by selected coverage level, multiplied by 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.

AgriInsurance Benefits and Options

A **Reseed Benefit** is provided to compensate insured producers who suffer early crop losses and reseed to an eligible crop prior to the seeding deadline.

Excess Moisture Insurance (EMI), a basic feature of Manitoba's AgriInsurance Program, provides insurance for land 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 (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, as well as an option for producers to reduce their EMI deductible to 5%.

Crop Coverage Plus gives producers the option to insure all their eligible crops with a whole-farm guarantee. Crop Coverage Plus pays an indemnity if the combined production value of all crops falls short of the whole-farm coverage. Depending on the 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.

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**, a lower cost alternative for protection against production shortfalls.

The **Hay Disaster Benefit** provides additional indemnity payments in times of a province-wide disaster, and is included with both Select Hay and Basic Hay Insurance.

Additional forage program 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 AgriInsurance Program feature that provides a benefit for tame hay and forage seed crops destroyed by excess moisture. Damaged forage crops that are overseeded qualify for a reduced level of Forage Restoration Benefit.

Forage Establishment 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.

Pasture Insurance is available for producers with forage insurance, using their Basic Hay or Select Hay loss as a proxy for their pasture loss. Under this program, 293 producers insured pasture for 31,921 livestock in 2017/18.

Pasture Days Insurance provides protection against having to remove livestock from pasture earlier than normal (due to drought or excess moisture). Under this program, 92 producers insured pasture for 17,307 livestock in 2017/18.

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

Strawberry Establishment Insurance and **Saskatoon Establishment Insurance** provide protection for commercial strawberry and saskatoon growers against losses during the establishment period. Compensation is paid when more than 20% of the plants are lost.

Overwinter Bee Mortality Insurance provides protection against unmanageable overwinter losses of honeybees. In 2017/18, 57 beekeepers insured 45,560 colonies for a total liability of $5.5 million.

AgriInsurance Premiums

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 and submit an acceptable cropping plan to a Manitoba Agriculture Farm Production Extension Specialist or Agricultural Extension Coordinator. In 2017/18, 55 young farmers qualified for credits totalling $16,500. The cost of these credits is paid entirely by the Manitoba Government.

2017/18 Crop Conditions

Despite some relatively dry conditions, Manitoba producers generally reaped record yields.

At the onset of the 2016 winter freeze-up, most soils were at or near saturation, and water tables were high after several wet years. Winter precipitation was below average (except for eastern Manitoba), but the 2017/18 growing year began with good spring residual moisture in the upper soil profile and high groundwater levels at lower zones.

The spring melt came early, and by the beginning of May seeding operations had begun in many areas. Around The Pas, an extremely wet spring resulted in only 5,500 acres being sown and 90% of acres too wet to seed. Elsewhere in the province, generally dry seeding conditions prevailed, resulting in a total of 160,000 acres province-wide unseeded due to excess moisture.

Some producers experienced uneven germination due to a lack of early season precipitation, while others had problems with deep seeding and fertilizer burn that would later challenge the effectiveness of staging herbicides. For most areas, however, the dry early weather resulted in less disease and generally helped boost yield and quality.

The last spring frost occurred on May 19, and most of Manitoba's seeding was complete by the end of May – a full week earlier than normal.

From June to September, many regions saw below normal precipitation (60% of normal), especially during the period from July to August (40% of normal).

With a lack of available moisture, the incidence of convective storms was diminished. Hail claim losses returned to normal levels in 2017 after record losses in 2015 and 2016.

In part due to high winterkill and injury from freezing rain in February, winter wheat was harvested at below average yields (60 bu/ac). Alfalfa was also impacted by the freezing rain, and overall the infrequent precipitation saw tame forage yields and quality diminished.

Grain corn and soybeans, owing to the dry conditions, achieved only slightly better than average yields, but on average most crop yields in 2017 were above average. Many new yield records were set, including argentine canola (47 bu/ac), red spring wheat (66 bu/ac), feed wheat (80 bu/ac), oats (121 bu/ac), field peas (53 bu/ac), flax (30 bu/ac), non-oil sunflowers (2,244 lbs/ac) and oil sunflowers (2,103 lbs/ac). Qualities for the majority of crop types typically ranged from average to above average.

The first fall frosts hit Manitoba on September 6 in the Interlake and eastern regions. The first major fall frost for most areas was on September 29. Manitoba's overwintered crop area in 2017/18 was about 5,200 acres, roughly one-quarter the annual average.

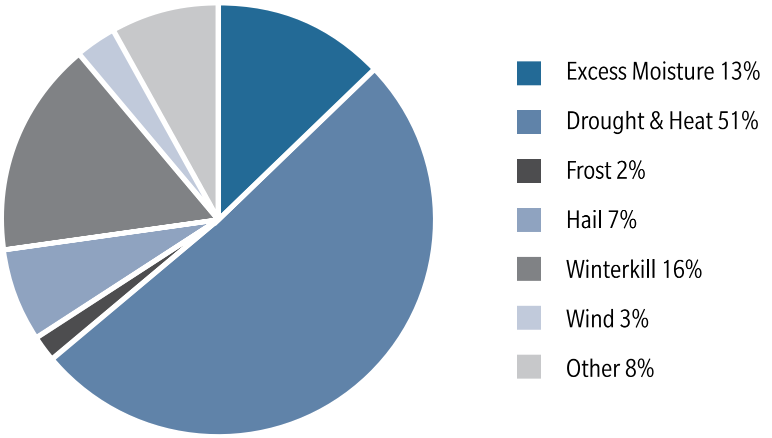
By the 2017 freeze-up, most of Manitoba was experiencing drought conditions, with significantly diminished subsoil moisture and groundwater levels.

Figure 1 illustrates the major causes of loss for all insured crops in 2017 compared to historic averages. Compared to long-term averages, 2017 stands out for having higher than normal claims due to drought and heat and winterkill. Drought and heat accounted for 51% of the losses in 2017, whereas winterkill and excess moisture accounted for 16% and 13% of losses, respectively. Hail (7%), wind (3%) and frost (2%) accounted for a majority of the remaining losses.

In summary, a total of 9.6 million acres were protected by AgriInsurance in 2017/18, with about 160,000 of those insured acres remaining unseeded due to excess moisture. Total premium was $239.5 million on $2.7 billion of coverage (liability). Indemnities for the year totalled $42.2 million.

Figure 1 – AgriInsurance Causes of Loss

Causes of Loss 2017/18



Historical Causes of Loss (1966 - 2016)

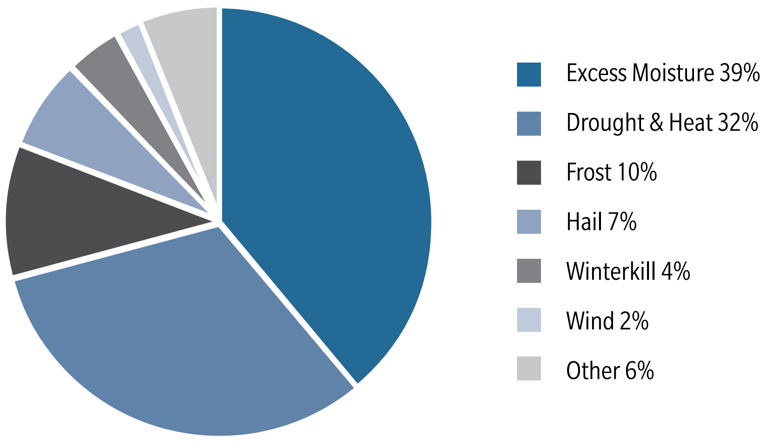
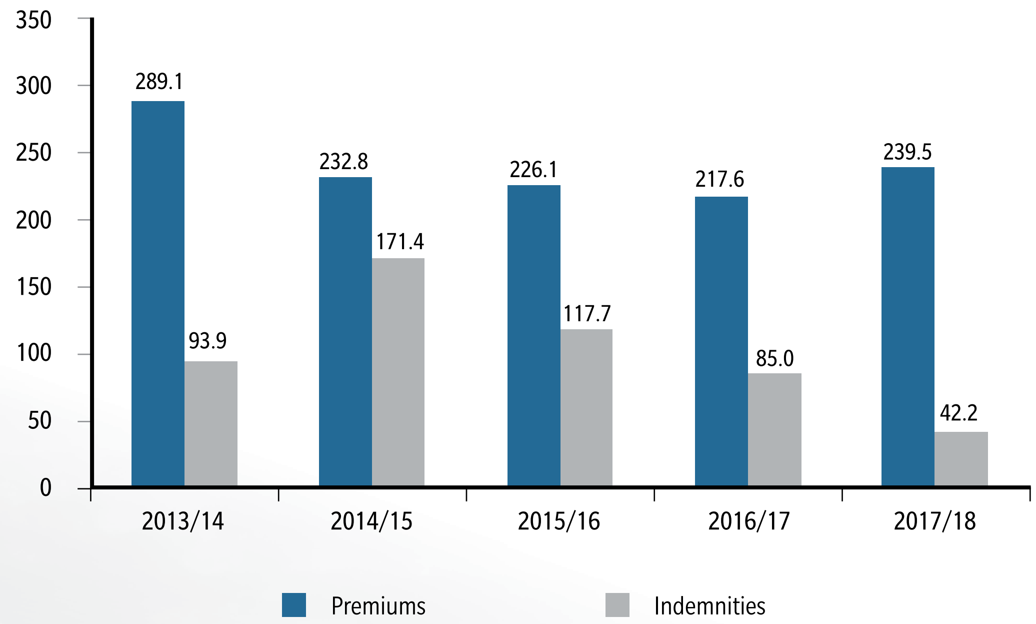


Figure 2 shows how premiums and indemnities for 2017/18 compare to the four previous years. After accounting for interest revenue of $4.8 million, and reinsurance premiums of $32.2 million, AgriInsurance had net income of $166.0 million for 2017/18. This resulted in the AgriInsurance reserve and the Production Insurance Trust fund increasing from $434.9 million to $600.9 million.

Figure 2 – AgriInsurance Premiums and Indemnities ($ millions)



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 18% for 2017/18. Loss ratios for individual crops are listed in **Table 1**.

Table 1 – Summary of 2017/18 AgriInsurance

Crop/Feature	Acres Insured	Coverage (000)	Total Premium (000)	Indemnities (000)	Loss Ratio (%)
Red Spring Wheat	1,957,886	443,316.1	27,154.7	1,120.2	4
Durum Wheat	1,074	147.2	9.6	4.7	49
Extra Strong Wheat	0	0	0	0	0
Prairie Spring Wheat	57,778	11,291.7	1,006.4	23.5	2
Hard White Wheat	701	169.6	8.0	78.3	979
Feed Wheat	206,362	43,789.9	4,271.5	137.5	3
Winter Wheat	127,198	28,685.6	1,638.4	4,922.6	301
Barley	230,229	35,523.5	3,469.0	573.1	17
Oats	417,848	83,678.1	7,302.4	978.9	13
Mixed Grain	3,989	345.0	39.2	41.0	105
Fall Rye	61,795	10,219.6	920.7	373.2	41
Triticale	150	20.4	0.9	0	0
Canola	2,958,690	860,273.5	49,168.3	5,011.9	10
Rapeseed	5,241	1,531.9	144.6	17.3	12
Flax	40,292	7,617.9	727.2	205.0	28
Mustard	1,495	216.2	49.5	42.5	86
Oil Sunflowers	31,110	9,242.3	1,068.5	235.6	22
Non Oil Sunflowers	24,766	8,777.2	1,518.4	186.4	12
Buckwheat	4,866	764.6	219.3	148.3	68
Grain Corn	365,726	138,161.7	19,643.3	607.3	3
Silage Corn	73,035	27,366.7	1,793.4	1,176.7	66
Potatoes	42,323	115,105.5	4,593.7	44.4	1
Vegetables (1)	2,210	6,476.4	349.1	77.8	22
Field Peas	59,653	13,002.8	1,384.5	354.7	26
Lentils	934	172.6	48.2	6.4	13
Fababeans	6,377	797.6	151.2	62.7	42
Dry Edible Beans (2)	119,036	55,601.5	6,870.9	1,468.3	21
Soybeans	2,119,565	647,007.5	71,729.5	9,270.5	13
Select Hay	179,441	29,679.0	2,953.3	2,746.6	93
Basic Hay (3)	97,923	9,853.8	782.9	450.8	58
Hay Disaster Benefit	-	13,968.6	295.1	-	-
Pasture	-	1,246.4	120.2	82.3	69
Pasture Days	-	3,649.6	94.9	235.9	249
Forage Establishment	81,008	5,935.6	991.0	409.4	41
Strawberry Establishment	-	0.9	0.1	0	0
Pedigreed Timothy Seed	18,118	3,764.2	581.2	86.3	15
Alfalfa Seed	18,767	6,460.6	1,766.6	242.7	14
Canaryseed	2,599	581.0	86.2	6.1	7
Annual Ryegrass Seed	3,694	710.0	113.0	51.1	45
Perennial Ryegrass Seed	15,733	4,215.6	593.8	87.2	15
Proso Millet Seed	2,729	493.5	94.4	32.7	35
Tall Fescue Seed	2,150	401.7	132.2	53.3	40
Hemp Grain	18,731	5,608.6	1,154.1	1,095.1	95
Greenfeed	39,184	3,650.8	713.3	225.8	32
Open Pollinated Corn	136	20.6	4.0	0	0
Open Pollinated Silage Corn	498	93.1	6.6	0	0
Overwinter Bee Mortality	-	5,520.6	700.7	700.7	100
Estimate of Incomplete Claims	-	-	-	1,591.7	-
Subtotal	9,401,040	2,645,156.8	216,464.0	35,266.5	16
Excess Moisture Insurance (4)	159,689	13,766.9	23,075.2	6,928.4	30
Total	**9,560,729**	**2,658,923.7**	**239,539.2**	**42,194.9**	**18**

(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 9,136,209 and $652,985,748, 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. Some of the Hail Insurance indirect costs are allocated based on federally approved methodologies. 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)** lets producers 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 2017/18, 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. MASC also considers payments for secondary losses due to frost, when delayed maturity due to hail damage results in a loss in the value of the affected crop.

Manitoba experienced infrequent hail activity throughout the province in 2017/18, resulting in below average indemnity payments.

MASC insured 4.5 million acres in 2017/18, with total Hail Insurance coverage (liability) of $858.0 million. Premiums prior to discounts were $28.5 million, and with indemnities of $16.0 million, the resulting loss ratio (loss as a percentage of premium) was 56%.

After accounting for an 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 $4.6 million, Hail Insurance had a net income for the year of $5.6 million. As a result, the Hail Insurance reserve and the Hail Insurance Trust fund increased from $55.8 million to $61.4 million.

Figure 3 provides a summary of Hail Insurance premiums and indemnities for the past five years. In 2017/18, MASC's Hail Insurance represented 57% of Manitoba's crop hail insurance market (based on premium).

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

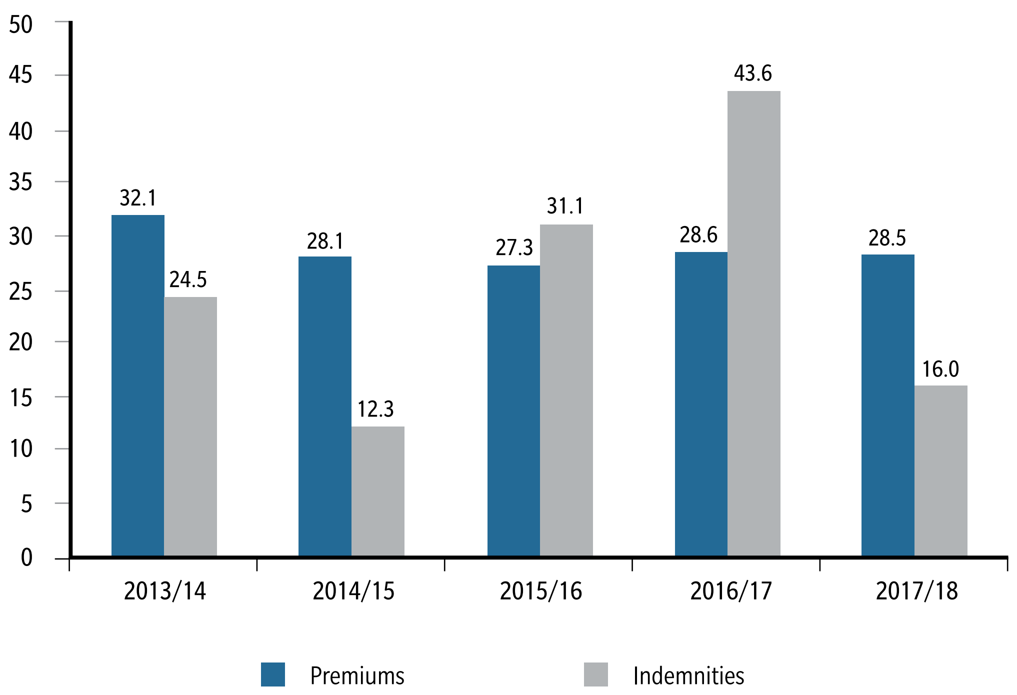


Table 2 – Insurance Statistics – 2013/14 to 2017/18

	2013/14	2014/15	2015/16	2016/17	2017/18
AgriInsurance					
Number of producer contracts	9,076	8,891	8,635	8,388	8,198
Insured acres (millions)	9.8	9.8	9.7	9.6	9.6
Total coverage (liability) ($ millions)	2,703.8	2,210.7	2,252.5	2,453.6	2,658.9
Producer premiums ($ millions)	116.8	94.3	92.7	88.1	97.3
Total premiums ($ millions)	289.1	232.8	226.1	217.6	239.5
Average coverage level selected (%)	77.5	77.6	77.5	77.5	77.7
Number of claims paid	5,167	9,167	6,806	5,083	3,378
Indemnities paid ($ millions)	93.9	171.4	117.7	85.0	42.2
Income for the year ($ millions)	119.8	32.1	77.6	110.1	166.0
Funds retained, end of year ($ millions)*	215.1	247.2	324.8	434.9	600.9
Indemnities to total premium ratio (%)	33	74	52	39	18
Indemnities to coverage ratio (%)	3.5	7.8	5.2	3.5	1.6
Hail Insurance					
Number of producer contracts	4,568	4,114	4,289	4,144	3,924
Insured acres (millions)	4.9	4.3	4.8	4.7	4.5
Total coverage (liability) ($ millions)	915.2	809.7	892.1	887.0	858.0
Premiums, prior to discounts ($ millions)	32.1	28.1	27.3	28.6	28.5
Number of claims paid	2,022	1,125	2,782	3,746	1,858
Indemnities paid ($ millions)	24.5	12.3	31.1	43.6	16.0
Income (loss) for the year ($ millions)	1.5	10.4	(10.5)	(15.8)	5.6
Funds retained, end of year ($ millions)*	71.6	82.0	71.6	55.8	61.4
Indemnities to premium ratio (%)	76	44	114	152	56
Indemnities to coverage ratio (%)	2.7	1.5	3.5	4.9	1.9

* Includes the MASC reserve fund and the trust fund balances.

Note: The above statistics are based on the insurance crop year and, as such, may not correspond exactly to the 2017/18 financial statements.

Western Livestock Price Insurance Program

The Western Livestock Price Insurance Program (WLPIP) offers price protection for cattle and hog producers, with settlement prices based on the average price in Western Canadian markets.

WLPIP coverage can be tailored to the producer's expected sale weight and date. A range of coverage options is available, and once the premium has been paid, the protection of a 'floor price' is locked in. If the average settlement price is below the 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 online 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 online approach. AFSC's administrative expenses are shared by the participating provinces.

For the year ending March 31, 2018, Manitoba's share of AFSC's administrative expenses was $611,000 (20% of the total). In addition, MASC directly incurred $204,000 in expenses, bringing Manitoba's total expenses to $815,000 (2016/17 - $848,000). Administration for this program is cost-shared 60% by Canada and 40% by Manitoba. Starting April 1, 2018, WLPIP was extended under the Canadian Agricultural Partnership, with a new five-year commitment by Canada's federal, provincial and territorial governments that will support Canada's agri-food and agri-products sectors. Canada provides deficit financing for the duration of WLPIP; however, any deficit on account of Manitoba producers at the end of the program will be the responsibility of the Manitoba Government.

In 2017/18, Manitoba producers purchased 794 WLPIP policies. The total insurance coverage was $68.4 million, with indemnities of $0.7 million. Details are provided in **Table 3**.

Table 3 – Western Livestock Price Insurance Program – Manitoba Statistics 2017/18

Livestock Type	Number of Livestock Insured		Coverage (000)		Premium (000)		Indemnities (000)	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
Calves	28,450	43,579	$31,247.0	$54,928.4	$742.9	$1,424.8	$1,483.8	$428.3
Feeder Cattle	3,942	7,937	4,799.0	11,956.8	154.7	361.4	8.4	226.9
Fed Cattle	2,635	867	4,554.1	1,549.2	127.8	34.1	-	47.6
Hogs	-	-	-	-	-	-	-	-
Total	**35,027**	**52,383**	**$40,600.1**	**$68,434.4**	**$1,025.4**	**$1,820.3**	**$1,492.2**	**$702.8**

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 target the next generation of Manitoba producers. In 2017/18, MASC issued 814 Direct Loans totalling $118.7 million to producers under the age of 40. This represented 70% of the number of Direct Loans issued in 2017/18, and 67% 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 2017/18, MASC approved 199 loans for $35.0 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 2017/18, YFRs totalled $1.5 million.

Loans

MASC offers 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, 2018, MASC had 6,155 loans outstanding with current balances totalling $762.7 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 2017/18, MASC approved 1,166 new Direct Loans for a total of $178.3 million, an increase of 9% in the total new loan amount from the previous year. As of March 31, 2018, MASC's total Direct Loan portfolio was $693.9 million (5,534 loans). As shown in **Figure 4**, the Direct Loans issued in 2017/18 were used predominantly for purchasing land and buildings (54%), consolidating debt (14%) and refinancing (9%).

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 322 Stocker Loans in 2017/18 for a total value of $40.8 million (up 15% from 2016/17). As of March 31, 2018, the Stocker Loan portfolio consisted of 293 loans for $36.6 million.

Comprehensive Refinancing Loans assist existing MASC clients who are experiencing financial difficulty. In 2017/18, 14 refinancing loans were approved, which was a 7% decrease from 2016/17, while the associated dollar amount increased 42% to $4.7 million. As of March 31, 2018, the Comprehensive Refinancing Loan portfolio consisted of 256 loans for $21.3 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, 2018, 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 in the past: 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 2017/18; however, existing portfolios remain in run-off status. As of March 31, 2018, there were 71 loans outstanding for $6.9 million.

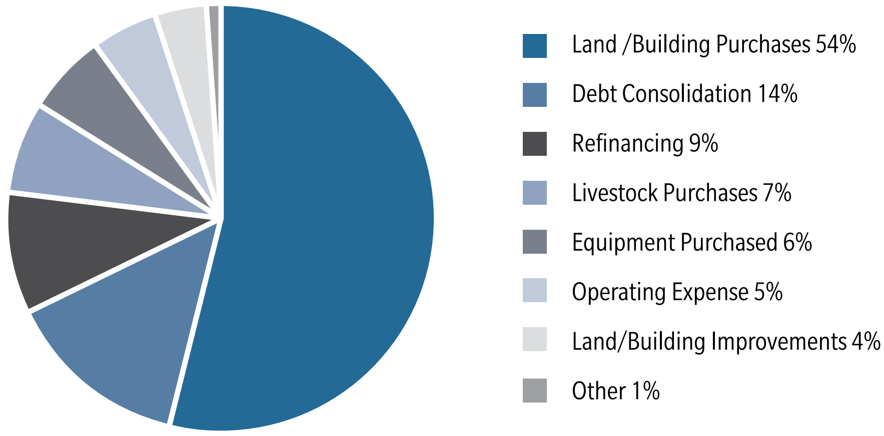
Table 4 – Loan Summary

	Approvals 2016/17		Approvals 2017/18		Outstanding as of March 31, 2018	
	Number	Millions	Number	Millions	Number	Millions
Direct Loans[1]	1,062	$163.3	1,166	$178.3	5,534	$693.9
Stocker Loans	314	35.6	322	40.8	293	36.6
Comprehensive Refinancing Loans	15	3.3	14	4.7	256	21.3
Enterprise Development Loans	-	-	-	-	1	4.0
Manitoba Hog Assistance Loans[2]	-	-	-	-	10	5.5
BSE Recovery Loans[2]	-	-	-	-	50	1.2
Enhanced Flood Proofing Assistance Loans[2]	-	-	-	-	11	0.2
Total	**1,391**	**$202.2**	**1,502**	**$223.8**	**6,155**	**$762.7**

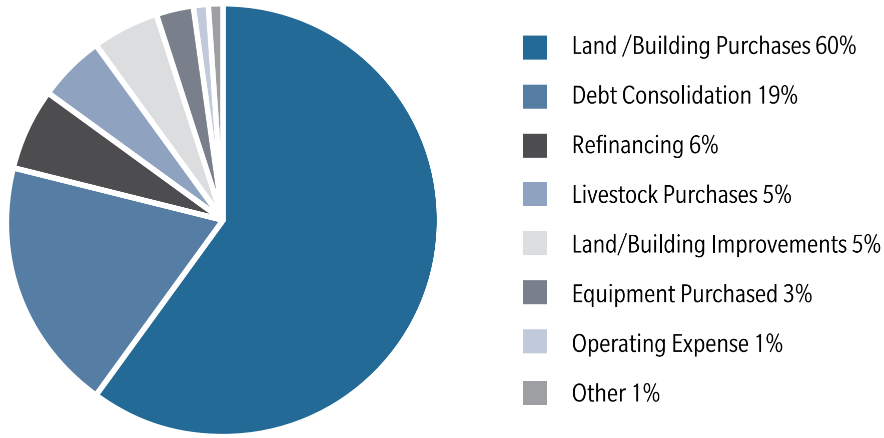
[1] Includes Environmental Enhancement, Alternate Energy and Onsite Wastewater Management Systems Loans
[2] Emergency Assistance Loans that are still outstanding and in run-off

Figure 4 – Direct Loan Purposes

Direct Loan Purposes 2017/18



Historical Direct Loan Purposes (1959 - 2016)



Property Management

As a result of debt settlement negotiations and foreclosure proceedings, MASC occasionally acquires title to land. During 2017/18, MASC did not acquire any property; however, two long-term leases were sold reducing the inventory of land to 1,118 acres as of March 31, 2018. 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.

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. This partnership provides agricultural producers and rural businesses 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, 2018, MASC had 440 outstanding loan guarantees amounting to $72.0 million, which facilitated loans by participating lenders totalling $258.6 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 2017/18, MASC approved 18 guarantees on loans totalling $10.3 million. As of March 31, 2018, MASC had 182 active loan guarantees with related loan amounts of $176.6 million.

Diversification Loan Guarantees contribute to Manitoba's rural economy by supporting jobs and spending on farm expenses such as feed, farm inputs, machinery and equipment, repair costs and veterinary services. 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, 2018, there were eight associations with 141 active members, and an approved maximum total loan amount of $37.5 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, 2018, MASC had 90 active guarantees with a maximum total loan amount of $32.4 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, 2018, there were five active guarantees with a total loan amount of $0.4 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 2017/18, 28 guarantees were approved through REA on loans totalling $3.0 million. As of March 31, 2018, the REA portfolio had 155 active guarantees with related outstanding loans of $11.7 million.

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

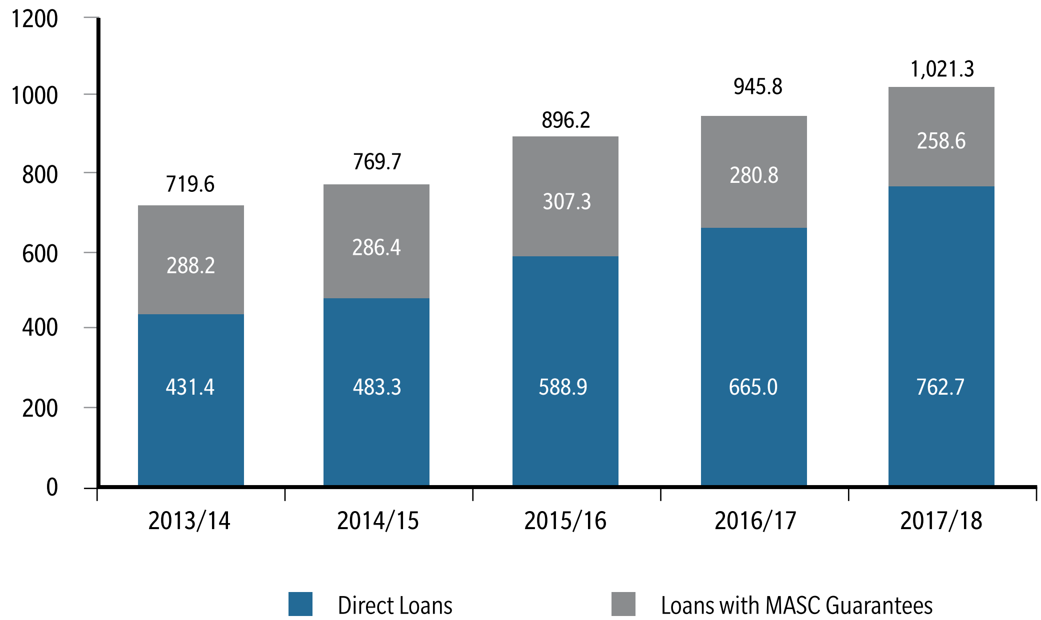


Table 5 – Loan Guarantee Summary

	Loan Approvals 2016/17		Loan Approvals 2017/18		Related Outstanding Loans by Lending Institutions as of March 31, 2018		Outstanding Loan Guarantees as of March 31, 2018
	Number	**Millions**	**Number**	**Millions**	**Number**	**Millions**	**Millions**
Diversification Loan Guarantees	26	$16.2	18	$10.3	182	$176.6[1]	$44.2
Manitoba Livestock Associations Loan Guarantees	8	32.6	8	37.5	8	37.5[1]	9.3
Operating Credit Guarantees for Agriculture	98	35.2	87	32.5	90	32.4[1]	8.1
Operating Credit Guarantees for Rural Small Business	3	0.1	5	0.4	5	0.4[1]	0.1
Rural Entrepreneur Assistance	34	4.0	28	3.0	155	11.7[2]	10.3
Total	**169**	**$88.1**	**146**	**$83.7**	**440**	**$258.6**	**$72.0**

[1] Amounts represent the original amounts for loans that were guaranteed under the program as of March 31, 2018.
[2] Amounts represent the participating lending institutions' loan balances as of March 31, 2018 for loans guaranteed by MASC.

Table 6 – Agricultural Lending Activity by Sector (as of March 31, 2018)

Primary Enterprise	Direct Lending %	Manitoba Livestock Associations Loan Guarantees %	Operating Credit Guarantees for Agriculture %	Diversification Loan Guarantees %	TOTAL %
Grains/Oilseeds	58.1	-	55.3	0.4	**54.3**
Potatoes	0.1	-	3.1	3.4	**0.3**
Other Crops	1.0	-	4.1	4.0	**1.2**
Cattle	34.4	100.0	17.6	0.7	**33.2**
Hogs	1.3	-	9.4	16.3	**2.1**
Poultry	0.7	-	0.5	9.5	**1.2**
Dairy	2.2	-	1.6	59.2	**5.3**
Other	2.2	-	8.4	6.5	**2.4**
Total by Program	**100.0**	**100.0**	**100.0**	**100.0**	**-**
Share of All Programs (%)	**92.5**	**1.1**	**1.0**	**5.4**	**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 2017/18.

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 2017/18, Wildlife Damage Compensation payments and related administration totalled $7.0 million, down from $8.1 million in the previous year. Administration for 2017/18 was 13.3% 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)	
	2016/17	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**
Big Game	1,069	889	$4,365.4	$2,407.7	$467.9	$473.9	$4,833.3	$2,881.6
Waterfowl	352	458	1,221.1	1,790.6	101.6	172.1	1,322.7	1,962.7
Livestock Predation	1,909	1,878	1,645.5	1,864.7	257.5	282.0	1,903.0	2,146.7
Total	**3,330**	**3,225**	**$7,232.0**	**$6,063.0**	**$827.0**	**$928.0**	**$8,059.0**	**$6,991.0**

Farmland School Tax Rebate

MASC is responsible for administering the Manitoba Government's Farmland School Tax Rebate Program. As of March 31, 2018, MASC had disbursed rebates for the 2017 tax year to 25,990 applicants totalling $39.0 million, with incurred administrative expenses of $402,000 (1.0% of the estimated total program cost). Details are provided in **Table 8**.

Table 8 – Farmland School Tax Rebates (as of March 31, 2018)

Program Year	Rebate Level (subject to capping)	Applications Paid	Actual Rebate Paid to March 31, 2018 (Millions)	Provision for Future Rebates (Millions)	Estimated Total Rebate (Millions)
2013[1]	80%	28,517	$31.5	$0.0	$31.5
2014	80%	27,929	$33.2	$0.0	$33.2
2015	80%	27,872	$33.7	$0.0	$33.7
2016	80%	27,517	$39.7	$0.1	$39.8
2017[2]	80%	25,990	$39.0	$1.8	$40.8

[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 2017/18, MASC completed third-party crop loss appraisals for private sector property insurers, provided inspection services for pedigreed seed status, and conducted livestock inspections for the Manitoba Livestock Cash Advance Program. Total revenue of $40,000 was generated by these services.

Financial Statements

Manitoba Agricultural Services Corporation

Responsibility for Financial Statements

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

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

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

original signed by

Jared Munro
President & CEO

original signed by

Fern Comte
Chief Financial Officer

September 19, 2018

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, 2018, 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.

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

Basis for Qualified Opinion

Inappropriate accrual for government transfer not yet authorized

Manitoba Agricultural Services Corporation (MASC) recognized an expense as at March 31, 2018 for a $265 million transfer from the Corporation's insurance reserve funds to trust accounts they had not yet created. In this respect, the corporation's financial statements are not in accordance with Canadian public sector accounting standards. Canadian public sector accounting standards require that a government transfer be authorized at or before the financial statement date in order for it to be recognized by the transferring entity. In our opinion, the exercise of authority relevant to this transfer is the signing of the trust and contribution agreements by MASC and the Province of Manitoba, which had not taken place as of September 19, 2018.

Had the transfer not been recorded as at March 31, 2018, the following financial statement line items would have changed:

- A decrease of $265 million to contributions to the trust funds and income (loss) for the year
- A decrease of $265 million to contributions payable and an increase of $265 million to Accumulated surplus

Amounts disclosed as contributions payable in Note 15 of the financial statements would be decreased by $265 million.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Manitoba Agricultural Services Corporation as at March 31, 2018, and the results of its operations, the changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

original signed by

Office of the Auditor General
Winnipeg, Manitoba
September 19, 2018

Manitoba Agricultural Services Corporation
Statement of Financial Position

AS AT MARCH 31, 2018 | IN THOUSANDS OF DOLLARS

	NOTE	MARCH 31, 2018	MARCH 31, 2017
FINANCIAL ASSETS			
Cash		**$ 6,211**	$ 6,445
Accounts receivable	8	**6,305**	4,772
Receivables from the Province of Manitoba	9	**12,020**	15,488
Receivables from the Government of Canada	10	**6,874**	8,283
Investments	11	**678,730**	510,048
Loans receivable	12	**745,332**	647,225
Total Financial Assets		**$ 1,455,472**	$ 1,192,261
LIABILITIES			
Accounts payable and accrued liabilities	13	**$ 18,884**	$ 20,586
Claims payable	14	**6,821**	19,058
Contributions payable	15	**265,003**	-
Loans from the Province of Manitoba	16	**773,528**	668,752
Provisions for losses on guaranteed loans	17	**10,913**	14,514
Future employee benefits	18	**8,565**	8,890
Total Liabilities		**$ 1,083,714**	$ 731,800
Net Financial Assets		**$ 371,758**	$ 460,461
NON-FINANCIAL ASSETS			
Inventories held for use	2	**$ 185**	$ 247
Prepaid expenses	2	**153**	108
Tangible capital assets	2	**190**	240
Total Non-Financial Assets		**$ 528**	$ 595
Accumulated surplus		**$ 372,286**	**$ 461,056**
Loan guarantees and contingencies	17		
Commitments	19		

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

Manitoba Agricultural Services Corporation
Statement of Operations

FOR THE YEAR ENDED MARCH 31, 2018 | IN THOUSANDS OF DOLLARS

	2018 BUDGET	2018 ACTUAL	2017 ACTUAL
REVENUE			
Premiums from insured producers	$ 119,749	**$ 125,871**	$ 116,029
Interest from loans	26,751	**29,830**	26,766
Contribution from the Province of Manitoba	105,185	**101,043**	98,273
Contribution from the Government of Canada	94,136	**96,387**	89,103
Reinsurance recoveries	-	**29**	6,621
Investment income	3,280	**5,823**	3,552
Other income	161	**375**	296
	349,262	**359,358**	340,640
EXPENSE			
Lending Programs	27,795	**22,986**	22,523
AgriInsurance Program	253,750	**89,514**	121,002
Hail Insurance Program	29,716	**22,064**	50,109
Wildlife Damage Compensation Program	4,593	**6,991**	8,059
Farmland School Tax Rebate Program	41,039	**41,046**	40,383
Western Livestock Price Insurance Program	2,122	**1,996**	2,695
Other Programs	71	**(1,472)**	(556)
	359,086	**183,125**	244,215
Income from operations	$ (9,824)	**176,233**	96,425
Contributions to the trust funds	$ -	**265,003**	-
Income (loss) for the year	$ (9,824)	**(88,770)**	96,425
Accumulated surplus, beginning of year		**461,056**	364,631
Accumulated surplus, end of year		**$ 372,286**	$ 461,056

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

Manitoba Agricultural Services Corporation
Statement of Change in Net Financial Assets

FOR THE YEAR ENDED MARCH 31, 2018 | IN THOUSANDS OF DOLLARS

	2018 ACTUAL	2017 ACTUAL
Income (loss) for the year	$ (88,770)	$ 96,425
Tangible capital assets		
Acquisition of tangible capital assets	-	-
Amortization of tangible capital assets	50	60
	50	60
Other non-financial assets		
Disposal of inventory held for use	62	27
Decrease (increase) in prepaid expenses	(45)	4
	17	31
Increase (decrease) in net financial assets	(88,703)	96,516
Net financial assets, beginning of year	460,461	363,945
Net financial assets, end of year	$ 371,758	$ 460,461

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

Manitoba Agricultural Services Corporation
Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31, 2018 | IN THOUSANDS OF DOLLARS

	2018	2017
Cash provided by (used for):		
OPERATING		
Income (loss) for the year	**$ (88,770)**	$ 96,425
Amortization of tangible capital assets	**50**	60
	(88,720)	96,485
Changes in:		
Accrued interest receivable	**(820)**	(107)
Receivables	**3,344**	(5,641)
Loans receivable	**(1,712)**	(3,624)
Accounts payable and accrued liabilities	**(1,702)**	5,148
Claims payable	**(12,237)**	7,657
Contributions payable	**265,003**	-
Provisions for losses on guaranteed loans	**(3,601)**	(339)
Future employee benefits	**(325)**	56
Prepaid expenses	**(45)**	4
Inventories held for use	**62**	27
Cash provided by operating activities	**159,247**	99,666
CAPITAL		
Acquisition of tangible capital assets	**-**	-
Disposal of tangible capital assets	**-**	-
Cash used for capital activities	**-**	-
INVESTING		
Investments purchased	**(417,967)**	(1,084)
Loans disbursed	**(223,017)**	(201,162)
Loan principal received	**126,622**	125,988
Cash used for investing activities	**(514,362)**	(76,258)
FINANCING		
Debt repayments to the Province of Manitoba	**(126,224)**	(133,226)
Loans from the Province of Manitoba	**231,000**	206,500
Cash provided by financing activities	**104,776**	73,274
Net increase (decrease) in cash and cash equivalents	**(250,339)**	96,682
Cash and cash equivalents, beginning of year	**409,999**	313,317
Cash and cash equivalents, end of year	**$ 159,660**	$ 409,999
Cash and cash equivalents are comprised of the following:		
Investments	**$ 678,730**	$ 510,048
Investments with terms greater than 90 days and accrued interest	**(525,281)**	(106,494)
Investments with terms of 90 days or less	**153,449**	403,554
Cash	**6,211**	6,445
	$ 159,660	$ 409,999
Supplemental Cash Flow Information		
Interest paid	**$ 20,146**	$ 18,552
Interest received	**$ 34,833**	$ 30,211

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

Manitoba Agricultural Services Corporation
Notes to Financial Statements

AS AT MARCH 31, 2018 | TABULAR AMOUNTS IN THOUSANDS OF DOLLARS

1. NATURE OF ORGANIZATION

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

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

MASC is the trustee for the Production Insurance Trust and the Hail Insurance Trust. These trusts were created for the benefit of program participants. The trusts will be used to pay program indemnities to participating producers. Funding for the trusts will be provided by MASC.

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) Contributions Payable

The contributions payable to the trust funds are non-interest bearing and have no fixed term of repayment.

(E) Loans from the Province of Manitoba

Loans from the Province of Manitoba are carried at cost.

(F) 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.

(G) 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 18 provides additional information on future employee benefits.

(H) 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.

(I) 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.

(J) 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

(K) 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.

(L) 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.

(M) 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 (L) 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%).

(N) 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.

(O) 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.

(P) Changes in Accounting Policy

Effective April 1, 2017, MASC adopted five new accounting standards: Related Party Transactions (PS 2200), Assets (PS 3210), Contingent Assets (PS 3320), Contractual Rights (PS 3380) and Inter-Entity Transactions (PS 3420). The adoption of these standards has resulted in additional note disclosure where necessary.

3. FINANCIAL STRUCTURE

(A) Funding

The Board of Directors approved MASC's 2017/18 budget in June 2017. MASC's approved budget includes provincial funding of $105,185,000. 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	**$ 105,199**	94,105
Non-cash items*	**(14)**	31
Funding approved by MASC's Board of Directors	**$ 105,185**	$ 94,136

* Includes items such as amortization and unfunded pension expense.

(B) Lending Programs

The Lending Programs' accumulated deficit of $25,624,000 (2017 - $29,523,000) 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 2017 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 2017 tax rebates is a provision of $1,734,000 for rebates that have been applied for and are in process of payment as of March 31, 2018. A provision of $122,000 remains for pre-2017 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 $703,000 in 2018 (2017 - $1,702,000).

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 $40,000 in 2018 (2017 - $26,000).

(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 $119,964,000 include a provision for outstanding claims of $650,000. Administrative expenses are estimated to be $12,042,000. The program's total cost of $132,006,000 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 were $138,991,000. Administrative expenses were $1,532,000. The program's total cost of $140,523,000 was funded by the Government of Canada ($74,376,000) and the Province of Manitoba ($66,147,000).

(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 $258,000. The program's total cost of $3,633,000 was funded by the Government of Canada ($2,205,000) and the Province of Manitoba ($1,428,000).

(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

	2018	2017
Amounts from insured persons:		
AgriInsurance	**$ 5,877**	$ 4,177
Hail Insurance	**1,330**	882
Other	**1,248**	1,694
	8,455	6,753
Less provision for credit losses	**(2,150)**	(1,981)
	$ 6,305	$ 4,772

The provisions for credit losses of $2,150,000 (2017 - $1,981,000) 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

	2018	2017
AgriInsurance premiums (Note 2L)	**$ 3,745**	$ 6,798
Administrative expenses	**1,401**	1,598
Pension liability	**6,067**	6,282
Severance liability	**429**	429
Vacation pay liability	**169**	169
Other Programs (Note 7)	**209**	212
	$ 12,020	$ 15,488

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 $6,067,000 as of March 31, 2018 (2017 - $6,282,000), and has recorded a decrease under other contributions from the Province of Manitoba for 2017/18 equal to the related pension reduction of $215,000 (2017 - $18,000 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 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, 2018, the receivable for severance pay liability was $429,000 (2017 - $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, 2018, the receivable for vacation pay liability was $169,000 (2017 - $169,000).

10. RECEIVABLES FROM THE GOVERNMENT OF CANADA

	2018	2017
AgriInsurance Program	**$ 6,205**	$ 6,122
Wildlife Damage Compensation Program	**211**	1,485
Western Livestock Price Insurance Program	**253**	471
Other Programs	**205**	205
	$ 6,874	$ 8,283

11. INVESTMENTS

MASC's investments are with the Province of Manitoba and consist of the following as of March 31, 2018:

Maturity Terms	Average Interest Rate	Lending Programs	AgriInsurance Program	Hail Insurance Program	Farmland School Tax Rebate Program	Other Programs	2018	2017
90 days or less	1.283%	$ 21,000	$ 99,480	$ 22,783	$ 923	$ 9,263	**$ 153,449**	$ 403,554
1 year	1.455%	-	486,938	9,113	-	-	**496,051**	62,084
3 years	1.170%	-	-	11,000	-	-	**11,000**	23,000
5 years	1.928%	-	-	17,000	-	-	**17,000**	21,000
	1.424%	21,000	586,418	59,896	923	9,263	**677,500**	509,638
Accrued Interest		3	1,114	101	2	10	**1,230**	410
		$ 21,003	$ 587,532	$ 59,997	$ 925	$ 9,273	**$ 678,730**	510,048

12. LOANS RECEIVABLE

MASC's loans receivable as of March 31, 2018 consist of the following:

	2018			2017		
	Regular Program Loans	Special Assistance Loans*	**Total**	Regular Program Loans	Special Assistance Loans*	Total
Recorded investment	$ 740,655	$ 10,794	**$ 751,449**	$ 641,098	$ 14,069	$ 655,167
Specific provision	(1,861)	(7,346)	**(9,207)**	(1,868)	(8,971)	(10,839)
General provision	(8,100)	(96)	**(8,196)**	(6,701)	(161)	(6,862)
Unamortized discount on loans with concessionary interest	-	-	**-**	-	(90)	(90)
	730,694	3,352	**734,046**	632,529	4,847	637,376
Accrued interest	11,104	182	**11,286**	9,599	250	9,849
Net carrying value	$ 741,798	$ 3,534	**$ 745,332**	$ 642,128	$ 5,097	$ 647,225

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

Impaired loans included in the preceding schedule:

	2018			2017		
	Regular Program Loans	Special Assistance Loans*	**Total**	Regular Program Loans	Special Assistance Loans*	Total
Impaired loan balance	$ 26,311	$ 11,265	**$ 37,576**	$ 20,818	$ 12,327	$ 33,145
Specific provision	(1,861)	(7,346)	**(9,207)**	(1,868)	(8,971)	(10,839)
	$ 24,450	$ 3,919	**$ 28,369**	$ 18,950	$ 3,356	$ 22,306

* Includes Manitoba Hog Assistance, BSE 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, 2018. A total of $1,795,000 (2017 - $1,453,000) of interest on impaired loans was included in revenue for the year ended March 31, 2018.

Provisions for impaired loans:

	2018			2017		
	Regular Program Loans	Special Assistance Loans*	**Total**	Regular Program Loans	Special Assistance Loans*	Total
Beginning provision balance	$ 8,569	$ 9,132	**$ 17,701**	$ 8,012	$ 12,230	$ 20,242
Write-offs, net of recoveries	-	-	**-**	(227)	(96)	(323)
Provision (recovery) expense	1,392	(1,690)	**(298)**	784	(3,002)	(2,218)
Ending provision balance	$ 9,961	$ 7,442	**$ 17,403**	$ 8,569	$ 9,132	$ 17,701

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

Included in loans receivable is a specific provision of $9,207,000 (2017 - $10,839,000) and a general provision of $8,196,000 (2017 - $6,862,000) that are subject to measurement uncertainty. The resulting amount established for specific and general provisions of $17,403,000 (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 $1,180,853,000 (2017 - $1,084,668,000).

Remaining terms to maturities are as follows:

	2018			2017		
	Regular Program Loans	Special Assistance Loans*	**Total**	Regular Program Loans	Special Assistance Loans*	Total
Less than 5 years	$ 111,910	$ 6,794	**$ 118,704**	$ 85,599	$ 10,069	$ 95,668
5 years to up to 10 years	102,707	-	**102,707**	93,238	-	93,238
10 years to up to 15 years	115,168	4,000	**119,168**	104,801	4,000	108,801
15 years to up to 20 years	182,614	-	**182,614**	170,756	-	170,756
More than 20 years	228,256	-	**228,256**	186,704	-	186,704
Recorded investment	$ 740,655	$ 10,794	**$ 751,449**	641,098	$ 14,069	$ 655,167

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

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at March 31, 2018 consist of the following:

	Lending Programs	AgriInsurance Program	Wildlife Damage Compensation Program	Farmland School Tax Rebate Program	Western Livestock Price Insurance Program	Other Programs	2018	2017
Accounts payable - general	$ -	$ 4,878	$ 274	$ -	$ 163	$ 115	**$ 5,430**	$ 8,701
Salaries and benefits	-	203	23	-	-	63	**289**	704
Accrued vacation pay	-	1,282	-	-	-	-	**1,282**	1,270
Other*	130	3,857	-	-	-	7,896	**11,883**	9,911
	$ 130	$ 10,220	$ 297	$ -	$ 163	$ 8,074	**$ 18,884**	$ 20,586

* Other accounts payable of $7,896,000 includes amounts owing to the Province of Manitoba ($7,885,000) and the Government of Canada ($11,000) for various other programs administered by MASC.

14. CLAIMS PAYABLE*

	2018	2017
AgriInsurance Program	**$ 3,419**	$ 12,165
Hail Insurance Program	**-**	93
Wildlife Damage Compensation Program	**370**	2,282
Farmland School Tax Rebate Program	**1,884**	2,494
Western Livestock Price Insurance Program	**208**	-
Other Programs	**940**	2,024
	$ 6,821	$ 19,058

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

15. CONTRIBUTIONS PAYABLE

MASC's contributions payable as of March 31, 2018 are payable to the following:

	2018	2017
Production Insurance Trust	**$ 203,573**	$ -
Hail Insurance Trust	**61,430**	-
	$ 265,003	$ -

16. 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, 2018 interest rates ranging from 1.5% to 7.625% (2017 – 1.1% to 7.625%).

Maturities of principal over the following terms	2018	2017
1 year	**$ 144,249**	$ 175,432
2 years	**82,207**	69,564
3 years	**77,091**	61,980
4 years	**62,867**	56,306
5 years	**56,537**	41,510
More than 5 years	**350,577**	263,960
	$ 773,528	$ 668,752

17. LOAN GUARANTEES AND CONTINGENCIES

(A) Contingent liabilities and the corresponding provisions for MASC's loan guarantee programs as of March 31, 2018 are shown below:

	2018			2017		
	Contingent Liability	Provision for Losses	**Net Contingent Liability**	Contingent Liability	Provision for Losses	Net Contingent Liability
Operating Credit Guarantees for Agriculture	$ 8,104	$ (811)	**$ 7,293**	$ 8,601	$ (860)	$ 7,741
Operating Credit Guarantees for Rural Small Business	102	(10)	**92**	45	(4)	41
Manitoba Livestock Associations Loan Guarantees	9,369	(1,405)	**7,964**	8,152	(1,223)	6,929
Enhanced Diversification Loan Guarantees	44,160	(6,730)	**37,430**	50,346	(10,196)	40,150
Rural Entrepreneur Assistance Program	10,279	(1,957)	**8,322**	10,763	(2,231)	8,532
	$ 72,014	$(10,913)	**$ 61,101**	$ 77,907	$(14,514)	$ 63,393

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

	2018	2017
Beginning provision balance	**$ 14,514**	$ 14,853
Write-offs, net of recoveries	**-**	(55)
Provision expense (recovery)	**(3,601)**	(284)
Ending provision balance	**$ 10,913**	$ 14,514

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.

18. 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, 2017 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions include an interest rate of 6.0% (2014 - 6.5%), severance rate of 0.85% of average salary of $69,519 for administration staff and 0.37% of average salary of $43,872 for adjusting staff (2014 - 0.74% of average salary of $64,946 for administration staff and 0.44% of average salary of $42,015 for adjusting staff), and salary inflation rate increases of 3.75% (2014 - 3.75%). The accrued benefit cost method with salary projection was used.

The average remaining service life of the employees is nine years for administration staff and six years for adjusting staff. For 2017/18, the amortization of the net actuarial loss was $2,000 (2017 - $10,000).

Provision for severance liability		2018		2017
Accrued severance obligation, beginning of year	$	2,763	$	2,707
Benefits accrued		97		138
Interest accrued on benefits		156		176
Benefits paid		(369)		(258)
Actuarial (gain)		(109)		-
Accrued severance obligation, end of year	$	2,538	$	2,763
Unamortized actuarial gain (loss)		19		(91)
Provision, end of year		2,557		2,672

MASC's severance costs consist of the following:		2018		2017
Benefits accrued	$	97	$	138
Interest accrued on benefits		156		176
Amortization of experience loss		2		10
Severance cost		255		324

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, 2016 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions include a rate of return of 6.00% (2015 - 6.0%), inflation of 2.0% (2015 - 2.00%), salary inflation rate increases of 3.75% (2015 - 3.75%), discount rate of 6.00% (2015 - 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, 2018, all according to the formula prescribed by the consulting actuary.

The average remaining service life of this group of employees is five years. For 2017/18, the amortization of the net actuarial gain was $18,000 (2017 - $52,000).

Provision for employer's share of employees' pension plan		2018		2017
Accrued pension obligation, beginning of year	**$**	**6,111**	$	6,292
Interest accrued on benefits		**392**		377
Benefits paid		**(570)**		(334)
Actuarial (gain) loss		**157**		(224)
Accrued pension obligation, end of year	**$**	**6,090**	$	6,111
Unamortized actuarial gain (loss)		**(82)**		107
Provision, end of year	**$**	**6,008**	$	6,218

MASC's pension plan costs consist of the following:		2018		2017
Interest accrued on benefits	**$**	**392**	$	377
Interest earned		**(16)**		(8)
Amortization of experience gain		**(18)**		(52)
Pension cost	**$**	**358**	$	317

19. COMMITMENTS

		2018		2017
Approved, undisbursed loans	**$**	**30,183**	$	29,546
Estimated farm loan incentives		**4,128**		4,341
Operating leases		**241**		306
Service agreements		**1,059**		-
	$	**35,611**	$	34,193

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.

The service agreements are for content migration software and internet services.

20. 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:

	2018	2017
Investments	**$ 678,730**	$ 510,048
Accounts receivable	**6,305**	4,772
Receivables from the Province of Manitoba	**12,020**	15,488
Receivables from the Government of Canada	**6,874**	8,283
Loans receivable	**745,332**	647,225
Loan guarantees	**72,014**	77,907
	$ 1,521,275	$ 1,263,723

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 1% of MASC's overall lending portfolio.

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

	2018			**2017**		
	Regular Program Loans	Special Assistance Loans*	**Total**	Regular Program Loans	Special Assistance Loans*	Total
Less than 1 year in arrears	$ 13,368	$ 2	**$ 13,370**	$ 8,985	$ -	$ 8,985
1 to 2 years in arrears	6,380	8	**6,388**	3,323	23	3,346
Over 2 years in arrears	274	-	**274**	-	-	-
	$ 20,022	$ 10	**$ 20,032**	$ 12,308	$ 23	$ 12,331

* Includes Manitoba Hog Assistance, BSE 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

	2018			2017		
	Regular Program Loans	Special Assistance Loans*	**Total**	Regular Program Loans	Special Assistance Loans*	Total
Grains and oilseeds	$ 440,253	$ 203	**$ 440,456**	$ 392,196	$ 1,834	$ 394,030
Potatoes	536	-	**536**	552	-	552
Other crops	7,803	55	**7,858**	8,444	51	8,495
Cattle	260,244	949	**261,193**	211,112	1,167	212,279
Hogs	4,100	5,506	**9,606**	2,381	7,019	9,400
Poultry	5,371	-	**5,371**	5,311	-	5,311
Dairy	17,080	-	**17,080**	16,277	-	16,277
Other	16,372	4,263	**20,635**	14,424	4,248	18,672
Provisions and concessions	(9,961)	(7,442)	**(17,403)**	(8,569)	(9,222)	(17,791)
	$ 741,798	$ 3,534	**$ 745,332**	$ 642,128	$ 5,097	$ 647,225

* Includes Manitoba Hog Assistance, BSE 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	
	2018	2017	**2018**	2017
Grains and oilseeds	**-**	-	**55%**	59%
Potatoes	**3%**	5%	**3%**	3%
Other crops	**4%**	3%	**4%**	2%
Cattle	**1%**	-	**18%**	14%
Hogs	**16%**	23%	**9%**	9%
Poultry	**10%**	10%	**1%**	-
Dairy	**59%**	53%	**2%**	2%
Other	**7%**	6%	**8%**	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*	**2018**	2017
Loans Receivable	$ 88,866	194,195	174,959	293,429	(6,117)	**$ 745,332**	$ 647,225
Average Interest Rate	4.36%	4.42%	4.45%	4.36%	-	**4.40%**	4.33%
Due to the Province of Manitoba	$ 144,249	278,702	180,338	170,239	-	**$ 773,528**	668,752
Average Interest Rate	3.03%	3.14%	3.15%	3.09%	-	**3.11%**	3.01%
	$ (55,383)	(84,507)	(5,379)	123,190	(6,117)	**$ (28,196)**	$ (21,527)

* 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 23). MASC also has the ability to borrow funds from the Province of Manitoba for AgriInsurance and Hail Insurance, if required.

21. ACTUARIAL REVIEW

Actuarial certifications of AgriInsurance premium rates and the financial sustainability of the overall AgriInsurance Program were completed by IAO Actuarial Consulting Inc. in January 2018 and August 2017, 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, by Towers Watson, consulting actuary, 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.

22. 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:

	2018	2017
Interest earned on investments from the Province of Manitoba	**$ 5,518**	$ 3,298
Interest paid on loans from the Province of Manitoba	**$ 20,146**	$ 18,552

23. 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	
	2018	2017	**2018**	2017
Opening surplus	**$ 36,026**	$ 36,024	**$ 58,046**	$ 58,044
Current year premium contributions (net)*	**-**	2	**-**	2
Net book value	**$ 36,026**	$ 36,026	**$ 58,046**	$ 58,046

* For 2017/18, 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 2017/18 is zero (2017 - $4,000 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 2017 crop year. The agreement involved 32 reinsuring companies assuming 90% (2017 - 90%) of losses (including deemed losses for adjusting expenses) from 15.0% to 27.5% of AgriInsurance liability (coverage). Reinsurance premiums were $32,194,000 (2017 - $29,869,000). There was no private sector reinsurance recovery for 2018.

Hail Insurance

For 2017/18, MASC entered into a one-year agreement with private sector reinsurers for the Hail Insurance Program. The agreement involved 22 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 $1,540,000 (2017 - $1,499,000), with a reinsurance recovery of $29,000 (2017 - $6,542,000).

Western Livestock Price Insurance

Alberta's Agriculture Financial Services Corporation (AFSC) administers this program on behalf of MASC. AFSC entered into a private reinsurance agreement for 2017/18 for excess of loss reinsurance, whereby reinsuring companies assumed 100% of the losses between 200% to 500% of gross net written premium. This agreement included Manitoba's share of the program. Manitoba's share of reinsurance premiums were $158,000 (2017 - $145,000).

Beginning in 2017/18, the program also entered into a separate quota share reinsurance agreement whereby the reinsurer assumed 46.5% of all losses incurred for the Western Livestock Price Insurance Program. Manitoba's share of total reinsurance premiums, net of commissions were $649,000. The reinsurers share of Manitoba's losses were $329,000. Manitoba's total net quota share reinsurance premiums were $320,000.

24. SUBSEQUENT EVENT

Effective April 1, 2018, the Province of Manitoba and the Government of Canada entered into a new framework agreement, the Canadian Agricultural Partnership. The agreement provides the funding arrangements for the AgriInsurance and Wildlife Damage Compensation programs for the next five years.

25. COMPARATIVE FIGURES

Certain prior year balances have been adjusted to reflect current year presentation.

Manitoba Agricultural Services Corporation
Schedule 1: Schedule of Operations and Accumulated Surplus

FOR THE YEAR ENDED MARCH 31, 2018 | IN THOUSANDS OF DOLLARS

	Lending Programs		AgriInsurance Program		Hail Insurance Program	
	2018	2017	2018	2017	2018	2017
REVENUE						
Insurance premiums						
Insured producers	$ -	$ -	$ 97,258	$ 88,132	$ 26,790	$ 26,874
Province of Manitoba	-	-	56,904	51,800	-	-
Government of Canada	-	-	85,360	77,703	-	-
	-	-	239,522	217,635	26,790	26,874
Interest from loans	29,830	26,766	-	-	-	-
Other contributions - Province of Manitoba	(3,324)	(1,679)	4,515	4,372	-	-
Other contributions - Government of Canada	-	-	6,748	6,539	-	-
Reinsurance recoveries	-	-	-	-	29	6,542
Investment income	44	46	4,802	2,512	853	925
Other income	335	270	-	-	-	-
Total revenue	26,885	25,403	255,587	231,058	27,672	34,341
EXPENSE						
Insurance indemnities and compensation payments	-	-	45,760	79,428	15,972	43,578
Reinsurance premiums (Note 23)	-	-	32,194	29,869	1,540	1,499
Interest on borrowed funds	20,146	18,552	-	-	-	-
Provision (recoveries) for credit losses	(298)	(2,218)	296	794	(21)	24
Provision (recoveries) for guaranteed loan losses (Note 17)	(3,601)	(284)	-	-	-	-
Young farmer incentives	1,505	1,751	17	14	-	-
Farmland school tax rebates (Note 5)	-	-	-	-	-	-
Other program payments (Note 7)	-	-	-	-	-	-
Administrative expenses (Schedule 2)	5,234	4,722	11,247	10,897	4,573	5,008
Total expenses	22,986	22,523	89,514	121,002	22,064	50,109
Income from operations	3,899	2,880	166,073	110,056	5,608	(15,768)
Contributions to trust funds	-	-	203,573	-	61,430	-
Income (loss) for the year	3,899	2,880	(37,500)	110,056	(55,822)	(15,768)
Accumulated surplus (deficit), beginning of year	(29,523)	(32,403)	434,872	324,816	55,822	71,590
Surplus (deficit), end of year	$ (25,624)	$ (29,523)	$ 397,372	$ 434,872	$ -	$ 55,822

Wildlife Damage Compensation Program		Farmland School Tax Rebate Program		Western Livestock Price Insurance Program		Other Programs		Total	Total
2018	2017	2018	2017	2018	2017	2018	2017	**2018**	2017
$ -	$ -	$ -	$ -	$ 1,823	$ 1,023	$ -	$ -	**$ 125,871**	$ 116,029
-	-	-	-	-	-	-	-	**56,904**	51,800
-	-	-	-	-	-	-	-	**85,360**	77,703
-	-	-	-	1,823	1,023	-	-	**268,135**	245,532
-	-	-	-	-	-	-	-	**29,830**	26,766
3,201	3,706	41,015	40,368	326	339	(1,594)	(633)	**44,139**	46,473
3,790	4,353	-	-	489	509	-	(1)	**11,027**	11,400
-	-	-	-	-	79	-	-	**29**	6,621
-	-	31	15	11	2	82	52	**5,823**	3,552
-	-	-	-	-	-	40	26	**375**	296
6,991	8,059	41,046	40,383	2,649	1,952	(1,472)	(556)	**359,358**	340,640
6,063	7,232	-	-	703	1,702	-	-	**68,498**	131,940
-	-	-	-	478	145	-	-	**34,212**	31,513
-	-	-	-	-	-	-	-	**20,146**	18,552
-	-	(11)	15	-	-	(7)	106	**(41)**	(1,279)
-	-	-	-	-	-	-	-	**(3,601)**	(284)
-	-	-	-	-	-	-	-	**1,522**	1,765
-	-	40,655	39,836	-	-	-	-	**40,655**	39,836
-	-	-	-	-	-	(1,038)	(684)	**(1,038)**	(684)
928	827	402	532	815	848	(427)	22	**22,772**	22,856
6,991	8,059	41,046	40,383	1,996	2,695	(1,472)	(556)	**183,125**	244,215
-	-	-	-	653	(743)	-	-	**176,233**	96,425
-	-	-	-	-	-	-	-	**265,003**	-
-	-	-	-	653	(743)	-	-	**(88,770)**	96,425
-	-	-	-	(115)	628	-	-	**461,056**	364,631
$ -	$ -	$ -	$ -	$ 538	$ (115)	$ -	$ -	**$ 372,286**	$ 461,056

Manitoba Agricultural Services Corporation
Schedule 2: Schedule of Administrative Expenses

FOR THE YEAR ENDED MARCH 31, 2018 | IN THOUSANDS OF DOLLARS

	2018	2017
Adjustors' wages, benefits and expenses	$ 4,842	$ 5,485
Advertising	365	384
Amortization expense	50	60
Appeal Tribunal	27	38
Audit fees and legal	253	390
Directors' remuneration and expense	75	57
Furniture and equipment	87	82
Information technology	965	608
Office rental and utilities	1,252	1,310
Other administrative expenses	1,239	811
Other administrative recoveries	(899)	(933)
Postage	174	173
Printing and office supplies	177	140
Salaries and employee benefits	13,528	13,659
Telephone	271	240
Travel and vehicle expenses	366	352
Total administrative expenses	$ 22,772	$ 22,856
Administrative expenses allocation:		
Lending Programs	$ 5,234	$ 4,722
AgriInsurance Program	11,247	10,897
Hail Insurance Program	4,573	5,008
Wildlife Damage Compensation Program	928	827
Farmland School Tax Rebate Program	402	532
Western Livestock Price Insurance Program	815	848
Other Programs	(427)	22
Total administrative expenses	$ 22,772	$ 22,856

Production Insurance Trust

FINANCIAL STATEMENTS

(unaudited)

Statement of Financial Position (unaudited)

AS AT MARCH 31, 2018 | IN THOUSANDS OF DOLLARS

		2018
ASSETS		
Accounts receivable from Manitoba Agricultural Services Corporation	$	203,573
TRUST EQUITY	$	203,573

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

Statement of Profit or Loss (unaudited)

FOR THE YEAR ENDED MARCH 31, 2018 | IN THOUSANDS OF DOLLARS

		2018
REVENUE		
Contribution from Manitoba Agricultural Services Corporation	$	203,573
Income for the year		203,573
Trust equity, beginning of year		-
Trust equity, end of year	$	203,573

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

Statement of Cash Flows (unaudited)

FOR THE YEAR ENDED MARCH 31, 2018 | IN THOUSANDS OF DOLLARS

		2018
Cash provided by (used for):		
OPERATING		
Income for the year	$	203,573
Changes in:		
Receivables from Manitoba Agricultural Services Corporation		(203,573)
Cash provided by operating activities		-
Net increase in cash and cash equivalents		-
Cash and cash equivalents, beginning of year		-
Cash and cash equivalents, end of year	$	-

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

Notes to Financial Statements (unaudited)

AS AT MARCH 31, 2018

1. NATURE OF TRUST

The Production Insurance Trust was created by the Province of Manitoba to benefit AgriInsurance Program participants. MASC has been designated as the trustee for the trust.

The trust will be used to pay AgriInsurance indemnities to participating producers. Funding for the trust will be provided by MASC.

2. STATEMENT OF COMPLIANCE

The Production Insurance Trust's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were authorized for issue by the Board of Directors on September 19, 2018

3. SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements in accordance with IFRS.

A) 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.

B) Accounts Receivable from Manitoba Agricultural Services Corporation

The accounts receivable from MASC is recorded at cost, which represents the fair market value, is non-interest bearing and has no fixed terms of repayment.

Hail Insurance Trust

FINANCIAL STATEMENTS
(unaudited)

Statement of Financial Position (unaudited)

AS AT MARCH 31, 2018 | IN THOUSANDS OF DOLLARS

		2018
ASSETS		
Accounts receivable from Manitoba Agricultural Services Corporation	$	61,430
TRUST EQUITY	$	61,430

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

Statement of Profit or Loss (unaudited)

FOR THE YEAR ENDED MARCH 31, 2018 | IN THOUSANDS OF DOLLARS

		2018
REVENUE		
Contribution from Manitoba Agricultural Services Corporation	$	61,430
Income for the year		61,430
Trust equity, beginning of year		-
Trust equity, end of year	$	61,430

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

Statement of Cash Flows (unaudited)

FOR THE YEAR ENDED MARCH 31, 2018 | IN THOUSANDS OF DOLLARS

		2018
Cash provided by (used for):		
OPERATING		
Income for the year	$	61,430
Changes in:		
Receivables from Manitoba Agricultural Services Corporation		(61,430)
Cash provided by operating activities		-
Net increase in cash and cash equivalents		-
Cash and cash equivalents, beginning of year		-
Cash and cash equivalents, end of year	$	-

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

Notes to Financial Statements (unaudited)

AS AT MARCH 31, 2018

1. NATURE OF TRUST

The Hail Insurance Trust was created by the Province of Manitoba to benefit Hail Insurance Program participants. MASC has been designated as the trustee for the trust.

The trust will be used to pay Hail Insurance indemnities to participating producers. Funding for the trust will be provided by MASC.

2. STATEMENT OF COMPLIANCE

The Hail Insurance Trust's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were authorized for issue by the Board of Directors on September 19, 2018

3. SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements in accordance with IFRS.

A) 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.

B) Accounts Receivable from Manitoba Agricultural Services Corporation

The accounts receivable from MASC is recorded at cost, which represents the fair market value, is non-interest bearing and has no fixed terms of repayment.

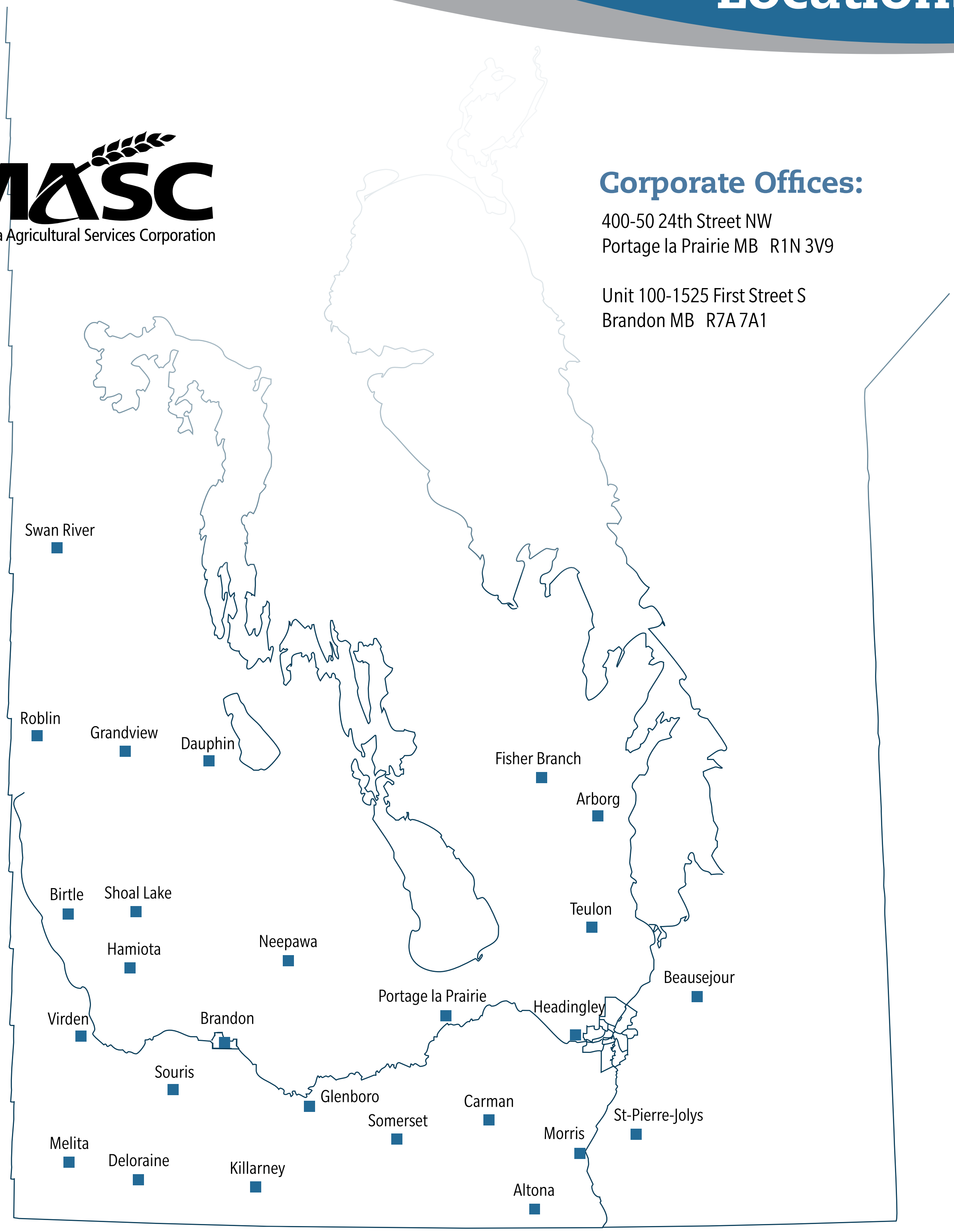
Office Locations

MASC
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



Canada

Manitoba