

2018/19 ANNUAL REPORT



LENDING & INSURANCE
Building a Strong Rural Manitoba



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.



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BOARD OF DIRECTORS

Jim Wilson (Chair)
Charles Mayer (Vice Chair)
Rachelle Brown
Hubert Chappellaz
Betty Green
Suszanne Jones
Laurent Ponsin
Aaron Redekop
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



**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, 2019.

Yours truly,

Original signed by:

Honourable Ralph Eichler
Minister of Agriculture





The Honourable Ralph Eichler
Minister of Agriculture
Room 165, Legislative Building
Winnipeg MB R3C 0V8

Dear Sir:

On behalf of the Board of Directors, I am pleased to submit the Annual Report of the Manitoba Agricultural Services Corporation for the fiscal year ended March 31, 2019.

Yours truly,

Original signed by:

Jim Wilson
Chair, Board of Directors



CHAIR'S MESSAGE

Agriculture is a keystone of Manitoba's economy. The world-class products grown by our farmers are the foundation for investment in related sectors, such as agri-food processing, transportation and trade. As Board Chair, I am proud the Manitoba Agricultural Services Corporation (MASC) continues to support this homegrown success and the Minister of Agriculture's mandate to accelerate expansion of the agricultural sector.

MASC is growing alongside agriculture in Manitoba. Our lending portfolio is increasing, and it's helping our clients, particularly young farmers, manage their finances and expand their operations. Our risk management programming remains solvent and available when our clients need it most. We're adapting to a constantly evolving agriculture industry. We're listening to feedback from our clients, producer groups and other stakeholders to refine our programs and services.

MASC is moving with the provincial government and its mandate to be more effective and accountable with our programming, delivery and oversight. Our new strategic plan follows the 'balanced scorecard' approach to measure and provide feedback for MASC's operations. Going forward, this will allow MASC to continue providing products and services that meet the needs of our industry, help our employees realize their full potential, improve our processes and solidify our long-term financial viability.

Agriculture is becoming increasingly technological, and MASC's digital transformation is rising to meet the needs of clients who prefer to do business online. The past year has seen the launch of the 'myMASC' online portal, and we can expect that more services will be added in the coming year.

At the Board table, we're assessing our own role within the framework of the Corporation. The Board is responsible for setting MASC's overall strategic direction and organizational objectives, and we're aiming to further define our role in monitoring the Corporation's risk. Ongoing review of corporate governance policies helps the Board move towards this goal.

It is an exciting time for MASC and Manitoba's agriculture industry, and the Board is looking forward to continued success in the years ahead. Thank you to past Board Members Karen Fatteicher and Darrell McElroy, who left the Board in the last year, for their insight and hard work. We wish them well in their future endeavours. Welcome to new directors Hubert Chappellaz, Aaron Redekop and Rachelle Brown.

On behalf of the Board, I would also like to thank our Executive Management, who administer the Corporation's day-to-day operations, and of course, our diverse and widespread MASC staff, who clearly take pride in delivering MASC's programs and services.

At MASC, we're all working in step to deliver exceptional public value through the delivery of unique risk management solutions, targeted lending programs and other agricultural services. I am confident our clients will continue moving forward to grow our industry, and I am proud that MASC's efforts play a part in supporting their successes.

Original signed by:

Jim Wilson
Chair, Board of Directors

CEO'S MESSAGE

Manitoba Agricultural Services Corporation's vision is to provide exceptional public value through the products and services we deliver. It challenges us to scrutinize the value we provide to our clients, the agriculture industry and all Manitobans. At MASC, providing exceptional value means we must adapt to the changing expectations of those we serve. To achieve our vision, we need to know our clients, make it easy for them to do business with us and transform the way we work.

Knowing our Clients

We began 2018/19 with a corporate reorganization to create the best possible environment for MASC to meet its strategic objectives. We recognized our customers are all MASC clients, not exclusively insurance or lending clients. To address this, our lending and insurance office staff came together under a new 'Client Service' division. This has resulted in a coordinated approach to service delivery at our 26 rural locations.

Collaboration with our clients and industry is an important value of our organization. We continue to gain insight about the needs of our clients through our relationships with producer organizations and conversations with individual producers. This customer focus drives how we develop new programs, and how we adapt existing programs to our customers' evolving needs. We implemented a number of changes to the AgriInsurance program for 2019 that recognize changing farm practices. We are also very pleased that the Young Farmer Rebate program is being expanded to help young farmers overcome the barriers to entering the agriculture industry and growing their operations.

Improving the Client Experience

This year we launched the 'myMASC' online customer portal, which is the foundation for MASC's digital transformation. Features implemented to date include automated password resets, direct deposit for insurance claims and increased availability of loan information that's accessible in a mobile-friendly environment from anywhere, anytime. Many new features will be added in the coming months and years.

Our digital transformation is more than an exercise to digitize our paper procedures. It provides an opportunity to review MASC's processes to identify how we can improve the client experience. This also relates to our efforts under the Red Tape Reduction and Government Efficiency Act to reduce administrative burden for our clients.

Transforming the Way We Work

Our customers are professional and sophisticated. Whether it's adopting leading edge production and management practices or implementing the latest technology, the innovative nature of Manitoba farmers is inspiring. To ensure MASC employees keep pace, our new strategic plan includes objectives and measures related to employee excellence through continued learning opportunities. The value we create as an organization is largely due to our employees. I would like to thank our staff for their unwavering commitment to our customers and their support for our continuing organizational change.

Over the past year, we've implemented new technology to improve our efficiency such as video conferencing and an electronic signature process for insurance claims. These improvements not only reduce travel time and costs for our staff, but also increase convenience for our customers. We are excited about several new technologies we are testing to further improve our efficiency and customer service.

The Future

In this sometimes uncertain industry, one thing is for certain. MASC will continue to adapt to the needs of our customers to ensure we are providing the products and services that support their success and the growth of agriculture in Manitoba. We look forward to building on our recent successes in the years to come.

Original signed by:

Jared Munro
President & CEO

OPERATIONAL HIGHLIGHTS

For the year ended March 31, 2019

AGRIINSURANCE			
	2017	2018	2019
Insured acres (millions)	9.6	9.6	9.5
Total coverage (liability) (\$ millions)	2,453.6	2,658.9	2,696.7
Total premiums (\$ millions)	217.6	239.5	214.0
Total indemnities (\$ millions)	85.0	42.2	96.2
Net income from operations (\$ millions)	110.1	166.0	97.2
HAIL INSURANCE			
Insured acres (millions)	4.7	4.5	4.4
Total coverage (liability) (\$ millions)	887.0	858.0	1,024.6
Total premiums (\$ millions)	28.6	28.5	33.6
Total indemnities (\$ millions)	43.6	16.0	23.6
Net income (loss) from operations (\$ millions)	(15.8)	5.6	2.8
LENDING			
Number of loans approved	1,391	1,502	1,602
Amount approved (\$ millions)	202.2	223.8	243.5
Loan portfolio (\$ millions)	665.0	762.7	870.4
Net loan portfolio growth (%)	12.9	14.7	14.1
Number of guaranteed loans approved	169	146	146
Associated loan amounts approved (\$ millions)	88.1	83.7	105.2
Guaranteed loan portfolio (\$ millions)	280.8	258.6	259.3

MISSION

To provide diverse products and services that support the growth of agriculture in Manitoba

VALUES

Innovation – *We believe in learning from our experiences, implementing creative solutions and embracing change.*

Excellence – *We strive for accuracy and efficiency in everything we do.*

Collaboration – *We work with our clients and partners to advance common interests.*

Accountability – *We manage our resources responsibly on behalf of our stakeholders.*

VISION

To deliver exceptional public value by providing unique risk management solutions, targeted lending products and other land-based programs. We achieve this by knowing our clients, making it easy for them to do business with us and transforming the way we work.

STRATEGIES

- *Enhance existing and develop new products that meet the needs of the agriculture industry and align with government priorities*
- *Transform service delivery to enrich client experience*
- *Maximize performance, engagement and development of all employees*
- *Pursue customer-driven organizational change*
- *Ensure long-term viability by attaining financial targets*



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 is comprised of up to nine directors who are appointed by the Lieutenant-Governor in Council (i.e. Executive Council of 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 the management team, and provides final approval of all applicable budgets.

MASC is the Trustee of the Production Insurance and Hail Insurance Trusts, and the Board ensures these Trusts are administered in accordance with the respective agreements.

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 March 31, 2019, MASC employs 153 permanent staff, complemented by 143 adjusters who are employed on a casual basis. MASC is represented by 26 client service offices in 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 provision of digital services that meet the needs of MASC's clients and staff. MASC's continually developing technology supports inter-office web conferencing, paperless processes and online services. It allows staff the opportunity to work effectively

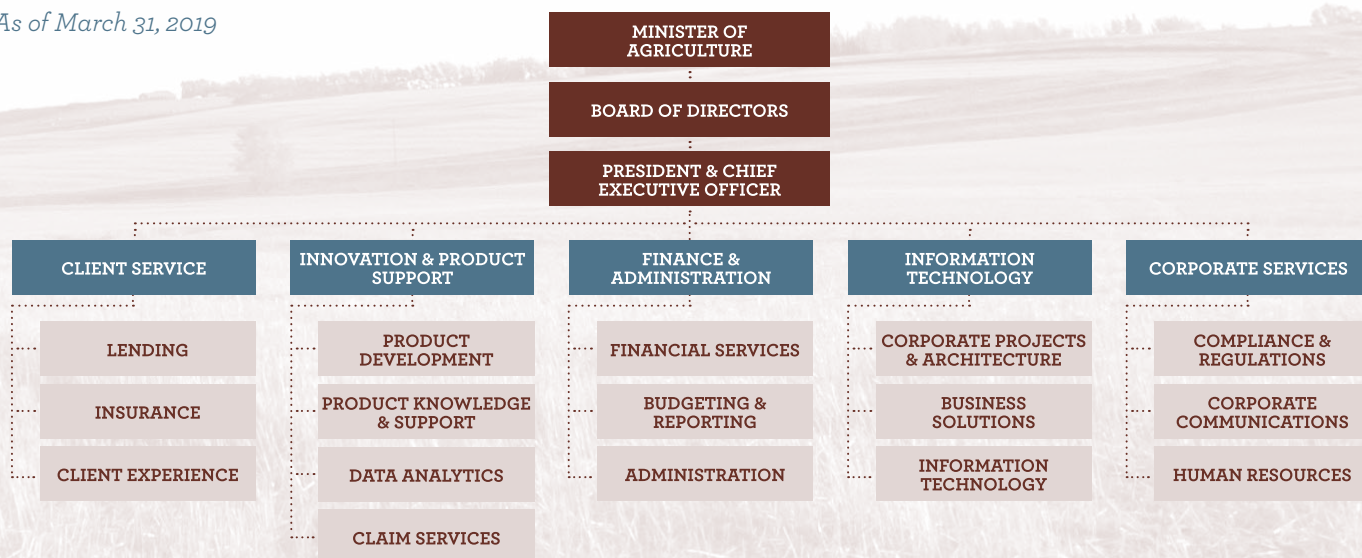
from alternate locations, and gives MASC clients the option to conduct nearly all of their business with the corporation from any desktop or mobile device.

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 is reported in Manitoba Agriculture's 2018/19 Annual Report.

MASC is the trustee for the Production Insurance Trust and the Hail Insurance Trust. These trusts ensure that funds are only used for the benefit of insured producers and provide greater public transparency that these funds cannot be used for other purposes.

CORPORATE STRUCTURE

As of March 31, 2019



STRATEGIC PLAN REVIEW

MASC's vision is achieved by evaluating successes from four focused perspectives. At the corporate level, key strategies and objectives are set, and performance is measured against specific targets. This process was initiated in 2018/19, with the Strategic Plan reviewed annually and adjusted as required. The following is a review of the progress made towards some of the major targets as at March 31, 2019.

PERSPECTIVE: CUSTOMER FOCUS – CUSTOMER LOYALTY AND MARKET PRESENCE

STRATEGY 1

Enhance existing and develop new products that meet the needs of the agricultural industry and align with government priorities

OBJECTIVE

Provide products that will assist farmers in growing the rural economy

INITIATIVES

- Review existing products to ensure they reflect the changing agricultural industry
- Develop enhanced or new products that respond to emerging needs, including needs unique to young and beginning farmers
- Enhance awareness of MASC's products and services
- Review internal systems that enhance support for young farmers

PERFORMANCE MEASURES	TARGETS (March 31, 2019)	RESULTS (March 31, 2019)
Annual crop acres insured by AgriInsurance	> 90%	91%
Hail Insurance market share (by total Manitoba hail insurance premiums)	> 60%	62%
Livestock insured under the Western Livestock Price Insurance Program (relative to the number of beef cows in Manitoba)	13%	11%
Direct Loan portfolio annual growth	7%	14%
Young farmer loan approvals	\$132M	\$138M

STRATEGY 2

Transform service delivery to enrich client experience

OBJECTIVE

Improve customer service across all communication channels

INITIATIVES

- Enhance the myMASC portal to increase self-service options for clients
- Implement a customer relationship management approach that is based on a client's needs across all lines of business
- Increase clients' ability to access information about all available products and services at any MASC office

PERFORMANCE MEASURES	TARGETS (March 31, 2019)	RESULTS (March 31, 2019)
Insurance reports submitted online	39%	39%



PERSPECTIVE: EMPLOYEE EXCELLENCE – REALIZE EMPLOYEE POTENTIAL

STRATEGY

Maximize performance, engagement and development of all employees

OBJECTIVE

Develop employee skills and knowledge by supporting a learning environment

INITIATIVES

- Review recruitment practices
- Develop a corporate succession planning strategy
- Develop an employee engagement measuring system

PERFORMANCE MEASURES	TARGETS (March 31, 2019)	RESULTS (March 31, 2019)
Administrative staff with current learning plans	100%	36%*

* Partial year result – action was initiated late in the fiscal year



PERSPECTIVE: BUSINESS PROCESSES – PROCESS EFFECTIVENESS AND QUALITY DELIVERY

STRATEGY

Pursue customer-driven organizational change

OBJECTIVE 1

Improve internal business processes

INITIATIVES

- Establish ownership of processes to drive improvement
- Digitalize records management, authorizations and workflows
- Establish a framework to review and streamline business processes
- Investigate potential partnerships to improve value
- Reduce red tape in legislation, policies and forms to decrease the administrative burden for clients

PERFORMANCE MEASURES	TARGETS (March 31, 2019)	RESULTS (March 31, 2019)
Average AgriInsurance claim turnaround time	< 30 business days	30 business days
Average Hail Insurance claim turnaround time	< 20 business days	13 business days
Average Direct Loan application-to-disbursal time	< 30 business days	35 business days
Processes reviewed and optimized for multi-channel delivery	10	10

OBJECTIVE 2

Increase the integration and availability of corporate information

INITIATIVES

- Modernize legacy software applications to eliminate risk of obsolete technologies
- Advance the corporation's analytics capabilities, enabling informed decision-making and accountability reporting
- Improve accessibility and availability of information in support of Manitoba's open government initiative

PERFORMANCE MEASURES	TARGETS (March 31, 2019)	RESULTS (March 31, 2019)
Number of software applications modernized	8	8
Number of reports available from the business analytics platform	0	2

PERSPECTIVE: FINANCIAL VALUE – LONG-TERM FINANCIAL VIABILITY AND SUCCESS

STRATEGY

Ensure long-term viability by attaining financial targets

OBJECTIVE 1

Improve operational efficiency

INITIATIVES

- Manage administrative expenses by deploying resources efficiently
- Automate processes to reduce transaction costs
- Investigate technologies that improve efficiency

PERFORMANCE MEASURES	TARGETS (March 31, 2019)	RESULTS (March 31, 2019)
Administrative cost (excluding adjusting) per insured acre	\$0.95	\$0.86
Adjusting cost per claim acre	< \$2.25	\$3.19
Administrative cost per Direct Loan approval	\$280	\$266
Administrative cost per Farmland School Tax Rebate application	\$16	\$28.75*

* Increased cost was related to the development of an online application system. Excluding external development costs, administrative costs per application would be \$15.15.

OBJECTIVE 2

Increase value for investment

INITIATIVES

- Increase the capacity to evaluate risk and return on investment by implementing a standardized project management approach
- Investigate other potential revenue opportunities

PERFORMANCE MEASURES	TARGETS (March 31, 2019)	RESULTS (March 31, 2019)
Business cases providing positive return on investment within 4 years	15%	29%
Projects completed within schedule and budget	40%	56%
Revenue generated per dollar of direct lending administrative expense	\$1.90	\$2.75

PERFORMANCE INDICATORS

AGRIINSURANCE

About 9.5 million acres (35,000 unseeded) were insured in 2018/19, which was 100,000 acres less than the targeted amount. Total AgriInsurance liability of \$2.7 billion was unchanged from the previous year. Liability was consistent with the \$2.7 billion that was budgeted.

Indemnities for the year totalled \$96.2 million, which was below the breakeven budgeted amount of \$214.7 million. For the year, there were 5,243 claims, which was 50% lower than budgeted. On a provincial basis, average to above average yields were experienced for most major crops.

HAIL INSURANCE

In 2018/19, MASC's Hail Insurance covered 4.4 million acres, with associated liability of \$1.0 billion. Liability was consistent with the budget. MASC's share of the Manitoba hail market increased from 56.9% to 61.5%.

Hail losses for the year were \$23.6 million, which was lower than the breakeven budgeted amount of \$29.5 million.

LOANS

MASC approved 1,602 loans in 2018/19 totalling \$243.5 million. The number of new loans increased by 100 compared to 2017/18, with the associated dollar amount increasing by \$19.7 million (9%). Direct lending activity was well above the target of 970 loans for \$148.0 million. The amount by which loan levels exceeded the target is attributed to the overall profitability of the agricultural sector.

LOAN GUARANTEES

In 2018/19, MASC approved 146 guarantees on loans totalling \$105.2 million. Compared to the previous year, the number of approved guarantees remained the same and the associated approved loan amounts increased by \$21.5 million. Actual results did not meet the target of 156 loan guarantees, but exceeded the loan amount target of \$94.9 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 \$21.5 million in 2018/19, which was \$4.0 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 staff 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 lending and loan guarantees that assist agricultural producers 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

AgrilInsurance, 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 the Manitoba Government.

AgrilInsurance

AgrilInsurance 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 AgrilInsurance Program covers more than 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, these 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 trials extend insurance coverage to all of agro-Manitoba. To account for the historically higher production risk within 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 an 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 **AgrilInsurance coverage levels** of 50, 70 or 80%. Coverage levels can be selected by crop, with the option of not insuring a crop. AgrilInsurance coverage (liability) is based on: producer's expected (probable) yield, multiplied by selected coverage level, multiplied by number of insured acres. If the harvested production of a crop (adjusted for quality loss) falls below coverage, the producer is paid an indemnity equal to the production shortfall multiplied by the insured dollar value.

AgrilInsurance 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 AgrilInsurance Program, provides insurance for land too wet to seed. Producers with an active AgrilInsurance 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. The Hay Disaster Benefit was triggered in 2018/19 due to a severe provincial forage shortfall, and paid benefits totalling \$3.2 million to 708 forage producers across Manitoba.

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** that provides a higher Relative Feed Value (RFV) guarantee for alfalfa.

The **Forage Restoration Benefit** is a standard AgrilInsurance 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, 201 producers insured pasture for 35,577 livestock in 2018/19.

Pasture Days Insurance provides protection against having to remove livestock from pasture earlier than normal (due to a designated peril). Under this program, 121 producers insured pasture for 20,574 livestock in 2018/19.

In addition to traditional AgrilInsurance 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 to insurable causes.

Novel Crop Insurance provides coverage on seed and grain crops that are not currently covered by the AgrilInsurance Program, due to the relatively small acreages grown and/or lack of data available. Producers can select coverage of \$120, \$160 or \$200 per acre. Indemnities are based on the producer's loss percentage for other crops insured by the AgrilInsurance Program.

Overwinter Bee Mortality Insurance provides protection against unmanageable overwinter losses of honeybees. In 2018/19, 49 beekeepers insured 29,454 colonies for a total liability of \$3.6 million.

AgrilInsurance Premiums

For most AgrilInsurance 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 AgrilInsurance Program are shared 60% by Canada and 40% by Manitoba.

A one-time **Young Farmer Crop Plan Credit** of \$300 on AgrilInsurance premium is available to new AgrilInsurance entrants (under the age of 40). To qualify, a young farmer must complete and submit an acceptable cropping plan. In 2018/19, 34 young farmers qualified for credits totalling \$10,174. The cost of these credits is paid entirely by the Manitoba Government.

2018/19 CROP CONDITIONS

Even with a hot summer and relatively dry conditions, Manitoba farmers generally enjoyed another year of above average crops.

Rain in late fall 2017 helped to recharge soil moisture levels after a dry growing season, though the winter that followed produced only 40% of normal precipitation. The dry winter came with a lack of snow cover, which caused widespread injury to the emerging winter wheat crop. By winter's end, approximately 17,000 acres were damaged and needed to be reseeded.

A dry 2018 spring lead to an early start for planting. Though temperatures varied, seeding conditions were generally favourable. For many areas, April 2018 was the driest April in the past 30 years. Producers reported only 35,000 acres as too wet to seed, well below the 10-year Manitoba average. The last spring frost in central and eastern regions occurred on May 11, and May 19 for the rest of Manitoba. A widespread rain of one to two inches in late May helped spur growth, carrying many shorter season crops through to June and early July.

The hail season started strong on June 14, with one of the worst single storms on record. July was quiet for hail, but a severe storm on August 3 in the northwest and several lesser storms in September closed out the hail season. Overall, hailstorm activity in 2018 was below average for Manitoba.

By mid-July, the recharge of moisture had dissipated, and dry conditions returned. Many fields were stressed by the lack of moisture, with some crops showing premature ripening in areas with light soil textures.

May, June and July were the warmest that Manitoba has experienced in nearly a decade. In early August, record temperatures reached 35°C or higher at most weather stations, but temperatures were cooling by late August, and remained below average for the remainder of autumn.

Overall, the June-to-September growing season saw 40% to 70% below normal precipitation in many Manitoba regions. Like the prior year, crops in some areas were able to tolerate the dry conditions, drawing from groundwater reserves built up in the previous year.

Significant winterkill, the cool spring, and very dry conditions in July and August all contributed to a difficult year for

pastures and forages. The dry conditions resulted in very low dugout levels across most of Manitoba, leading some producers to haul in water or move livestock to alternate water sources. Nearly 30% of forage insureds saw hay yields of less than 50% of their probable yields. As a result, the Hay Disaster Benefit was triggered for the first time since its introduction in 2014.

Western wildfires produced many smoky days in Manitoba, which played a significant role in conditions during the growing season. Smoke cooled daytime temperatures, which likely helped crops survive the hot and dry conditions, but also exacerbated the dryness by helping to prevent the development of thundershowers. Despite the cooling smoke, the number of growing degree days were higher than average for most of Manitoba, and harvest began sooner than average.

The rains finally returned in the second week of September, though just as the fall harvest was beginning. The remaining harvest was delayed, and the rain left some late season crops without enough time to harvest in good conditions.

The first widespread damaging fall frosts came on September 20, unofficially ending a tumultuous growing season.

Despite the adverse conditions, the dryness resulted in less disease, and most crop yields and qualities were average to above average. While sunflowers set a new yield record, soybeans fell short of average yields due to a lack of timely rains. Winterkill and lack of early season moisture resulted in lower than average winter wheat yields.

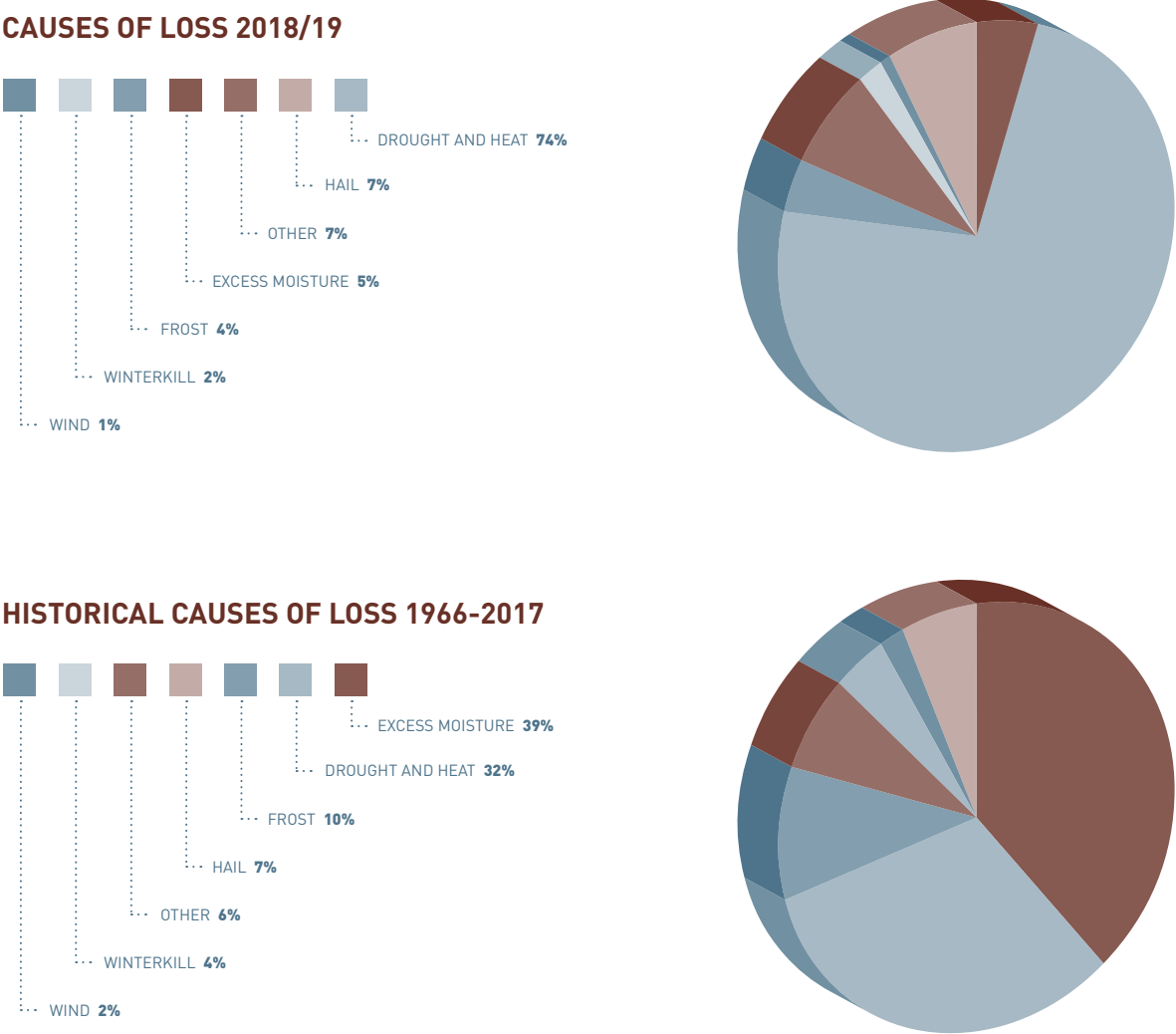
The wet fall and below normal temperatures froze the soil in the second week of October, causing harvesting problems for later season crops. Potatoes were hit hardest, with about 8% of the provincial crop unable to be dug.

Overall, approximately 100,000 acres went unharvested and were left to overwinter – about four times the provincial average.

Heading into the 2018/19 winter, soil moisture was about 60% to 90% below average.

Figure 1 illustrates the major causes of loss for all insured crops in 2018 compared to historic averages. Compared to long-term averages, 2018 stands out for having higher than normal claims due to drought and heat. Drought and heat accounted for 74% of the losses in 2018, whereas hail and excess moisture accounted for 17% and 5% of losses, respectively. Frost (4%), winterkill (2%) and wind (1%) accounted for a majority of the remaining losses.

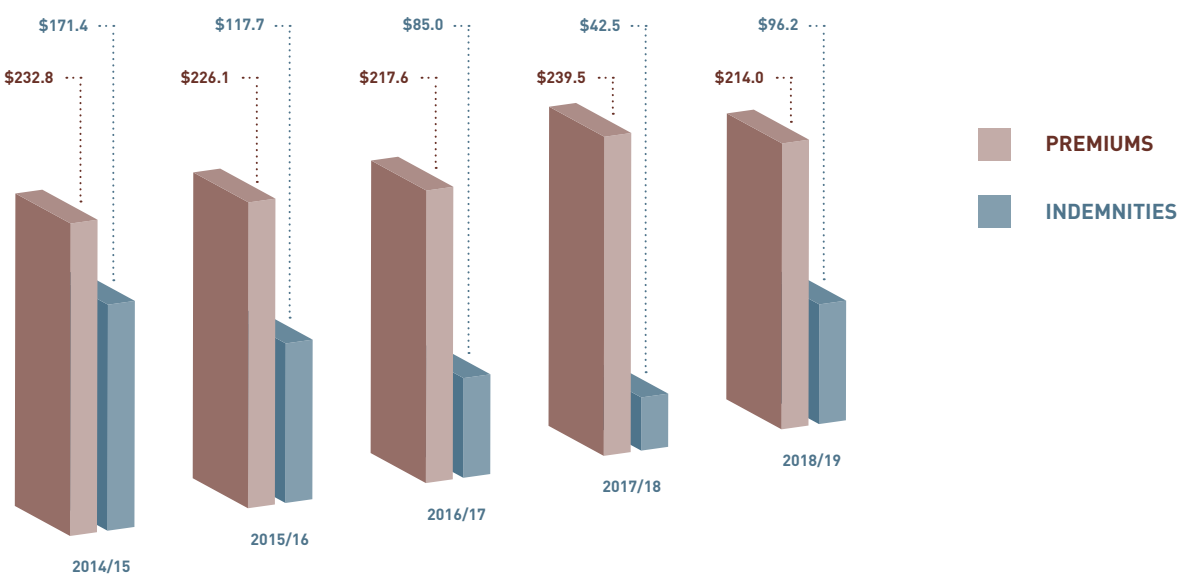
FIGURE 1 – AGRINSURANCE CAUSES OF LOSS



In summary, a total of 9.5 million acres were protected by AgrilInsurance in 2018/19, with about 35,000 of those insured acres remaining unseeded due to excess moisture. Total premium was \$214.0 million on \$2.7 billion of coverage (liability). Indemnities for the year totalled \$96.2 million.

Figure 2 shows how premiums and indemnities for 2018/19 compare to the four previous years. After accounting for interest revenue of \$10.8 million, and reinsurance premiums of \$31.5 million, AgrilInsurance had net income of \$97.2 million for 2018/19. This resulted in the AgrilInsurance reserve and the Production Insurance Trust fund increasing from \$600.9 million to \$698.1 million.

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



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

The overall AgrilInsurance loss ratio (loss as a percentage of total premium) was 45% for 2018/19. Loss ratios for individual crops are listed in **Table 1**.

TABLE 1 – SUMMARY OF 2018/19 AGRINSURANCE *as at March 31, 2019*

Crop	Acres Insured	Coverage (000)	Total Premium (000)	Indemnities (000)	Loss Ratio (%)
Red Spring Wheat	2,416,258	\$ 585,850.5	\$ 34,018.2	1,833.3	5
Durum Wheat	1,671	231.7	18.1	-	-
Prairie Spring Wheat	48,684	9,304.0	741.4	41.1	6
Hard White Wheat	258	65.9	2.9	35.3	1,217
Other Spring Wheat	4,452	747.6	63.8	33.1	52
Winter Wheat	64,685	14,182.6	742.1	2,182.5	294
Northern Hard Red Wheat	154,547	38,929.7	3,634.0	542.0	15
Barley	240,606	44,860.4	4,243.6	1,272.9	30
Oats	412,103	95,757.5	7,714.0	3,179.8	41
Mixed Grain	2,939	241.9	20.9	23.5	112
Fall Rye	33,228	5,305.3	433.8	626.9	145
Triticale	668	61.6	2.9	-	-
Canola	3,098,081	919,251.9	50,826.1	14,693.3	29
Rapeseed	7,023	1,877.8	172.4	120.6	70
Flax	35,847	6,891.3	679.6	369.0	54
Mustard	4,326	804.8	182.5	197.0	108
Oil Sunflowers	29,359	8,811.5	991.6	299.8	30
Non Oil Sunflowers	16,688	6,411.6	1,045.6	394.6	38
Buckwheat	4,404	656.1	171.6	86.8	51
Grain Corn	348,027	133,240.9	19,621.1	4,473.7	23
Silage Corn	97,969	36,860.6	2,680.2	1,907.5	71
Potatoes	42,029	114,163.0	4,157.3	1,326.0	32
Vegetables ⁽¹⁾	2,042	5,721.0	490.5	1,234.1	252
Novel Crops ⁽²⁾	1,633	301.8	15.4	18.2	118
Field Peas	73,226	12,488.0	1,232.1	647.5	53
Lentils	1,519	157.6	38.5	1.7	4
Fababeans	5,321	651.6	119.0	163.7	138
Dry Edible Beans ⁽³⁾	116,206	55,461.4	6,474.6	2,834.0	44
Soybeans	1,778,070	504,852.1	42,689.3	32,799.9	77
Select Hay	164,087	27,844.4	2,396.0	7,147.4	298
Basic Hay ⁽⁴⁾	95,434	10,121.7	802.5	2,184.7	272
Hay Disaster Benefit	-	13,353.7	260.1	3,188.7	1,226
Pasture	-	1,220.3	108.1	279.3	258
Pasture Days	-	4,442.9	106.6	761.2	714
Forage Establishment	93,986	6,898.9	1,076.9	396.9	37
Pedigreed Timothy Seed	12,822	2,454.4	368.0	404.9	110
Alfalfa Seed	16,134	5,301.3	1,370.0	108.6	8
Canaryseed	1,578	413.7	55.4	13.6	25
Annual Ryegrass Seed	5,225	1,077.0	160.1	247.5	155
Perennial Ryegrass Seed	13,735	3,976.0	484.2	407.3	84
Proso Millet Seed	1,955	392.3	69.1	15.8	23
Tall Fescue Seed	2,567	572.9	157.8	212.8	135
Hemp Grain	8,037	2,135.1	392.1	107.5	27
Greenfeed	52,257	5,790.1	1,040.0	551.5	53
Open Pollinated Corn	47	4.4	1.0	-	-
Open Pollinated Silage Corn	644	117.6	9.5	-	-
Overwinter Bee Mortality	-	3,638.3	416.2	416.0	100
Estimate of Incomplete Claims	-	-	-	7,563.3	-
Subtotal	9,510,377	\$ 2,693,896.7	\$ 192,496.7	\$ 95,344.8	50
Excess Moisture Insurance ⁽⁵⁾	35,169	2,754.5	21,480.8	816.2	4
Total	9,545,546	\$ 2,696,651.2	\$ 213,977.5	\$ 96,161.0	45

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

(2) Novel Crops include crops not otherwise covered by the Agrilnsurance program due to the relatively small number of acres grown i.e. Intercrop mixture, quinoa, winter triticale, etc.

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

(4) Basic Hay includes the Harvest Flood Option premium and indemnities.

(5) 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 9,251,476 and \$636,778,263, respectively.

Hail Insurance

A separate policy covering spot-loss hail damage is available to producers who participate in AgrilInsurance.

Producer premiums fund all Hail Insurance costs, including administrative expenses. Some indirect costs of Hail Insurance are allocated based on federally approved methodologies. Premium rates are determined by AgrilInsurance 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 of losses 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 2018/19, 40% of MASC's Hail Insurance Contract holders participated in CHIO.

Dollar selections for Hail Insurance on all crops (except potatoes, vegetables and strawberries) are \$150, \$200 and \$250 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 2018/19, resulting in below average indemnity payments.

MASC insured 4.4 million acres in 2018/19, with total Hail Insurance coverage (liability) of \$1.0 billion. Premiums prior to discounts were \$33.6 million, and with indemnities of \$23.6 million, the resulting loss ratio (loss as a percentage of premium) was 70%.

After accounting for an interest revenue of \$1.1 million, CHIO discounts and early payment discounts totalling \$2.1 million, reinsurance premium of \$1.8 million and administrative expenses of \$4.4 million, Hail Insurance had a net income for the year of \$2.8 million. As a result, the Hail Insurance Trust fund increased from \$61.4 million to \$64.2 million.

Figure 3 provides a summary of Hail Insurance premiums and indemnities for the past five years. In 2018/19, MASC's Hail Insurance represented 62% of Manitoba's crop hail insurance market (based on premium).

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

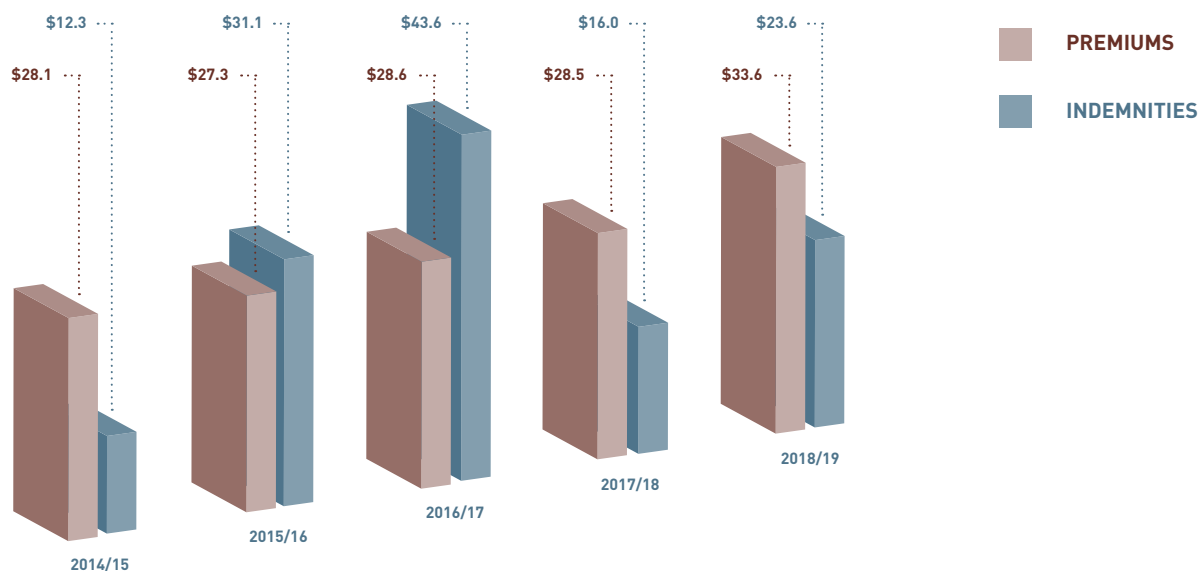


TABLE 2 – INSURANCE STATISTICS – 2014/15 TO 2018/19

	2014/15	2015/16	2016/17	2017/18*	2018/19*
AgriInsurance					
Number of producer contracts	8,891	8,635	8,388	8,198	8,007
Insured acres (millions)	9.8	9.7	9.6	9.6	9.5
Total coverage (liability) (\$ millions)	2,210.7	2,252.5	2,453.6	2,658.8	2,696.7
Producer premiums (\$ millions)	94.3	92.7	88.1	97.3	86.7
Total premiums (\$ millions)	232.8	226.1	217.6	239.5	214.0
Average coverage level selected (%)	77.6	77.5	77.5	77.7	77.8
Number of claims paid	9,167	6,807	5,085	3,378	5,243
Indemnities paid (\$ millions)	171.4	117.7	85.0	42.5	96.2
Income for the year (\$ millions)	32.1	77.6	110.1	166.1	97.2
Funds retained, end of year (\$ millions)	247.2	324.8	434.9	600.9	698.1
Indemnities to total premium ratio (%)	74	52	39	18	45
Indemnities to coverage ratio (%)	7.8	5.2	3.5	1.6	3.6
Hail Insurance					
Number of producer contracts	4,114	4,289	4,144	3,924	3,757
Insured acres (millions)	4.3	4.8	4.7	4.5	4.4
Total coverage (liability) (\$ millions)	809.7	892.1	887.0	858.0	1,024.6
Premiums, prior to discounts (\$ millions)	28.1	27.3	28.6	28.5	33.6
Number of claims paid	1,125	2,782	3,746	1,858	1,902
Indemnities paid (\$ millions)	12.3	31.1	43.6	16.0	23.6
Income (loss) for the year (\$ millions)	10.4	(10.5)	(15.8)	5.6	2.8
Funds retained, end of year (\$ millions)	82.0	71.6	55.8	61.4	64.2
Indemnities to premium ratio (%)	44	114	152	56	70
Indemnities to coverage ratio (%)	1.5	3.5	4.9	1.9	2.3

* 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 2018/19 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). AFSC's administrative expenses are shared by the participating provinces.

For the year ending March 31, 2019, Manitoba's share of AFSC's administrative expenses was \$136,000 (9% of the total). In addition, MASC directly incurred \$378,000 in expenses, bringing Manitoba's total expenses to \$514,000 (2017/18 - \$815,000). 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 2018/19, Manitoba producers purchased 687 WLPIP policies. The total insurance coverage was \$64.6 million, with indemnities of \$73,700. Details are provided in **Table 3**.

TABLE 3 – WESTERN LIVESTOCK PRICE INSURANCE PROGRAM – MANITOBA STATISTICS 2018/19

LIVESTOCK TYPE	NUMBER OF LIVESTOCK INSURED		COVERAGE (000)		TOTAL PREMIUM (000)		INDEMNITIES (000)	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
Calves	43,579	36,219	\$54,928.4	\$43,442.4	\$1,424.8	\$681.3	\$406.6	\$0.2
Feeder Cattle	7,937	11,395	11,956.8	17,261.9	361.4	326.9	154.8	65.6
Fed Cattle	867	2,206	1,549.2	3,910.2	34.1	36.3	58.1	7.9
Hogs	-	-	-	-	-	-	-	-
Total	52,383	49,820	\$68,434.4	\$64,614.5	\$1,820.3	\$1,044.5	\$619.5	\$73.7



LENDING

MASC's lending programs provide Manitoba's agricultural producers with reasonable access to credit. MASC provides direct lending to clients, 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 2018/19, MASC issued 819 Direct Loans totalling \$125.4 million to producers under the age of 40. This represented 68% of the number of Direct Loans issued in 2018/19, and 66% 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 2018/19, MASC approved 224 loans for \$49.1 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 2018/19, YFRs totalled \$1.2 million.

Loans

MASC offers short, intermediate and long-term financing at reasonable interest rates to eligible Manitoba agricultural producers. Clients are not penalized for prepaying their loans, and have the flexibility to either lock in an interest rate for the full amortization period (up to 25 years) or select renewable interest rates for one to five years. As shown in **Table 4**, as of March 31, 2019, MASC had 6,749 loans outstanding with current balances totalling \$870.4 million.

Direct Loans are available for purposes such as: the purchase of agricultural land and buildings, agricultural equipment, breeding livestock, and quota for supply managed commodities; construction or renovation of farm buildings, including farm homes, greenhouses and nurseries; consolidation and refinancing of 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, biodiesel, biomass and wind energy production. Environmental Enhancement Loans provide financial assistance to producers to improve the environmental sustainability of their operations.

In 2018/19, MASC approved 1,207 new Direct Loans for a total of \$191.5 million, an increase of 7% in the total new loan amount from the previous year. As of March 31, 2019, MASC's total Direct Loan portfolio was \$796.9 million (6,114 loans). As shown in **Figure 4**,

the Direct Loans issued in 2018/19 were used predominantly for purchasing land and buildings (51%), consolidating debt (17%), refinancing (7%) and operating expenses (7%).

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 359 Stocker Loans in 2018/19 for a total value of \$42.3 million (up 4% from 2017/18). As of March 31, 2019, the Stocker Loan portfolio consisted of 318 loans for \$36.7 million.

Comprehensive Refinancing Loans assist existing MASC clients who are experiencing financial difficulty. In 2018/19, 36 refinancing loans were approved, which was a 157% increase from 2017/18, while the associated dollar amount increased 106% to \$9.7 million. As of March 31, 2019, the Comprehensive Refinancing Loan portfolio consisted of 261 loans for \$27.5 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, 2019, there was one outstanding Enterprise Development Loan for \$3.5 million.

Emergency Assistance Loans are one-time loan programs designed to deal with specific emergency situations, and in the past have included: Manitoba Hog Assistance Loans, BSE Recovery Loans, Enhanced Flood Proofing Assistance Loans and Producer Recovery Loans. There were no new loan programs in this category in 2018/19; however, existing portfolios remain in run-off status. As of March 31, 2019, there were 55 loans outstanding for \$5.8 million.

TABLE 4 – LOAN SUMMARY

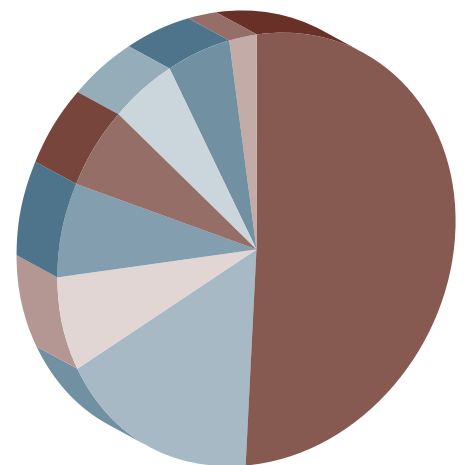
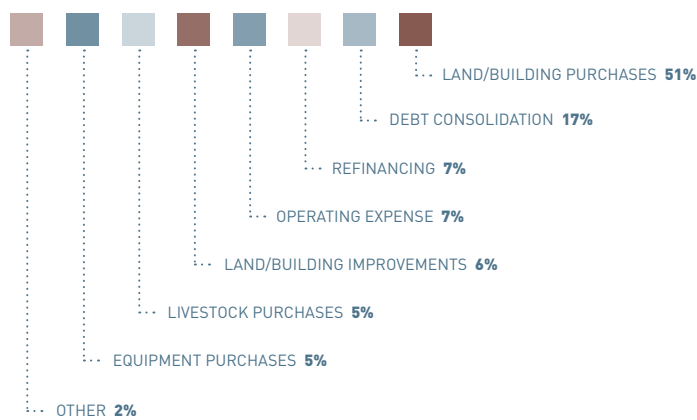
	APPROVALS 2017/18		APPROVALS 2018/19		OUTSTANDING AS OF MARCH 31, 2019	
	Number	Millions	Number	Millions	Number	Millions
Direct Loans ⁽¹⁾	1,166	\$178.3	1,207	\$191.5	6,114	\$796.9
Stocker Loans	322	40.8	359	42.3	318	36.7
Comprehensive Refinancing Loans	14	4.7	36	9.7	261	27.5
Enterprise Development Loans	-	-	-	-	1	3.5
Manitoba Hog Assistance Loans ⁽²⁾	-	-	-	-	9	4.5
BSE Recovery Loans ⁽²⁾	-	-	-	-	36	1.1
Enhanced Flood Proofing Assistance Loans ⁽²⁾	-	-	-	-	10	0.2
Total	1,502	\$223.8	1,602	\$243.5	6,749	\$870.4

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

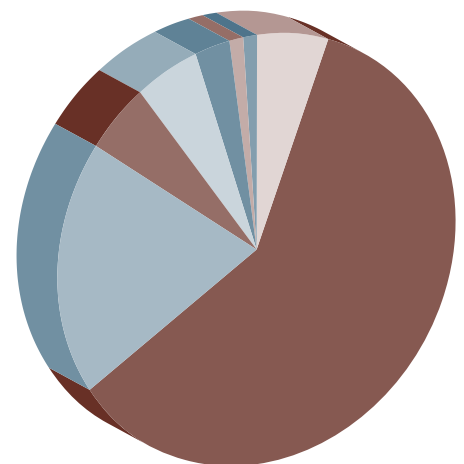
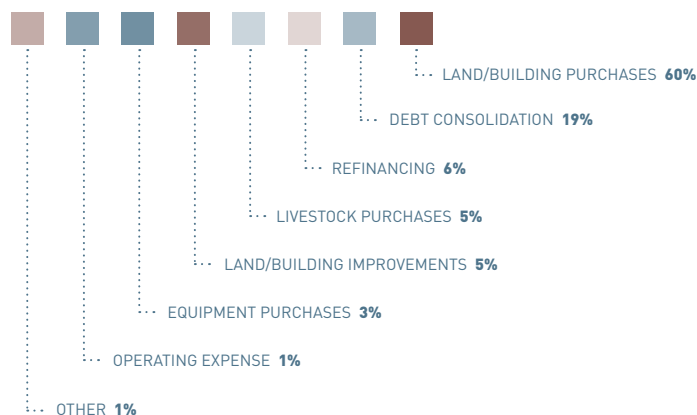
2 Emergency Assistance Loans that are still outstanding and in run-off

FIGURE 4 – DIRECT LOAN PURPOSES

DIRECT LOAN PURPOSES 2018/19



HISTORICAL DIRECT LOAN PURPOSES (1959-2017)





Property Management

As a result of debt settlement negotiations and foreclosure proceedings, MASC occasionally acquires title to land. During 2018/19, MASC did not acquire or sell any property, and the inventory of land remains at 1,118 acres as of March 31, 2019. 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, 2019, MASC had 434 outstanding loan guarantees amounting to \$70.6 million, which facilitated loans made by participating lenders totalling \$259.3 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 2018/19, MASC approved 27 guarantees on loans totalling \$25.9 million. As of March 31, 2019, MASC had 179 active loan guarantees with related loan amounts of \$173.8 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, 2019, there were eight associations with 155 active members, and an approved maximum total loan amount of \$41.5 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, 2019, MASC had 89 active guarantees with a maximum total loan amount of \$34.6 million.

Operating Credit Guarantees for Rural Small Business assist small rural non-agricultural businesses in obtaining lines of credit with reasonable terms from participating private sector lenders. MASC 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, 2019, there were six 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 2018/19, 13 guarantees were approved through REA on loans totalling \$1.6 million. As of March 31, 2019, the REA portfolio had 152 active guarantees with related outstanding loans of \$9.0 million.

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

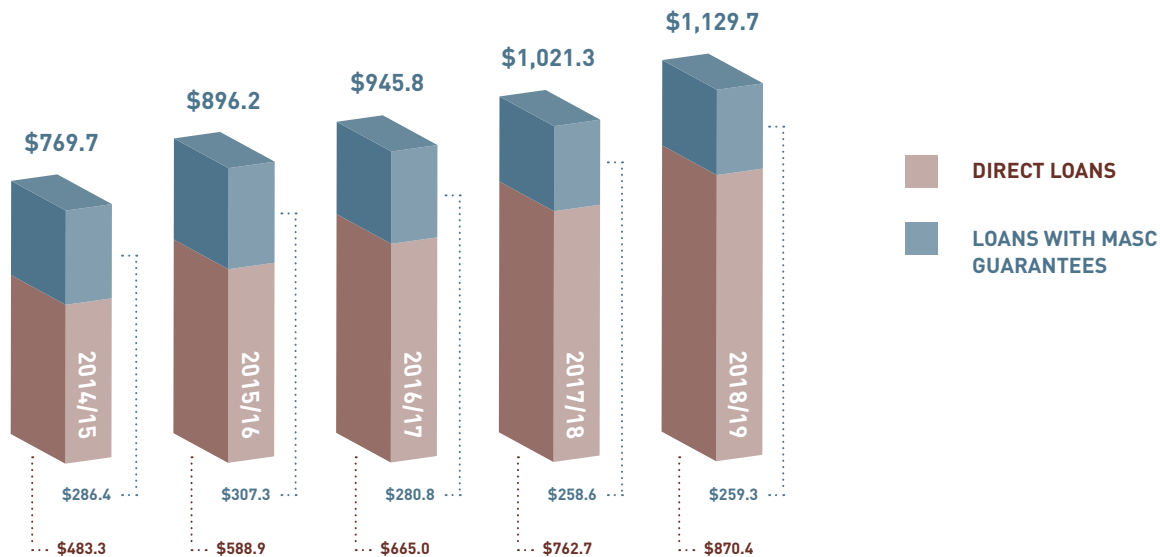


TABLE 5 – LOAN GUARANTEE SUMMARY

	LOAN APPROVALS 2017/18		LOAN APPROVALS 2018/19		RELATED OUTSTANDING LOANS BY LENDING INSTITUTIONS AS OF MARCH 31, 2019		OUTSTANDING LOAN GUARANTEES AS OF MARCH 31, 2019
	NUMBER	MILLIONS	NUMBER	MILLIONS	NUMBER	MILLIONS	MILLIONS
Diversification Loan Guarantees	18	\$ 10.3	27	\$ 25.9	179	\$ 173.8 ¹	\$ 43.5
Manitoba Livestock Associations Loan Guarantees	8	37.5	8	41.5	8	41.5 ¹	10.4
Operating Credit Guarantees for Agriculture	87	32.5	92	35.8	89	34.6 ¹	8.6
Operating Credit Guarantees for Rural Small Business	5	0.4	6	0.4	6	0.4 ¹	0.1
Rural Entrepreneur Assistance	28	3.0	13	1.6	152	9.0 ²	8.0
Total	146	\$ 83.7	146	\$ 105.2	434	\$ 259.3	\$ 70.6

¹ Amounts represent the original amounts for loans that were guaranteed under the program as of March 31, 2019.

² Amounts represent the participating lending institutions' loan balances as of March 31, 2019 for loans guaranteed by MASC.

TABLE 6 – AGRICULTURAL LENDING ACTIVITY BY SECTOR *as at March 31, 2019*

PRIMARY ENTERPRISE	DIRECT LENDING %	MANITOBA LIVESTOCK ASSOCIATIONS LOAN GUARANTEES %	OPERATING CREDIT GUARANTEES FOR AGRICULTURE %	DIVERSIFICATION LOAN GUARANTEES %	TOTAL
Grains/Oilseeds	57.6	-	56.7	0.4	54.3
Potatoes	0.1	-	0.0	1.3	0.1
Other Crops	1.0	-	3.2	4.3	1.1
Cattle	34.7	100.0	18.2	0.5	33.7
Hogs	1.4	-	8.8	14.1	2.0
Poultry	0.6	-	0.3	9.7	1.0
Dairy	2.0	-	2.5	63.2	5.0
Other	2.6	-	10.3	6.5	2.8
Total by Program	100.0	100.0	100.0	100.0	-
Share of All Programs (%)	93.3	1.1	0.9	4.7	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 2018/19.

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 their loss, with the top level of compensation (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 2018/19, Wildlife Damage Compensation payments and related administration totalled \$8.8 million, up from \$7.0 million in the previous year. Administration for 2018/19 was 11.2% 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)	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
Big Game	889	1,309	\$ 2,407.7	\$ 4,763.4	\$ 473.9	\$ 568.5	\$ 2,881.6	\$ 5,331.9
Waterfowl	458	285	1,790.6	1,344.7	172.1	107.3	1,962.7	1,452.0
Livestock Predation	1,878	1,787	1,864.7	1,730.4	282.0	314.5	2,146.7	2,044.9
Total	3,225	3,381	\$ 6,063.0	\$ 7,838.5	\$ 928.0	\$ 990.3	\$ 6,991.0	\$ 8,828.8

Farmland School Tax Rebate

MASC is responsible for administering the Manitoba Government's Farmland School Tax Rebate Program. The program provides Manitoba landowners with a rebate on their school taxes, limited to a maximum of \$5,000. As of March 31, 2019, MASC had disbursed rebates for the 2018 tax year to 25,447 applicants totalling \$41.9 million, with incurred administrative expenses of \$760,000 (1.7% of the estimated total program cost). Details are provided in **Table 8**.

TABLE 8 – FARMLAND SCHOOL TAX REBATES *(as of March 31, 2019)*

PROGRAM YEAR	REBATE LEVEL (SUBJECT TO CAPPING)	APPLICATIONS PAID	ACTUAL REBATE PAID TO MARCH 31, 2019 (MILLIONS)	PROVISION FOR FUTURE REBATES (MILLIONS)	ESTIMATED TOTAL REBATE (MILLIONS)
2014	80%	27,928	\$33.2	\$0.0	\$33.2
2015	80%	27,874	\$33.7	\$0.0	\$33.7
2016	80%	27,520	\$39.7	\$0.1	\$39.8
2017	80%	27,256	\$40.7	\$0.0	\$40.7
2018 ¹	80%	25,447	\$41.9	\$2.9	\$44.8

1 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 2018/19, MASC completed third-party crop loss appraisals for private sector property insurers, and conducted livestock inspections for the Manitoba Livestock Cash Advance Program. Total revenue of \$31,432 was generated by these services.





2018/19 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

July 30, 2019



Auditor General
MANITOBA

INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

We have audited the financial statements of Manitoba Agricultural Services Corporation ("MASC"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, change in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of MASC as at March 31, 2019, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Qualified Opinion

Failure to consolidate controlled entities

Manitoba Agricultural Services Corporation (MASC) has not consolidated the financial results and operations of the Production Insurance Trust and the Hail Insurance Trust (The Trusts) as part of MASC's financial statements as at March 31, 2019. In this respect, MASC's financial statements are not in accordance with Canadian public sector accounting standards. Canadian public sector accounting standards require that a government entity consolidate entities under its control. In our opinion, MASC controls the Trusts and the financial results of the Trusts should be consolidated as part of MASC's financial results as at March 31, 2019.

Had MASC consolidated the results of the Trusts at March 31, 2019, the following financial statement line items would have changed:

- An increase of \$265,003,000 to accumulated surplus as at April 1, 2018.
- An increase of \$480,849,000 to investments, an increase of \$11,112,000 in claims payable, a decrease of \$20,219,000 to contributions payable and an increase of \$489,959,000 to accumulated surplus as at March 31, 2019
- An increase of \$2,548,000 of investment income, a decrease of \$219,933,000 in AgriInsurance program expense, a decrease of \$2,472,000 in the Hail Insurance Program expense and an increase in income for the year of \$224,953,000 for the year ended March 31, 2019.

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Additionally, the comparative figures for March 31, 2018 would reflect;

- A decrease of \$265,003,000 to contributions to the trust funds and an increase to income for the year ended March 31, 2018
- A decrease of \$265,003,000 to contributions payable and an increase of \$265 million to Accumulated surplus as at March 31, 2018

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the MASC in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, 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.

In preparing the financial statements, management is responsible for assessing the MASC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate the MASC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing MASC's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an

audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 MASC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the MASC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the MASC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Office of the Auditor General
Winnipeg, Manitoba
July 30, 2019

MANITOBA AGRICULTURAL SERVICES CORPORATION

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019 | IN THOUSANDS OF DOLLARS

	NOTE	MARCH 31, 2019	MARCH 31, 2018
FINANCIAL ASSETS			
Cash		\$ 3,692	\$ 6,211
Accounts receivable	8	5,127	6,305
Receivables from the Province of Manitoba	9	24,706	12,020
Receivables from the Government of Canada	10	7,113	6,874
Investments	11	280,910	678,730
Loans receivable	12	853,345	745,332
Total Financial Assets		\$ 1,174,893	\$ 1,455,472
LIABILITIES			
Accounts payable and accrued liabilities	13	\$ 10,605	\$ 18,884
Claims payable	14	6,108	6,821
Contributions payable	15	20,219	265,003
Loans from the Province of Manitoba	16	870,871	773,528
Provisions for losses on guaranteed loans	17	10,620	10,913
Future employee benefits	18	8,664	8,565
Total Liabilities		\$ 927,087	\$ 1,083,714
Net Financial Assets		\$ 247,806	\$ 371,758
NON-FINANCIAL ASSETS			
Inventories held for use	2	\$ 185	\$ 185
Prepaid expenses	2	336	153
Tangible capital assets	2	150	190
Total Non-Financial Assets		\$ 671	\$ 528
Accumulated surplus		\$ 248,477	\$ 372,286
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, 2019 | IN THOUSANDS OF DOLLARS

	BUDGET	2019 ACTUAL	2018 ACTUAL
REVENUE			
Premiums from insured producers	\$ 123,916	\$ 119,204	\$ 125,871
Interest from loans	30,452	35,826	29,830
Contribution from the Province of Manitoba	105,441	100,667	101,043
Contribution from the Government of Canada	90,821	88,722	96,387
Reinsurance recoveries	-	-	29
Investment income	4,130	9,569	5,823
Other income	106	100	375
	354,866	354,088	359,358
EXPENSE			
Lending Programs	30,459	30,987	22,986
AgrilInsurance Program	261,570	359,628	293,087
Hail Insurance Program	35,693	32,303	83,494
Wildlife Damage Compensation Program	4,923	8,828	6,991
Farmland School Tax Rebate Program	44,476	45,557	41,046
Western Livestock Price Insurance Program	1,993	1,067	1,996
Other Programs	53	(473)	(1,472)
	379,167	477,897	448,128
Income (loss) for the year	\$ (24,301)	(123,809)	(88,770)
Accumulated surplus, beginning of year		372,286	461,056
Accumulated surplus, end of year		\$ 248,477	\$ 372,286

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, 2019 | IN THOUSANDS OF DOLLARS

	2019 ACTUAL	2018 ACTUAL
Income (loss) for the year	\$ (123,809)	\$ (88,770)
Tangible capital assets		
Amortization of tangible capital assets	40	50
	40	50
Other non-financial assets		
Disposal of inventory held for use	-	62
Decrease (increase) in prepaid expenses	(183)	(45)
	(183)	17
Increase (decrease) in net financial assets	(123,952)	(88,703)
Net financial assets, beginning of year	371,758	460,461
Net financial assets, end of year	\$ 247,806	\$ 371,758

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, 2019 | IN THOUSANDS OF DOLLARS

	2019	2018
Cash provided by (used for):		
OPERATING		
Income (loss) for the year	\$ (123,809)	\$ (88,770)
Amortization of tangible capital assets	40	50
	(123,769)	(88,720)
Changes in:		
Accrued interest receivable	209	(820)
Receivables	(11,747)	3,344
Loans receivable	(3,421)	(1,712)
Accounts payable and accrued liabilities	(8,279)	(1,702)
Claims payable	(713)	(12,237)
Contributions payable	(244,784)	265,003
Provisions for losses on guaranteed loans	(293)	(3,601)
Future employee benefits	99	(325)
Prepaid expenses	(183)	(45)
Inventories held for use	-	62
Cash provided by operating activities	(392,881)	159,247
INVESTING		
Investments purchased	417,083	(417,967)
Loans disbursed	(238,929)	(223,017)
Loan principal received	134,336	126,622
Cash used for investing activities	312,490	(514,362)
FINANCING		
Debt repayments to the Province of Manitoba	(145,657)	(126,224)
Loans from the Province of Manitoba	243,000	231,000
Cash provided by financing activities	97,343	104,776
Net increase(decrease) in cash and cash equivalents	16,952	(250,339)
Cash and cash equivalents, beginning of year	159,660	409,999
Cash and cash equivalents, end of year	\$ 176,612	\$ 159,660
Cash and cash equivalents are comprised of the following:		
Investments	\$ 280,910	\$ 678,730
Investments with terms greater than 90 days and accrued interest	(107,990)	(525,281)
Investments with terms of 90 days or less	172,920	153,449
Cash	3,692	6,211
	\$ 176,612	\$ 159,660
Supplemental Cash Flow Information		
Interest paid	\$ 23,953	\$ 20,146
Interest received	\$ 45,705	\$ 34,833

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

MANITOBA AGRICULTURAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019 | 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 the Canadian Agricultural Partnership: 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 Executive Management.

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, contributions 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, 2018, MASC adopted one new accounting standard: Restructuring Transactions (PS3430), the adoption of this standard has resulted in additional note disclosure where necessary.

3. FINANCIAL STRUCTURE

(A) Funding

The Board of Directors approved MASC's 2018/19 budget in June 2018. MASC's approved budget includes provincial funding of \$105,441,000. 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	\$ 105,597	\$ 90,845
Non-cash items*	(156)	(24)
Funding approved by MASC's Board of Directors	\$ 105,441	\$ 90,821

**Includes items such as amortization and unfunded pension expense.*

(B) Lending Programs

The Lending Programs' accumulated deficit of \$24,941,000 (2018 - \$25,624,000) 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) AgrilInsurance and Hail Insurance Fund Balance Restrictions

The AgrilInsurance 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).

(D) 2018/19 Budget

The 2018/19 budget includes a budgeted amount for indemnities in the AgrilInsurance and Hail Insurance programs, which were actually expensed in the Production and Hail Insurance Trusts. The actual 2018/19 AgrilInsurance and Hail Insurance program costs include contributions to the trusts, which is not included in the 2018/19 budget.

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 2018 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 2018 tax rebates is a provision of \$2,900,000 for rebates that have been applied for and are in process of payment as of March 31, 2019. A provision of \$115,000 remains for pre-2018 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. WLPIP has been renewed under the Canadian Agricultural Partnership Agreement for an additional five years effective April 1, 2018. 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 9% (2018 – 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 agreement. Any deficit on account of Manitoba producers at the end of the five-year agreement will be the responsibility of the Province of Manitoba. There was a \$10,000 recovery of indemnities for 2019 (2018 – \$703,000 expense).

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 \$31,000 in 2019 (2018 – \$40,000).

(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 \$119,464,000 include a provision for outstanding claims of \$150,000. Administrative expenses are estimated to be \$12,007,000. The program's total cost of \$131,471,000 was funded by the Province of Manitoba.

(C) 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

	2019	2018
Amounts from insured persons:		
AgrilInsurance	\$ 4,097	\$ 5,877
Hail Insurance	1,220	1,330
Other	1,482	1,248
	6,799	8,455
Less provision for credit losses	(1,672)	(2,150)
	\$ 5,127	\$ 6,305

The provisions for credit losses of \$1,672,000 (2018 - \$2,150,000) 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

	2019	2018
AgrilInsurance premiums (Note 2L)	\$ 3,540	\$ 3,745
Administrative expenses	14,486	1,401
Pension liability	6,082	6,067
Severance liability	429	429
Vacation pay liability	169	169
Other Programs (Note 7)	-	209
	\$ 24,706	\$ 12,020

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 \$6,082,000 as of March 31, 2019 (2018 - \$6,067,000), and has recorded an increase under other contributions from the Province of Manitoba for 2018/19 equal to the related pension increase of \$15,000 (2018 - \$215,000 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, 2019, the receivable for severance pay liability was \$429,000 (2018 - \$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, 2019, the receivable for vacation pay liability was \$169,000 (2018 - \$169,000).

10. RECEIVABLES FROM THE GOVERNMENT OF CANADA

	2019	2018
AgrilInsurance Program	\$ 5,314	\$ 6,205
Wildlife Damage Compensation Program	1,482	211
Western Livestock Price Insurance Program	317	253
Other Programs	-	205
	\$ 7,113	\$ 6,874

11. INVESTMENTS

MASC's investments are with the Province of Manitoba and consist of the following as of March 31, 2019:

MATURITY TERMS	AVERAGE INTEREST RATE	LENDING PROGRAMS	AGRIINSURANCE PROGRAM	HAIL INSURANCE PROGRAM	FARMLAND SCHOOL TAX REBATE PROGRAM	OTHER PROGRAMS	2019	2018
90 days or less	1.744%	\$ 3,000	\$ 168,410	-	\$ 104	\$ 1,406	\$ 172,920	\$ 153,449
1 year	1.937%	-	107,069	-	-	-	107,069	496,051
3 years	-	-	-	-	-	-	-	11,000
5 years	-	-	-	-	-	-	-	17,000
Accrued Interest	1.818%	3,000	275,479	-	104	1,406	279,989	677,500
		1	920	-	-	-	921	1,230
		\$ 3,001	\$ 276,399	-	\$ 104	\$ 1,406	\$ 280,910	\$ 678,730

12. LOANS RECEIVABLE

MASC's loans receivable as of March 31, 2019 consist of the following:

	2019			2018		
	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	TOTAL	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	TOTAL
Recorded investment	\$ 847,589	\$ 9,122	\$ 856,711	\$ 740,655	\$ 10,794	\$ 751,449
Specific provision	(1,587)	(6,262)	(7,849)	(1,861)	(7,346)	(9,207)
General provision	(9,107)	(57)	(9,164)	(8,100)	(96)	(8,196)
	836,895	2,803	839,698	730,694	3,352	734,046
Accrued interest	13,493	154	13,647	11,104	182	11,286
Net carrying value	\$ 850,388	\$ 2,957	\$ 853,345	\$ 741,798	\$ 3,534	\$ 745,332

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

Impaired loans included in the preceding schedule:

	2019			2018		
	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	TOTAL	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	TOTAL
Impaired loan balance	\$ 35,781	\$ 9,226	\$ 45,007	\$ 26,311	\$ 11,265	\$ 37,576
Specific provision	(1,587)	(6,262)	(7,849)	(1,861)	(7,346)	(9,207)
	\$ 34,194	\$ 2,964	\$ 37,158	\$ 24,450	\$ 3,919	\$ 28,369

*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, 2019. A total of \$2,116,000 (2018 - \$1,795,000) of interest on impaired loans was included in revenue for the year ended March 31, 2019.

Provisions for impaired loans:

	2019			2018		
	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	TOTAL	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	TOTAL
Beginning provision balance	\$ 9,961	\$ 7,442	\$ 17,403	\$ 8,569	\$ 9,132	\$ 17,701
Write-offs, net of recoveries	(872)	(537)	(1,409)	-	-	-
Provision (recovery) expense	1,605	(586)	1,019	1,392	(1,690)	(298)
Ending provision balance	\$ 10,694	\$ 6,319	\$ 17,013	\$ 9,961	\$ 7,442	\$ 17,403

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

Included in loans receivable is a specific provision of \$7,849,000 (2018 - \$9,207,000) and a general provision of \$9,164,000 (2018 - \$8,196,000) that are subject to measurement uncertainty. The resulting amount established for specific and general provisions of \$17,013,000 (see Note 2B) 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 \$1,291,247,000 (2018 - \$1,180,853,000).

Remaining terms to maturities are as follows:

	2019			2018		
	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	TOTAL	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	TOTAL
Less than 5 years	\$ 120,235	\$ 5,655	\$ 125,890	\$ 111,910	\$ 6,794	\$ 118,704
5 years to up to 10 years	115,297	-	115,297	102,707	-	102,707
10 years to up to 15 years	132,884	3,467	136,351	115,168	4,000	119,168
15 years to up to 20 years	181,535	-	181,535	182,614	-	182,614
More than 20 years	297,638	-	297,638	228,256	-	228,256
Recorded investment	\$ 847,589	\$ 9,122	\$ 856,711	740,655	\$ 10,794	\$ 751,449

*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, 2019 consist of the following:

	LENDING PROGRAMS	AGRIINSURANCE PROGRAM	WILDLIFE DAMAGE COMPENSATION PROGRAM	WESTERN LIVESTOCK PRICE INSURANCE PROGRAM	OTHER PROGRAMS	2019	2018
Accounts payable - general	\$ -	\$ 4,642	\$ 30	\$ 37	\$ 102	\$ 4,811	\$ 5,430
Salaries and benefits	-	252	74	-	59	385	289
Accrued vacation pay	-	1,363	-	-	-	1,363	1,282
Other*	131	3,353	-	-	562	4,046	11,883
	\$ 131	\$ 9,610	\$ 104	\$ 37	\$ 723	\$ 10,605	\$ 18,884

*Other accounts payable of \$562,000 includes amounts owing to the Province of Manitoba (\$551,000) and the Government of Canada (\$11,000) for various other programs administered by MASC.

14. CLAIMS PAYABLE*

	2019	2018
AgrilInsurance Program	\$ 173	\$ 3,419
Wildlife Damage Compensation Program	2,450	370
Farmland School Tax Rebate Program	3,037	1,884
Western Livestock Price Insurance Program	8	208
Other Programs	440	940
	\$ 6,108	\$ 6,821

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

15. CONTRIBUTIONS PAYABLE

MASC's contributions payables as of March 31, 2019 are payable to the following:

	2019	2018
Production Insurance Trust	\$ 18,623	\$ 203,573
Hail Insurance Trust	1,596	61,430
	\$ 20,219	\$ 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, 2019 interest rates ranging from 1.5% to 7.625% (2018 – 1.5% to 7.625%).

MATURITIES OF PRINCIPAL OVER THE FOLLOWING TERMS	2019	2018
1 year	\$ 157,307	\$ 144,249
2 years	95,730	82,207
3 years	84,026	77,091
4 years	75,242	62,867
5 years	69,679	56,537
More than 5 years	388,887	350,577
	\$ 870,871	\$ 773,528

17. LOAN GUARANTEES AND CONTINGENCIES

(A) Contingent liabilities and the corresponding provisions for MASC's loan guarantee programs as of March 31, 2019 are shown below:

	2019			2018		
	CONTINGENT LIABILITY	PROVISION FOR LOSSES	NET CONTINGENT LIABILITY	CONTINGENT LIABILITY	PROVISION FOR LOSSES	NET CONTINGENT LIABILITY
Operating Credit Guarantees for Agriculture	\$ 8,645	\$ (864)	\$ 7,781	\$ 8,104	\$ (811)	\$ 7,293
Operating Credit Guarantees for Rural Small Business	101	(10)	91	102	(10)	92
Manitoba Livestock Associations Loan Guarantees	10,382	(1,557)	8,825	9,369	(1,405)	7,964
Enhanced Diversification Loan Guarantees	43,450	(6,624)	36,826	44,160	(6,730)	37,430
Rural Entrepreneur Assistance Program	8,048	(1,565)	6,483	10,279	(1,957)	8,322
	\$ 70,626	\$ (10,620)	\$ 60,006	\$ 72,014	\$ (10,913)	\$ 61,101

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

	2019	2018
Beginning provision balance	\$ 10,913	\$ 14,514
Write-offs, net of recoveries	(79)	-
Provision expense (recovery)	(214)	(3,601)
Ending provision balance	\$ 10,620	\$ 10,913

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 2018/19, the amortization of the net actuarial loss was \$1,000 (2018 - \$2,000).

PROVISION FOR SEVERANCE LIABILITY	2019	2018
Accrued severance obligation, beginning of year	\$ 2,538	\$ 2,763
Benefits accrued	100	97
Interest accrued on benefits	153	156
Benefits paid	(166)	(369)
Actuarial (gain)	-	(109)
Accrued severance obligation, end of year	2,625	2,538
Unamortized actuarial gain (loss)	20	19
Provision, end of year	\$ 2,645	\$ 2,557

MASC'S SEVERANCE COSTS CONSIST OF THE FOLLOWING:	2019	2018
Benefits accrued	\$ 100	\$ 97
Interest accrued on benefits	153	156
Amortization of experience loss	1	2
Severance cost	\$ 254	\$ 255

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, 2017 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions include a rate of return of 6.00% (2016 - 6.00%), inflation of 2.00% (2016 - 2.00%), salary inflation rate increases of 3.75% (2016 - 3.75%), discount rate of 6.00% (2016 - 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, 2019, all according to the formula prescribed by the consulting actuary.

The average remaining service life of this group of employees is five years. For 2018/19, the amortization of the net actuarial gain was \$5,000 (2018 - \$18,000).

PROVISION FOR EMPLOYER'S SHARE OF EMPLOYEES' PENSION PLAN	2019	2018
Accrued pension obligation, beginning of year	\$ 6,090	\$ 6,111
Interest accrued on benefits	374	392
Benefits paid	(355)	(570)
Actuarial (gain) loss	(113)	157
Accrued pension obligation, end of year	5,996	6,090
Unamortized actuarial gain (loss)	23	(82)
Provision, end of year	\$ 6,019	\$ 6,008

MASC'S PENSION PLAN COSTS CONSIST OF THE FOLLOWING:	2019	2018
Interest accrued on benefits	\$ 374	\$ 392
Interest earned	1	(16)
Amortization of experience gain	(5)	(18)
Pension cost	\$ 370	\$ 358

19. COMMITMENTS

	2019	2018
Approved, undisbursed loans	\$ 34,529	\$ 30,183
Estimated farm loan incentives	4,585	4,128
Operating leases	268	241
Service agreements	1,443	1,059
	\$ 40,825	\$ 35,611

The estimated farm loan incentives relate to future payments for the Young Farmer Rebate. 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 operating lease commitments are for equipment and vehicles.

The service agreements are for Microsoft Cloud and Enterprise licensing agreements, 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 AgriInsurance operations, MASC places the retained funds mainly in short-term investments, in order to have sufficient capital available to make contributions to the Production Insurance Trust for 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:

	2019	2018
Investments	\$ 280,910	\$ 678,730
Accounts receivable	5,127	6,305
Receivables from the Province of Manitoba	24,706	12,020
Receivables from the Government of Canada	7,113	6,874
Loans receivable	853,345	745,332
Loan guarantees	70,626	72,014
	\$ 1,241,827	\$ 1,521,275

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

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

Receivables from the Province of Manitoba and the Government of Canada - MASC is not exposed to significant credit risk given the very high probability that payment in full will be collected when due.

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

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

MASC is also mandated to deliver higher risk special assistance loan programs on behalf of the 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.

	2019			2018		
	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	TOTAL	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	TOTAL
Less than 1 year in arrears	\$ 17,015	\$ -	\$ 17,015	\$ 13,368	\$ 2	\$ 13,370
1 to 2 years in arrears	16,367	-	16,367	6,380	8	6,388
Over 2 years in arrears	128	-	128	274	-	274
	\$ 33,510	\$ -	\$ 33,510	\$ 20,022	\$ 10	\$ 20,032

*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 to one and one-half years. 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

	2019			2018		
	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	TOTAL	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	TOTAL
Grains and oilseeds	\$ 499,195	\$ 175	\$ 499,370	\$ 440,253	\$ 203	\$ 440,456
Potatoes	521	-	521	536	-	536
Other crops	8,162	58	8,220	7,803	55	7,858
Cattle	300,139	794	300,933	260,244	949	261,193
Hogs	7,561	4,528	12,089	4,100	5,506	9,606
Poultry	4,811	-	4,811	5,371	-	5,371
Dairy	18,222	-	18,222	17,080	-	17,080
Other	22,471	3,721	26,192	16,372	4,263	20,635
Provisions and concessions	(10,694)	(6,319)	(17,013)	(9,961)	(7,442)	(17,403)
	\$ 850,388	\$ 2,957	\$ 853,345	\$ 741,798	\$ 3,534	\$ 745,332

**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	
	2019	2018	2019	2018
Grains and oilseeds	-	-	57%	55%
Potatoes	1%	3%	-	3%
Other crops	4%	4%	3%	4%
Cattle	1%	1%	18%	18%
Hogs	14%	16%	9%	9%
Poultry	10%	10%	-	1%
Dairy	63%	59%	3%	2%
Other	7%	7%	10%	8%
	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					2019	2018
	WITHIN 1 YEAR	1 TO 5 YEARS	6 TO 10 YEARS	OVER 10 YEARS	NOT INTEREST RATE SENSITIVE*		
Loans Receivable	\$ 99,069	\$ 211,639	\$ 196,622	\$ 349,380	\$ (3,365)	\$ 853,345	\$ 745,332
Average Interest Rate	4.68%	4.73%	4.77%	4.82%	-	4.77%	4.40%
Due to the Province of Manitoba	\$ 157,307	\$ 324,677	\$ 183,277	\$ 205,610	-	\$ 870,871	\$ 773,528
Average Interest Rate	3.10%	3.23%	3.29%	3.33%	-	3.24%	3.11%
	\$ (58,238)	\$ (113,038)	\$ 13,345	\$ 143,770	\$ (3,365)	\$ (17,526)	\$ (28,196)

*Includes provisions for impaired loans, and accrued interest.

Liquidity Risk

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

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

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.

AgrilInsurance indemnities for the 2018 and future crop years are paid out of the Productions Insurance Trust. The AgrilInsurance indemnities are funded firstly out of MASC's current net revenue through contributions to the trust, which normally exceeds cash requirements; secondly, from the trust equity; and thirdly, from MASC's AgrilInsurance reserve fund. If all of the above is exhausted, the Production Insurance Trust can access funds from MASC's AgrilInsurance program, which has an agreement with the Government of Canada and the Province of Manitoba that provides for unlimited additional funding for claim payments. The Production Insurance Trust can also access funds from MASC's AgrilInsurance program's ability to borrow funds from the Province of Manitoba.

Hail indemnities for the 2018 and future crop years are paid out of the Hail Insurance Trust. The hail indemnities are funded firstly out of MASC's current net revenue through contributions to the trust, which normally exceeds cash requirements and secondly from the trust equity. The Hail Insurance Trust can also access funds from MASC's Hail Insurance program's ability to borrow funds from the Province of Manitoba.

21. ACTUARIAL REVIEW

Actuarial certifications of AgrilInsurance premium rates and the financial sustainability of the overall AgrilInsurance 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 December 2018, by IAO Actuarial Consulting Inc., 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:

	2019	2018
Interest earned on investments from the Province of Manitoba	\$ 9,220	\$ 5,518
Interest paid on loans from the Province of Manitoba	\$ 23,953	\$ 20,146

23. REINSURANCE FUNDS

AgrilInsurance

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

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

	CROP REINSURANCE FUND OF CANADA FOR MANITOBA		CROP REINSURANCE FUND OF MANITOBA	
	2019	2018	2019	2018
Opening surplus	\$ 36,026	\$ 36,026	\$ 58,046	\$ 58,046
Current year premium contributions (net)*	2	-	2	-
Net book value	\$ 36,028	\$ 36,026	\$ 58,048	\$ 58,046

**For 2018/19, 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 2018/19 is a \$4,000 recovery (2018 - Nil).*

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 2018 crop year. The agreement involved 32 reinsuring companies assuming 90% (2018 - 90%) of losses (including deemed losses for adjusting expenses) from 15.0% to 27.5% of AgrilInsurance liability (coverage). Reinsurance premiums were \$31,536,000 (2018 - \$32,194,000). There was no private sector reinsurance recovery for 2019.

Hail Insurance

For 2018/19, MASC entered into a one-year agreement with private sector reinsurers for the Hail Insurance Program. The agreement involved 24 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 \$1,781,000 (2018 - \$1,540,000), with no reinsurance recovery for 2019 (2018 - \$29,000).

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 2018/19 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 \$151,000 (2018 - \$158,000).

For 2018/19, the program also entered into a separate quota share reinsurance agreement whereby the reinsurer assumed 55% (2018 - 46.5%) of all losses incurred for the Western Livestock Price Insurance Program. Manitoba's share of total reinsurance premiums, net of commissions were \$452,000 (2018 - \$649,000). The reinsurers share of Manitoba's losses were \$40,000 (2018 - \$329,000). Manitoba's total net quota share reinsurance premiums were \$412,000 (2018 - \$320,000).

24. SUBSEQUENT EVENT

On April 15, 2019 MASC sold 478 acres of land held for use for \$744,000. This land was valued at a cost of \$54,000, resulting in a gain of \$690,000. After the sale, MASC has 640 remaining acres of land held for use with a cost of \$131,000 (Note 2H).

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, 2019 | IN THOUSANDS OF DOLLARS

	LENDING PROGRAMS		AGRIINSURANCE PROGRAM		HAIL INSURANCE PROGRAM	
	2019	2018	2019	2018	2019	2018
REVENUE						
Insurance premiums						
Insured producers	\$ -	\$ -	\$ 86,664	\$ 97,258	\$ 31,496	\$ 26,790
Province of Manitoba	-	-	50,919	56,904	-	-
Government of Canada	-	-	76,382	85,360	-	-
	-	-	213,965	239,522	31,496	26,790
Interest from loans	35,826	29,830	-	-	-	-
Other contributions (recoveries) - Province of Manitoba	(4,326)	(3,324)	4,848	4,515	-	-
Other contributions - Government of Canada	-	-	7,257	6,748	-	-
Reinsurance recoveries	-	-	-	-	-	29
Investment income	101	44	8,558	4,802	807	853
Other income	69	335	-	-	-	-
Total revenue	31,670	26,885	234,628	255,587	32,303	27,672
EXPENSE						
Insurance indemnities and compensation payments	-	-	338	45,760	(1)	15,972
Reinsurance premiums (Note 23)	-	-	31,536	32,194	1,781	1,540
Interest on borrowed funds	23,954	20,146	-	-	-	-
Provision (recoveries) for credit losses	1,019	(298)	(445)	296	(11)	(21)
Provision (recoveries) for guaranteed loan losses (Note 17)	(214)	(3,601)	-	-	-	-
Young farmer incentives	1,224	1,505	10	17	-	-
Farmland school tax rebates (Note 5)	-	-	-	-	-	-
Other program payments (Note 7)	-	-	-	-	-	-
Contributions to trust funds	-	-	316,094	203,573	26,101	61,430
Administrative expenses (Schedule 2)	5,004	5,234	12,095	11,247	4,433	4,573
Total expenses	30,987	22,986	359,628	293,087	32,303	83,494
Income (loss) for the year	683	3,899	(125,000)	(37,500)	-	(55,822)
Accumulated surplus (deficit), beginning of year	(25,624)	(29,523)	397,372	434,872	-	55,822
Surplus (deficit), end of year	\$ (24,941)	\$ (25,624)	\$ 272,372	\$ 397,372	\$ -	\$ -

WILDLIFE DAMAGE COMPENSATION PROGRAM		FARMLAND SCHOOL TAX REBATE PROGRAM		WESTERN LIVESTOCK PRICE INSURANCE PROGRAM		OTHER PROGRAMS		TOTAL	
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
\$ -	\$ -	\$ -	\$ -	\$ 1,044	\$ 1,823	\$ -	\$ -	\$ 119,204	\$ 125,871
-	-	-	-	-	-	-	-	50,919	56,904
-	-	-	-	-	-	-	-	76,382	85,360
-	-	-	-	1,044	1,823	-	-	246,505	268,135
-	-	-	-	-	-	-	-	35,826	29,830
4,054	3,201	45,513	41,015	206	326	(547)	(1,594)	49,748	44,139
4,774	3,790	-	-	309	489	-	-	12,340	11,027
-	-	-	-	-	-	-	-	-	29
-	-	44	31	16	11	43	82	9,569	5,823
-	-	-	-	-	-	31	40	100	375
8,828	6,991	45,557	41,046	1,575	2,649	(473)	(1,472)	354,088	359,358
7,838	6,063	-	-	(10)	703	-	-	8,165	68,498
-	-	-	-	563	478	-	-	33,880	34,212
-	-	-	-	-	-	-	-	23,954	20,146
-	-	(5)	(11)	-	-	(4)	(7)	554	(41)
-	-	-	-	-	-	-	-	(214)	(3,601)
-	-	-	-	-	-	-	-	1,234	1,522
-	-	44,802	40,655	-	-	-	-	44,802	40,655
-	-	-	-	-	-	(500)	(1,038)	(500)	(1,038)
-	-	-	-	-	-	-	-	342,195	265,003
990	928	760	402	514	815	31	(427)	23,827	22,772
8,828	6,991	45,557	41,046	1,067	1,996	(473)	(1,472)	477,897	448,128
-	-	-	-	508	653	-	-	(123,809)	(88,770)
-	-	-	-	538	(115)	-	-	372,286	461,056
\$ -	\$ -	\$ -	\$ -	\$ 1,046	\$ 538	\$ -	\$ -	\$ 248,477	\$ 372,286

MANITOBA AGRICULTURAL SERVICES CORPORATION

SCHEDULE 2: SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED MARCH 31, 2019 | IN THOUSANDS OF DOLLARS

	2019	2018
Adjustors' wages, benefits and expenses	\$ 5,303	\$ 4,842
Advertising	356	365
Amortization expense	40	50
Appeal Tribunal	25	27
Audit fees and legal	576	253
Directors' remuneration and expense	57	75
Furniture and equipment	79	87
Information technology	1,219	965
Office rental and utilities	1,332	1,252
Other administrative expenses	982	1,239
Other administrative recoveries	(1,020)	(899)
Postage	166	174
Printing and office supplies	171	177
Salaries and employee benefits	13,941	13,528
Telephone	245	271
Travel and vehicle expenses	355	366
Total administrative expenses	\$ 23,827	\$ 22,772
Administrative expenses allocation:		
Lending Programs	\$ 5,004	\$ 5,234
AgrilInsurance Program	12,095	11,247
Hail Insurance Program	4,433	4,573
Wildlife Damage Compensation Program	990	928
Farmland School Tax Rebate Program	760	402
Western Livestock Price Insurance Program	514	815
Other Programs	31	(427)
Total administrative expenses	\$ 23,827	\$ 22,772



PRODUCTION INSURANCE TRUST RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of the Production Insurance Trust 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

July 30, 2019



Auditor General
MANITOBA

INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

We have audited the financial statements of Manitoba Agricultural Services Corporation – Production Insurance Trust (the "Production Trust"), which comprise the statement of financial position as at March 31, 2019, and the statements of comprehensive income, changes in Trust equity and cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, except for the effects of the matters described in *Basis for Qualified Opinion* the accompanying financial statements present fairly, in all material respects, the financial position of the MASC Trust as at March 31, 2019 and the comparative figures as at March 31, 2018, and its financial performance and its cash flows for the periods then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Qualified Opinion

Inappropriate accrual for government transfer not yet authorized

The signing of the trust and contribution agreement by Manitoba Agricultural Services Corporation ("MASC") and the Province of Manitoba had taken place September 26, 2018 but the transfer from MASC was recorded as at March 31, 2018. The financial statements cover the period from April 1, 2018 to March 31, 2019 and the comparative figures as at March 31, 2018, which includes a period of time before the trust existed. In this respect, MASC Trust's financial statements are not in accordance with IFRS.

Had the transfer been recorded at September 26, 2018, the following line items would have changed:

- A decrease of \$203,573,000 to both contribution from MASC and income for the period ended March 31, 2018
- A decrease of \$203,573,000 to both Accounts Receivable from MASC and Trust equity as at March 31, 2018
- A decrease of \$203,573,000 to Trust equity as at April 1, 2018
- An increase of \$203,573,000 to both the contribution from MASC and income for the period ended March 31, 2019

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of MASC in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of MASC Trust for the period ended March 31, 2018, were unaudited.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the MASC Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the MASC Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing MASC Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting

a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 MASC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the MASC Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the MASC Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Office of the Auditor General
Winnipeg, Manitoba
July 30, 2019

PRODUCTION INSURANCE TRUST STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019 | IN THOUSANDS OF DOLLARS (\$CDN)

	2019	2018 (UNAUDITED)
ASSETS		
Cash and cash equivalents (Note 3A)	\$ 68,903	\$ -
Accounts receivable from Manitoba Agricultural Services Corporation (Note 3B)	18,623	203,573
Investments (Note 4)	349,335	-
Total Assets	\$ 436,861	\$ 203,573
LIABILITIES		
Claims Payable (Note 3D)	\$ 11,112	\$ -
TRUST EQUITY	425,749	203,573
Total Liabilities and Trust Equity	\$ 436,861	\$ 203,573

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

PRODUCTION INSURANCE TRUST STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED MARCH 31, 2019 | IN THOUSANDS OF DOLLARS (\$CDN)

	2019	2018 (UNAUDITED)
REVENUE		
Contribution from Manitoba Agricultural Services Corporation	\$ 316,094	\$ 203,573
Investment income	2,243	-
Total Revenue	318,337	203,573
EXPENSE		
Insurance Indemnities	96,161	-
Net Income and Comprehensive Income for the period	\$ 222,176	\$ 203,573

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

PRODUCTION INSURANCE TRUST STATEMENT OF CHANGES IN TRUST EQUITY

FOR THE PERIOD ENDED MARCH 31, 2019 | IN THOUSANDS OF DOLLARS (\$CDN)

	2019	2018 (UNAUDITED)
Trust equity, beginning of period	\$ 203,573	\$ -
Net income and comprehensive income for the period	222,176	203,573
Trust equity, end of period	\$ 425,749	\$ 203,573

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

PRODUCTION INSURANCE TRUST STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED MARCH 31, 2019 | IN THOUSANDS OF DOLLARS (\$CDN)

	2019	2018 (UNAUDITED)
Cash provided by (used for):		
OPERATING		
Income for the period	\$ 222,176	\$ 203,573
Changes in:		
Receivables from Manitoba Agricultural Services Corporation	184,950	(203,573)
Claims payable	11,112	-
Cash provided by operating activities	418,238	-
INVESTING		
Investments purchased	(349,335)	-
Cash used for investing activities	(349,335)	-
Net increase in cash and cash equivalents	68,903	-
Cash and cash equivalents, beginning of period	-	-
Cash and cash equivalents, end of period	\$ 68,903	\$ -
Supplemental Cash Flow Information		
Interest received	\$ 1,096	\$ -

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

PRODUCTION INSURANCE TRUST

NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2019

1. NATURE OF TRUST

The Production Insurance Trust (Trust) was created by the Province of Manitoba to benefit Manitoba Agricultural Services Corporation's (MASC) AgrilInsurance program participants. MASC is designated as the Trustee for the Trust.

The Trust is used to pay AgrilInsurance 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 July 30, 2019.

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) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and temporary investments, which are highly liquid investments with short-term maturities (less than 90 days) and are measured at amortized cost. Interest income is recorded on an accrual basis within investment income in the statement of comprehensive income.

(B) Accounts Receivable from Manitoba Agricultural Services Corporation

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

(C) Investments

Funds in excess of operational needs are invested with the Province of Manitoba, in accordance with the Production Insurance Trust agreement, and are measured at amortized cost. Investments are principally held to maturity for the purpose of collecting contractual cash flows with early redemptions occurring infrequently. Gains or losses arising from an early redemption are recognized within investment income in the statement of comprehensive income.

(D) 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 Trust. 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.

(E) Revenue Recognition

Revenues are recognized when the Trust satisfies a performance obligation by transferring control over a service to a customer. When a performance obligation is satisfied over time, revenues are recorded on an accrual basis as the service is performed.

(F) Classification and Measurement of Financial Assets

The Trust determines the classification and measurement of its financial assets based on an assessment of: (a) the business model under which the assets are held; and (b) the contractual cash flow characteristics of the assets. All of the Trust's financial assets are classified and measured at amortized cost since:

- the assets are all held within a business model whose primary objective is to hold assets to collect the contractual cash flows; and
- the contractual terms of the assets give rise to cash flows, which are solely payments of principal and interest.

Transaction costs related to all financial instruments are expensed as incurred.

(G) Impairment of Financial Assets

The Trust recognizes loss allowances for expected credit losses on its financial assets measured at amortized cost. The Trust has determined all of its financial assets to have low credit risk and has measured the loss allowance for these instruments at an amount equal to their 12 month expected credit losses.

At each reporting date, the Trust assesses whether their financial assets are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The loss allowance for credit-impaired financial assets is measured at an amount equal to the lifetime expected credit losses for these instruments.

Loss allowances for financial assets measured at amortized cost are deducted from the carrying value of the assets.

(H) Derecognition of Financial Assets

The Trust derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

(I) Measurement Uncertainty

The preparation of financial statements that conform to IFRS 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 liabilities for claim payments.

(J) Changes in Accounting Policies

IFRS 9 Financial Instruments

Effective April 1, 2018 the Trust has adopted *IFRS 9 Financial Instruments* (IFRS 9), which replaces the previous standard *IAS 39 Financial Instruments: Recognition and Measurement*. The new standard brings changes to the accounting for financial instruments, including new classification and impairment models for financial assets.

The Trust has applied IFRS 9 retrospectively from the date of adoption and, as permitted by the standard, has elected not to restate comparative information.

The adoption of this standard did not have an impact on the Trust's financial statements.

IFRS 15 Revenue from Contracts with Customers

Effective April 1, 2018, the Trust has adopted *IFRS 15 Revenue from Contracts with Customers* (IFRS 15). Although the core principles of IFRS 15 are similar to the previous *IAS 18 Revenue* and *IAS 11 Construction Contracts*, IFRS 15 provides more extensive guidance for areas requiring significant judgment under the old standards, which could impact the amount and timing of revenue recognition.

The Trust has applied the requirements of IFRS 15 retrospectively from the date of adoption using the cumulative effect method, under which comparative information is not restated.

The adoption of this standard did not have an impact on the Trust's financial statements.

4. INVESTMENTS

The Trust's investments are with the Province of Manitoba and consist of the following as of March 31, 2019:

MATURITY TERMS	AVERAGE INTEREST RATE	2019
1 year	1.877%	\$ 348,188
Accrued Interest		1,147
		\$ 349,335

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Trust's financial instruments include cash and cash equivalents, accounts receivable from MASC, and investments.

Financial instruments comprise the majority of the Trust's assets and liabilities. Contributions from MASC is dependent on the corporation collecting premiums from producers participating in the AgrilInsurance program. Also, the Trust 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 contributions from MASC.

MASC, as Trustee, establishes risk management policies 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 of MASC 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.

The Trust is exposed to credit, liquidity and market risks in respect of its use of financial instruments. The carrying value of the Trust's financial instruments approximate their fair value.

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 subject the Trust to credit risk are investments and the accounts receivable from MASC.

Investments – The Trust 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 from MASC - The Trust is directly affected by MASC's credit risk related to the collection of AgrilInsurance producer and related government premiums as well as private reinsurance recoveries since these collections and recoveries, net of reinsurance premiums, become contributions to the Trust. The AgrilInsurance program offers 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. MASC and therefore the Trust are not exposed to significant credit risk given the very high probability that payment in full will be collected when due. There is a very high probability that MASC will receive full payment for the reinsurance recoveries from the private reinsurers, therefore MASC and the Trust are not exposed to a significant credit risk.

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.

Investments – The Trust'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.

Liquidity Risk

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

The Trust's primary liquidity risk relates to its liability for insurance claims. The Trust does not have material liabilities that can be called unexpectedly at the demand of a 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; secondly, from the trust equity; and thirdly, from MASC's AgrilInsurance reserve fund. If all of the above is exhausted, the Trust can access funds from MASC's AgrilInsurance program, which has an agreement with the Government of Canada and the Province of Manitoba that provides for unlimited additional funding for claim payments. The Trust can also access funds from MASC's AgrilInsurance program's ability to borrow funds from the Province of Manitoba.



HAIL INSURANCE TRUST RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of the Hail Insurance Trust 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

July 30, 2019



Auditor General
MANITOBA

INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

We have audited the financial statements of Manitoba Agricultural Services Corporation – Hail Insurance Trust (the "Hail Trust"), which comprise the statement of financial position as at March 31, 2019, and the statements of comprehensive income, changes in Trust equity and cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, except for the effects of the matters described in *Basis for Qualified Opinion* the accompanying financial statements present fairly, in all material respects, the financial position of the Hail Trust as at March 31, 2019 and the comparative figures as at March 31, 2018, and its financial performance and its cash flows for the periods then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Qualified Opinion

Inappropriate accrual for government transfer not yet authorized

The signing of the trust and contribution agreement by Manitoba Agricultural Service Corporation ("MASC") and the Province of Manitoba had taken place September 26, 2018 but the transfer from MASC was recorded as at March 31, 2018. The financial statements cover the period from April 1, 2018 to March 31, 2019 and the comparative figures as at March 31, 2018, which includes a period of time before the trust existed. In this respect, MASC Trust's financial statements are not in accordance with IFRS.

Had the transfer been recorded at September 26, 2018, the following line items would have changed:

- A decrease of \$61,430,000 to both contribution from MASC and income for the period ended March 31, 2018
- A decrease of \$61,430,000 to both Accounts Receivable from MASC and Trust equity as at March 31, 2018
- A decrease of \$61,430,000 to Trust equity as at April 1, 2018
- An increase of \$61,430,000 to both the contribution from MASC and income for the period ended March 31, 2019

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of MASC in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of MASC Trust for the period ended March 31, 2018, were unaudited.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the MASC Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the MASC Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing MASC Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting

a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 MASC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the MASC Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the MASC Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Office of the Auditor General
Winnipeg, Manitoba
July 30, 2019

HAIL INSURANCE TRUST STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019 | IN THOUSANDS OF DOLLARS (\$CDN)

	2019	2018 (UNAUDITED)
ASSETS		
Cash and cash equivalents (Note 3A)	\$ 44,000	\$ -
Accounts receivable from Manitoba Agricultural Services Corporation (Note 3B)	1,596	61,430
Investments (Note 4)	18,611	-
Total Assets	\$ 64,207	\$ 61,430
TRUST EQUITY	\$ 64,207	\$ 61,430
Trust Equity	\$ 64,207	\$ 61,430

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

HAIL INSURANCE TRUST STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED MARCH 31, 2019 | IN THOUSANDS OF DOLLARS (\$CDN)

	2019	2018 (UNAUDITED)
REVENUE		
Contribution from Manitoba Agricultural Services Corporation	\$ 26,101	\$ 61,430
Investment income	305	-
Total Revenue	26,406	61,430
EXPENSE		
Insurance Indemnities	23,629	-
Net Income and Comprehensive Income for the period	\$ 2,777	\$ 61,430

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

HAIL INSURANCE TRUST STATEMENT OF CHANGE IN TRUST EQUITY

FOR THE PERIOD ENDED MARCH 31, 2019 | IN THOUSANDS OF DOLLARS (\$CDN)

	2019	2018 (UNAUDITED)
Trust equity, beginning of period	\$ 61,430	\$ -
Net income and comprehensive income for the period	2,777	61,430
Trust equity, end of period	\$ 64,207	\$ 61,430

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

HAIL INSURANCE TRUST STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED MARCH 31, 2019 | IN THOUSANDS OF DOLLARS (\$CDN)

	2019	2018 (UNAUDITED)
Cash provided by (used for):		
OPERATING		
Income for the period	\$ 2,777	\$ 61,430
Changes in:		
Receivables from Manitoba Agricultural Services Corporation	59,834	(61,430)
Cash provided by operating activities	62,611	-
INVESTING		
Investments purchased	(18,611)	-
Cash used for investing activities	(18,611)	-
Net increase in cash and cash equivalents	44,000	-
Cash and cash equivalents, beginning of period	-	-
Cash and cash equivalents, end of period	\$ 44,000	\$ -
Supplemental Cash Flow Information		
Interest received	\$ 194	\$ -

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

HAIL INSURANCE TRUST

NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2019

1. NATURE OF TRUST

The Hail Insurance Trust (Trust) was created by the Province of Manitoba to benefit Manitoba Agricultural Services Corporation's (MASC) Hail Insurance program participants. MASC is designated as the trustee for the trust.

The trust is 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 July 30, 2019.

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) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and temporary investments, which are highly liquid investments with short-term maturities (less than 90 days) and are measured at amortized cost. Interest income is recorded on an accrual basis in investment income in the statement of comprehensive income.

(B) Accounts Receivable from Manitoba Agricultural Services Corporation

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

(C) Investments

Funds in excess of operational needs are invested with the Province of Manitoba, in accordance with the Hail Insurance trust agreement, and are measured at amortized cost. Investments are principally held to maturity for the purpose of collecting contractual cash flows with early redemptions occurring infrequently. Gains or losses arising from an early redemption are recognized within investment income in the statement of comprehensive income.

(D) Revenue Recognition

Revenues are recognized when the Trust satisfies a performance obligation by transferring control over a service to a customer. When a performance obligation is satisfied over time, revenues are recorded on an accrual basis as the service is performed.

(E) Classification and Measurement of Financial Assets

The Trust determines the classification and measurement of its financial assets based on an assessment of: (a) the business model under which the assets are held; and (b) the contractual cash flow characteristics of the assets. All of the Trust's financial assets are classified and measured at amortized cost since:

- the assets are all held within a business model whose primary objective is to hold assets to collect the contractual cash flows; and
- the contractual terms of the assets give rise to cash flows, which are solely payments of principal and interest.

Transaction costs related to all financial instruments are expensed as incurred.

(F) Impairment of Financial Assets

The Trust recognizes loss allowances for expected credit losses on its financial assets measured at amortized cost. The Trust has determined all of its financial assets to have low credit risk and has measured the loss allowance for these instruments at an amount equal to the 12 month expected credit losses.

At each reporting date, the Trust assesses whether their financial assets are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The loss allowance for credit-impaired financial assets is measured at an amount equal to the lifetime expected credit losses for these instruments.

Loss allowances for financial assets measured at amortized cost are deducted from the carrying value of the assets.

(G) Derecognition of Financial Assets

The Trust derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

(H) Measurement Uncertainty

The preparation of financial statements that conform to IFRS 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.

(I) Changes in Accounting Policies*IFRS 9 Financial Instruments*

Effective April 1, 2018 the Trust has adopted *IFRS 9 Financial Instruments* (IFRS 9), which replaces the previous standard *IAS 39 Financial Instruments: Recognition and Measurement* (IAS 39). The new standard brings changes to the accounting for financial instruments, including new classification and impairment models for financial assets.

The Trust has applied IFRS 9 retrospectively from the date of adoption and, as permitted by the standard, has elected not to restate comparative information.

The adoption of this standard did not have an impact on the Trust's financial statements.

IFRS 15 Revenue from Contracts with Customers

Effective April 1, 2018 the Trust has adopted *IFRS 15 Revenue from Contracts with Customers* (IFRS 15). Although the core principles of IFRS 15 are similar to the previous *IAS 18 Revenue* and *IAS 11 Construction Contracts*, IFRS 15 provides more extensive guidance for areas requiring significant judgment under the old standards, which could impact the amount and timing of revenue recognition.

The Trust has applied the requirements of IFRS 15 retrospectively from the date of adoption using the cumulative effect method, under which comparative information is not restated.

The adoption of this standard did not have an impact on the Trust's financial statements.

4. INVESTMENTS

The Trust's investments are with the Province of Manitoba and consist of the following as of March 31, 2019:

	AVERAGE INTEREST RATE	2019
1 year	1.800%	\$ 1,500
3 years	1.853%	5,000
5 Years	1.784%	12,000
	1.810%	18,500
Accrued Interest		111
		\$ 18,611

5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Trust's financial instruments include cash and cash equivalents, accounts receivable from MASC, and investments.

Financial instruments comprise the majority of the Trust's assets and liabilities. Contributions from MASC is dependent on the corporation collecting premiums from producers participating in the Hail Insurance program. Also, the Trust 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 contributions from MASC.

MASC, as trustee, establishes risk management policies 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 of MASC 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.

The trust is exposed to credit, liquidity and market risks in respect of its use of financial instruments. The carrying value of the Trust's financial instruments approximate their fair value.

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 subject the trust to credit risk are investments and the accounts receivable from MASC.

Investments – The trust 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 from MASC - The trust is directly affected by MASC's credit risk related to the collection of Hail Insurance producer premiums as well as private reinsurance recoveries since these collections and recoveries, net of reinsurance premiums, become contributions to the trust. The Hail Insurance program offers 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. MASC and therefore the trust are not exposed to significant credit risk given the very high probability that payment in full will be collected when due. There is a very high probability that MASC will receive full payment for the reinsurance recoveries from the private reinsurers, therefore MASC and the trust are not exposed to a significant credit risk.

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.

Investments – The trust'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.

Liquidity Risk

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

The Trust's primary liquidity risk relates to its liability for insurance claims. The Trust does not have material liabilities that can be called unexpectedly at the demand of a 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 and secondly, from the trust equity. If all of the above is exhausted, the Trust can also access funds from MASC's Hail Insurance program's ability to borrow funds from the Province of Manitoba.

OFFICE LOCATIONS



CORPORATE OFFICES

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

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



• masc.mb.ca •

