



# 2022/23 ANNUAL REPORT

A trusted partner in  
Manitoba's agriculture industry.



# Vision

A trusted partner in Manitoba's agriculture industry.

# Mission

To support Manitoba farmers by providing unique insurance, targeted lending, and access to agricultural services.

# Values

## **Excellence**

We strive for accuracy, efficiency, and continuous improvement.

## **Integrity**

We build trust by cultivating relationships. We are respectful, responsive, and fair.

## **Accountability**

We manage our resources responsibly and fulfill our commitments.

# Strategies

## **Client**

### **Focus on client satisfaction.**

Align our products and services to the current and future needs of farmers.  
Deliver convenient and quality service.

## **Process**

### **Focus on continuous improvement and quality assurance.**

Improve how we collect, use, and manage data.  
Increase timeliness and accuracy of processes and financial transactions with clients.

## **Employee**

### **Foster a positive work environment that values employees.**

Support a respectful, inclusive, and engaged workforce.  
Build our capacity to innovate.  
Promote a culture of service excellence.

## **Financial**

### **Provide value for money.**

Maintain operational efficiencies.  
Effectively manage finances and resources.

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This annual report can be found online at [masc.mb.ca](https://masc.mb.ca) and is available in alternate formats upon request.

La version française de ce rapport annuel se trouve sur le site Internet [masc.mb.ca](https://masc.mb.ca) et est disponible en formats alternatifs sur demande.

## Indigenous Land Acknowledgement

We recognize that Manitoba is on the treaty territories and ancestral lands of the Anishinaabe, Anishininewuk, Dakota Oyate, Denesuline and Nehethowuk peoples.

We acknowledge Manitoba is located on the Homeland of the Red River Métis.

We acknowledge northern Manitoba includes lands that were and are the ancestral lands of the Inuit.

We respect the spirit and intent of Treaties and Treaty Making and remain committed to working in partnership with First Nations, Inuit and Métis people in the spirit of truth, reconciliation, and collaboration.



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Minister of Agriculture  
Room 165  
Legislative Building  
Winnipeg, Manitoba, CANADA  
R3C 0V8

Her Honour the Honourable Anita Neville, 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, 2023.



Yours truly,

Original signed by:

Honourable Derek Johnson  
Minister of Agriculture



The Honourable Derek Johnson  
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 ending March 31, 2023.



Yours truly,

Original signed by:

Jim Wilson  
Chair, Board of Directors



# Chair's Message

As I reflect on the 2022 growing season, I am highly appreciative of the cooperation and perseverance our industry shows in the face of adversity. MASC provided support for Manitoba farmers, as they triumphed over a very wet spring to bring in a decent harvest.

MASC has established its role as a trusted partner in Manitoba's agriculture industry, and I am proud that we all pull together to elevate our mutual trust and understanding.

For MASC, we are continually refining a framework that connects our staff to clients' conditions, challenges, and unique needs. By understanding the evolving needs of farmers, MASC aims to improve their existing programs and services, and in 2022 these refinements included increasing coverage for most crops, extending seeding deadlines on some, and increasing borrowing limits for our lending programs.

MASC continues to improve itself as a corporation, and we are striving to become better suited to our current and future industry partnerships. By leveraging technology, we are improving on our high standards of service delivery. Improvements made to our digital systems are streamlining processes, improving our efficiencies, and allowing us to better serve the immediate and long-term needs of our clients.

Improved technologies have also enhanced how we communicate with our clients, who now have more contact options and opportunities than ever when they require our assistance.

At its heart, MASC is a corporation that is staffed by hard-working, committed people. It is our staff who interact with our clients, and integrate new technologies, and fulfill all other corporate roles and functions. I am proud of their accomplishments in 2022/23, and I am thankful for the dedicated service provided by our staff and management.

My fellow board members share in this dedication in upholding MASC's role as a trusted industry partner. The Board's activities in 2022/23 were focused in this direction as we launched a new strategic plan for the organization, continued to build relationships with producer organizations, and obtained independent assurance of the controls in place to mitigate key risks faced by MASC.

I am proud of the Board's achievements over the past year, and I would like to thank our current members, along with our outgoing members, Laurent Ponsin and Aaron Redekop, for their support, dedication, and commitment. I will also take this opportunity to welcome our new members, Brian Brown, Kristy-Layne Carr, and Tom Wiebe, and I look forward to working with you and the benefit of your expertise and unique perspectives.

Throughout 2022/23, MASC steadfastly pursued its vision to strengthen its place as a trusted partner in Manitoba's agriculture industry. With hard work, dedication, careful planning, and effective communication with its clients and partners, MASC will continue to prove itself a robust ally to our clients and stakeholders.

Original signed by:

Jim Wilson  
Chair, Board of Directors

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## Corporate Governance

### Mandate of the Board

MASC is a Crown corporation of the Manitoba government established through The Manitoba Agricultural Services Corporation Act. MASC's Board is comprised of up to nine directors who are appointed by the 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 the 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.

# CEO's Message

Manitoba Agricultural Services Corporation aims to be a *trusted partner in Manitoba's agriculture industry*. As MASC's new vision, it is this foundation that declares our commitment to the necessary and timely supports for Manitoba's agricultural producers.

I am proud to say this sentiment is earned. MASC has built trust within our industry spanning decades, and in a recent survey of our clients, 96 per cent surveyed report they trust MASC.

We truly appreciate our clients continued trust and understand our responsibility to maintain it through our delivery of programs and services. It is a solid starting point, but as always, there's still much work to be done.

We begin by nurturing strong connections between our staff, our clients, and our industry partners at all levels. Our *Get to Know Us* campaign introduced farmers to their MASC Service Centre staff, facilitating personal connections and a better understanding of local conditions, challenges, and unique needs.

Our clients' needs were obvious in early 2022, when farmers faced significant seeding delays brought on by multiple large storm events. For MASC's Excess Moisture Insurance (EMI) program, over 869,000 acres were reported as unseeded due to land being too wet to seed, and MASC paid \$54 million to farmers on over 2,300 EMI claims.

MASC also made the in-season move to permanently extend soybean seeding deadlines for AgrilInsurance coverage. This was a demonstration of the power of collaboration between MASC, industry, and governments. We were able to leverage our strong relationships to make a timely decision driven by data and science to benefit producers struggling to get seeds in the ground.

Extreme weather conditions and rising input costs continue to challenge the viability of our farms, and MASC's support for farmers must keep pace. In October, MASC's 2023 EMI coverage was increased by \$25 per acre for all farmers, an update made in consultation with Manitoba producer groups. AgrilInsurance average coverage also increased in 2023 by an estimated \$61 per acre, and the Contract Price Option has expanded to provide increased coverage on most insurable crops (including the corresponding organic and pedigreed crops if applicable, with the exception of potatoes, vegetables, and forages.)

Likewise, our support for farmers must continue to address a financial climate of increasing input expenses coupled with higher land prices. In April 2023, MASC increased its aggregate loan limit to \$4.75 million, up from the previous \$4.25 million, which has enabled us to meet our clients' growing needs. We were pleased to see growth in our loan portfolio this year.

MASC must also stay current with an ever-changing digital world, and how to effectively use technology to improve support for our clients. To facilitate communication, we've created a YouTube channel full of instructional videos, we regularly engage in virtual meetings, and we have enabled a *myMASC* chat feature that allows our staff to provide real-time assistance to clients. Our staff are more connected than ever to our clients, and to one another for internal collaborations and discussions.

Our *myMASC* client portal continues to mature, with new features and ease-of-use improvements being rolled out as completed by our development team. Lending clients can now view their Record of Program Activity online, and farmers now have access to their Hail Insurance and AgrilInsurance statements in *myMASC*.

Out in the field, we've digitally enhanced our adjusting procedures. We're testing drone technologies to adjust in-field claims more accurately, and our adjustor training is continually updated to include procedures that effectively harness new technologies.

MASC's adjustments, changes, and improvements are only possible with the great efforts of MASC staff. My great appreciation extends to all members of our team, who persevered and succeeded in another challenging year to provide excellent service to our clients. I would also like to thank our Board of Directors, whose guidance and insights are invaluable to the direction of our operations.

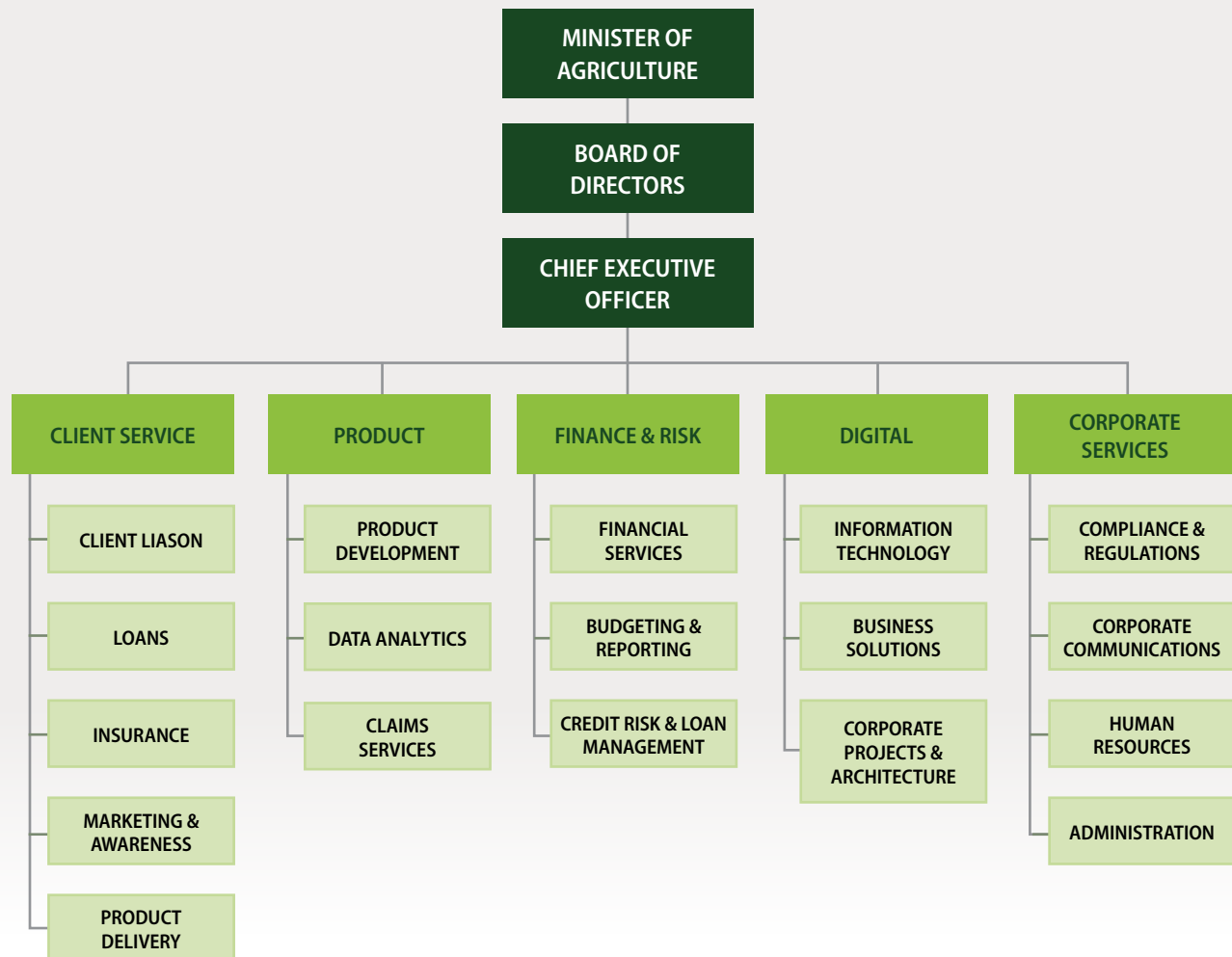
I am proud of MASC's achievements in the past year, and I am even more appreciative of the trust placed in us. As a trusted partner, MASC will continue to pursue improvements of our supports for Manitoba farmers.

Original signed by:

Jared Munro  
Chief Executive Officer

# Corporate Structure

As of March 31, 2023:



MASC employs 151 permanent staff, complemented by 146 adjustors and casual staff (as of March 31, 2023). MASC is represented in Manitoba by 10 service centres in locations across the province.

## Board of Directors

Jim Wilson – Chair  
 Charles Mayer – Vice Chair  
 Brian Brown  
 Kristy-Layne Carr  
 Hubert Chappellaz  
 Betty Green  
 Barry Smith  
 Dena Viallet  
 Tom Wiebe

## Executive Management

Jared Munro – Chief Executive Officer  
 Leah Cann – Chief Client Officer  
 David Van Deynze – Chief Product Officer  
 Manon Pascal – Chief Financial Officer  
 Chris Tornato – Chief Digital Officer  
 Wanda Kurchaba – Chief Corporate Officer



# Operational Highlights

For the Year Ended March 31, 2023:



<b>AgrilInsurance</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Insured acres (millions)	9.6	9.8	9.9
Total coverage (liability) (\$ millions)	3,019.4	3,354.6	4,618.8
Total premiums collected (\$ millions)	203.9	226.1	310.5
Total indemnities (\$ millions)	73.6	590.0	195.6

<b>Hail Insurance</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Insured acres (millions)	4.1	3.9	4.1
Total coverage (liability) (\$ millions)	969.2	1,121.3	1,502.9
Total premiums collected (\$ millions)	27.3	31.6	41.9
Total indemnities (\$ millions)	8.2	6.9	18.8

<b>Lending</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Number of loans approved	1,271	764	728
Amount approved (\$ millions)	221.0	148.7	165.8
Loan portfolio (\$ millions)	904.9	802.0	820.0
Number of guaranteed loans approved	98	83	68
Associated loan amounts approved (\$ millions)	97.3	83.7	70.9
Guaranteed loan portfolio (\$ millions)	248.7	231.9	219.6

# Strategic Plan Review

MASC's vision is achieved by evaluating successes from four focused perspectives. Key strategies and objectives are set, and performance is measured against specific targets. The following provides a snapshot of MASC's accomplishments as of March 31, 2023.



## CLIENT FOCUS

Our clients are most likely to use the words *trusted*, *knowledgeable*, and *accurate* to describe MASC.

**96%**

of clients trust MASC to deliver quality programs and services

**87%**

annual crops insured by AgriInsurance

**58%**

hail insurance market share

**\$95M**

young farmer loan approvals

**87%**

overall client satisfaction

**Insured acres of 14M, including hail coverage.**

**Serving more than 7,650 insurance clients.**

## Highlights

- Issued indemnities of \$54 million to farmers on over 2,300 Excess Moisture Insurance claims in response to wet conditions in the spring
- Expanded the Contract Price Option program to provide increased coverage on most insurable crops
- Increased our aggregate loan limit to \$4.75 million, up from the previous \$4.25 million, allowing us to meet our clients' growing needs
- Enhanced the lending portfolio by initiating a review of lending products and organizational structure to better service clients, improving internal processes, and introducing online payments with several financial institutions

## BUSINESS PROCESSES



**31 Days**

average AgrilInsurance  
claim turnaround time

**21 Days**

average Hail Insurance  
turnaround time

**83%**

clients surveyed agree  
MASC delivers programs  
and services efficiently

### Highlights

- Training completed in both Lean and Innovation Engineering aimed at the continuous improvement of MASC processes
- Continued improvement of the myMASC portal, including client chat feature and enhanced access to both lending and insurance statements
- Explored drone technologies to adjust in-field claims more effectively and accurately
- Continued to modernize legacy software



## EMPLOYEE EXCELLENCE

### Highlights

- Facilitated an Employee Engagement Survey aimed to gather feedback on MASC's progress in building a supportive and innovate culture that promotes service excellence
- Instigated Employee Engagement Action Plans for each division with actionable objectives to address areas of improvement
- Invested in the transfer and retention of knowledge among employees and divisions to ease the transition of new hires and staffing changes
- Continued work on the talent management strategy which saw improvements to the service award and retirement gifts programs

**72%**

employee  
engagement rating

**8%**

non-retirement  
turnover rate

**33**

long service awards  
presented for 5 - 45 years  
of service in 2022

**89%**

employees surveyed  
on being treated  
respectfully at work

**151**

permanent staff

**146**

adjusting & casual

## FINANCIAL VALUE



**\$0.92**

administrative cost  
(excluding adjusting)  
per insured acre

**\$2.04**

adjusting cost per  
claim acre

**\$166M**

loan approvals

**\$5.5M**

lending program  
returns to government

**-0.90%**

accuracy of  
financial results  
compared to budget

### Highlights

- Significant decline in paid in full loans as well as higher dollar loan approvals lead to increased loan portfolio
- Conducted the Principal Risks Review to create objectives to proactively manage organizational risk
- \$5,510 in lending program returns back to the Government of Manitoba



# Crop Conditions



For many Manitoba farmers, the spring of 2022 was the wettest in recent memory. Several Colorado Low systems rolled through the province in March and April, and large rain events in May and June led to excess moisture conditions for many farmers. By end of June, some parts of Manitoba reported up to 300 per cent of normal spring precipitation.

With cool, wet conditions, seeding progress was slowed across Manitoba, and by up to four weeks in several regions. By end of May, only an estimated 40 per cent of seeding was completed, compared to 91 per cent in 2021, and 92 per cent as the five-year average.

Excess moisture was a widespread issue across Manitoba, notably in the Central region, where several municipalities declared states of emergency, and in the Interlake region where certain areas had as high as 50 per cent of fields unseeded due to wet conditions.

Spring conditions caused farmers to report more than 860,000 acres unseeded due to land being too wet to seed, the fourth-highest acreage reported by MASC's Excess Moisture Insurance (EMI) program history. In 2022, more than \$54 million in indemnities were paid on over 2,300 EMI claims.

Delays due to wet conditions had many farmers finish seeding very close to MASC seeding deadlines, or during post-deadline reduced coverage periods, and some were left unable to be seed at all.

In May, MASC announced a permanent extension to the AgrilInsurance seeding deadline for soybeans; to June 8 in soybean area 1, and June 4 in soybean areas 2 and 3, with adjustments also made to the corresponding extended seeding periods. The extension provided some relief for soybean farmers already dealing with the slow progression of seeding.

After June, growing conditions were steady and ideal throughout the rest of the season. Mixes of warm conditions and timely rains allowed many crops, seeded late into warm soil with adequate moisture, to establish well. The main exception was canola as it struggled to emerge in wet conditions, which also intensified flea beetle pressure in many areas of Manitoba. More than 85,000 acres of canola were reseeded in 2022, resulting in more than \$12 million in reseed indemnities paid to farmers. Despite its challenges, canola remained Manitoba's most-seeded crop, with a total of 3.1 million acres planted.

Largely due to the excellent mid-season growing conditions, harvest began and progressed at a good rate. In general, most cereals, pulses, and oilseeds yielded well across the province with few concerns regarding quality.

Yields for most crops were average to above average in many regions, with average yield records set for soybeans (45 bushels per acre), grain corn (158 bushels per acre), field peas (54 bushels per acre), and flax (35 bushels per acre). Average yields for Manitoba's major crops, red spring wheat and canola, were 61 bushels per acre and 41 bushels per acre, respectively. This is an increase in the average yields of red spring wheat (50 bushels per acre) and canola (31 bushels per acre) that were recorded in the drought of 2021.

Potato yields varied and largely depended on conditions at the time of planting. Many processing potatoes yielded below average, while many table potatoes yielded above average. Issues such as seed rot and the presence of the Colorado potato beetle contributed to yield losses, whereas late blight was less prevalent than it has been in previous years.

Forage growers saw average to above average production for hay, silage, and greenfeed, with some areas having enough production for multiple cuts. The adequate moisture available for pastureland and grazing was a significant improvement compared to the extreme drought conditions that livestock producers faced in 2021.

Harvest was completed in most areas without any significant delay and provided ample time for fall field preparation and fertilizer application.

Claim volumes at MASC were down 54 per cent in 2022 compared to 2021, due to a significant reduction in the number of both post-harvest and forage-related claims. Overall, despite a very wet and challenging start, the 2022 growing season ended up being relatively good with adequate yields and seed quality for many farmers in Manitoba.



# Performance Indicators

**9.9M**

**acres  
insured**

**\$213.7M**

**indemnities  
paid**

## AgrilInsurance

9.9 million acres (including 869,000 unseeded) were insured in 2022/23, which was 2.1 per cent above the targeted budget amount. Total AgrilInsurance liability of \$4.6 billion was \$1,264.2 million higher than the previous year driven by higher commodity prices. Nevertheless, the liability was consistent with the \$4.7 billion that was budgeted.

Indemnities paid for the year totalled \$213.7 million, which was \$88.9 million below the break-even budgeted amount of \$302.6 million. For the year, there were 6,860 claims, which was 37 per cent lower than budgeted.

Due to the significant number of claims in 2021/22, the accrued indemnities were \$18.1 million higher than the actual payments, resulting in the difference between the financial statement balance of \$195.6 million and the amounts paid of \$213.7 million in 2022/23.

## Hail Insurance

In 2022/23, MASC's Hail Insurance covered 4.1 million acres, with associated liability of \$1,502.9 million, which was consistent with budget. MASC's share of the Manitoba hail market increased from 55.1 per cent to 58.3 per cent.

Hail losses for the year were \$18.8 million, which was lower than the budgeted amount of \$31.3 million, resulting in an increase of \$18.0 million in hail reserves.

**58%**

**market  
share**

**+\$18.0M**

**hail  
reserves**

**Note:** The above statistics are based on the insurance crop year and, as such, may not correspond exactly to the 2022/23 financial statements.



## Loans

MASC approved 728 loans in 2022/23 totalling \$165.8 million. The number of new loans decreased by 36 compared to 2021/22, with the associated dollar amount increasing by \$17.1 million (11 per cent) year over year. Direct lending activity was below the target of 1,285 loans for \$203 million.

**728**  
loans  
approved

**\$165.8M**  
funds  
approved

**\$70.9M**  
funds  
guaranteed

**68**  
loan guarantees  
approved

## Loan Guarantees

In 2022/23, MASC approved 68 guarantees on loans totalling \$70.9 million. Compared to the previous year, there were 15 fewer approved guarantees, with the associated approved loan amount decreased by \$12.8 million. Actual results were below the target of 111 loan guarantees and the loan amount target of \$96.5 million.

## Administration

MASC's administrative expenses for its regular programming totalled \$22.8 million in 2022/23, which was \$1.8 million under budget. The decrease was largely due to significantly lower than budgeted claims resulting in lower adjusting costs. In addition, lower than anticipated amortization, travel expenses, legal fees, and other administration expenses were sufficient to offset increases in salaries and benefits and reduction in fees and recoveries collected.

**\$1.8M**  
under  
budget

**Note:** The above statistics are based on the insurance crop year and, as such, may not correspond exactly to the 2022/23 financial statements.

# 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.

MASC is also entrusted with the delivery of Farmland School Tax Rebates, Wildlife Damage Compensation, and emergency assistance programs on behalf of the governments of Manitoba and Canada.

## Insurance

MASC's insurance programs provide producers with a broad complement of risk management tools. Programs are ongoing and enhanced with input from producer groups, producers, staff, and the priorities of MASC's Board of Directors and the Manitoba government.

### AgrilInsurance

AgrilInsurance protects against crop production shortfalls and quality losses caused by natural perils. Losses within a producer's control are not covered. AgrilInsurance covers 80 annual crops, forages during establishment and production, as well as the inability to seed in the spring due to wet conditions.

MASC uses 15 areas of similar crop production risk as the basis for its insurance coverages and premiums for most crops. Coverage methodologies are individualized, and depending on the crop, are based on a producer's relative yield history (compared to the area average) or a producer's own yield history.

MASC also has **Insurance Test Areas** that insure grain corn, dry edible beans, sunflowers, and lentils outside of their respective designative insurance areas.

**AgrilInsurance** coverage is based on the expected (probable) yield, multiplied by the selected coverage level and the number of insured acres. If the harvested production (adjusted for quality loss) falls below coverage, the producer is paid an indemnity equal to the production shortfall multiplied by the insured dollar value.

### 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) is a basic feature of Manitoba's AgrilInsurance program that provides insurance for land that is too wet

to seed. Producers with an active AgrilInsurance contract automatically receive basic EMI coverage and pay a corresponding premium.

The **Contract Price Option** (CPO) allows producers to blend the price from their contracted production with the base AgrilInsurance dollar value to better reflect expected market prices. CPO has expanded for the 2023 growing season, and is now available for the majority of insurable crops, including their corresponding organic and pedigreed crops if applicable, excluding potatoes, vegetables, and forages.

**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 per cent for the same or lower premium cost than 80 per cent 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 that protects 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 not triggered in 2022/23, and therefore no benefits were paid out.

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 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.

**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, 348 producers insured pastures for 51,999 livestock in 2022/23.

**Pasture Days Insurance** provides protection against having to remove livestock from pasture earlier than normal (due to a designated peril). Under this program, 128 producers insured pastures for 28,716 livestock in 2022/23.

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 (destroying) 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 per cent 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.

**Polycrop Establishment Insurance** provides financial assistance to producers if an eligible polycrop fails to establish due to natural perils. Eligible crops of polycrop mixtures may include warm and cool season grasses, legumes, and brassicas.

**Overwinter Bee Mortality Insurance** provides protection against unmanageable overwinter losses of honeybees. In 2022/23, 41 beekeepers insured 24,766 colonies for a total liability of \$3.8 million.

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 2022/23, 23 young farmers qualified for credits totalling \$8,200. The cost of these credits is paid entirely by the Manitoba government.

**Table 1 – AgrilInsurance Statistics – 2018/19 to 2022/23**

	2018/19*	2019/2020*	2020/21**	2021/22**	2022/23**
Number of producer contracts	8,009	7,875	7,761	7,668	7,651
Insured acres (millions)	9.5	9.6	9.6	9.8	9.9
Total coverage (liability) (\$ millions)	2,696.6	2,875.9	3,019.4	3,354.6	4,618.8
Producer premiums collected (\$ millions)	86.7	83.0	82.6	91.3	125.0
Total premiums collected (\$ millions)	214.0	205.1	203.9	226.1	310.5
Average coverage level selected (%)	77.8	78.0	78.0	78.3	78.6
Number of claims paid	5,231	8,038	4,835	14,963	6,860
Indemnities paid (\$ millions)	96.7	194.6	72.1	571.5	213.7
Increase (decrease) in Production Insurance Fund (\$ millions)	97.2	(6.9)	100.3	(382.9)	65.2
Funds retained, end of year (\$ millions)	698.1	691.2	791.5	408.6	473.8
Indemnities to total premium ratio (%)	45	95	35	253	69
Indemnities to coverage ratio (%)	3.6	6.8	2.4	17.0	4.6

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

\*\* See Notes to the Financial Statements, Item 2(J). Premiums and Government Contributions.

**Note:** The above statistics are based on information up to March 31, 2023 based on the insurance crop year and may not correspond exactly to the 2022/23 financial statements or the prior year's annual report comparatives.

The overall AgrilInsurance loss ratio (loss as a percentage of total premium) was 69 per cent for 2022/23. Loss ratios for individual crops are listed in **Table 2**.

## Table 2 – Summary of 2022/23 AgrilInsurance

As of March 31, 2023

Crop	Acres Insured	Coverage (000)	Total Premium (000)	Indemnities (000)	Loss Ratio %
Red Spring Wheat	2,452,095	\$ 1,125,958.6	\$ 48,724.5	\$ 13,466.0	28
Durum Wheat	2,569	780.6	34.2	-	-
Prairie Spring Wheat	41,809	18,794.6	934.6	140.9	15
Hard White Wheat	347	112.5	6.0	75.8	1,263
Other Spring Wheat	4,815	1,554.9	98.5	110.7	112
Winter Wheat	53,259	22,794.0	1,025.3	3,609.8	352
Northern Hard Red Wheat	109,340	52,754.0	3,572.4	1,163.8	33
Barley	350,409	126,998.4	10,613.9	5,336.6	50
Oats	628,579	329,674.0	29,250.8	11,565.0	40
Mixed Grain	3,171	545.6	60.5	1.7	3
Fall Rye	105,095	28,870.1	2,217.5	3,536.9	160
Triticale	719	97.2	3.8	0.8	21
Canola	3,075,614	1,705,428.1	90,719.4	68,147.9	75
Rapeseed	1,522	619.7	43.7	126.4	289
Flax	47,921	17,891.1	1,948.8	368.0	19
Mustard	1,979	733.9	170.7	127.7	75
Oil Sunflowers	67,257	35,855.8	3,284.4	2,883.8	88
Non Oil Sunflowers	4,292	2,352.7	344.2	420.6	122
Buckwheat	2,699	441.6	106.4	197.7	186
Grain Corn	289,209	241,124.8	24,025.9	1,050.6	4
Silage Corn	94,499	78,786.2	5,847.0	1,192.2	20
Potatoes	44,459	151,683.6	6,019.7	3,795.5	63
Vegetables <sup>1</sup>	1,361	4,446.9	336.0	215.0	64
Novel Crops <sup>2</sup>	2,708	660.5	37.0	-	-
Field Peas	179,799	73,280.2	5,907.5	2,673.0	45
Lentils	820	150.8	30.3	-	-
Fababeans	465	119.9	19.9	-	-
Dry Edible Beans <sup>3</sup>	113,287	79,861.8	8,340.9	2,853.6	34
Soybeans	838,263	324,996.9	31,156.2	3,268.1	11
Select Hay	216,340	42,799.2	5,196.1	1,102.0	21
Basic Hay <sup>4</sup>	119,261	14,978.7	1,705.0	207.0	12
Hay Disaster Benefit	-	18,123.0	395.1	-	-
Pasture	-	1,911.2	212.9	-	-
Pasture Days	-	7,595.5	311.4	95.8	31
Polycrop Establishment	1,277	80.9	15.4	-	-
Forage Establishment	62,522	4,679.4	889.1	402.2	45
Strawberry Establishment	-	9.1	0.7	-	-
Pedigreed Timothy Seed	5,161	774.0	133.7	5.3	4
Alfalfa Seed	13,326	4,336.2	930.2	758.8	82
Canaryseed	4,990	2,270.8	310.4	738.3	238
Annual Ryegrass Seed	1,098	293.9	42.1	22.0	52
Perennial Ryegrass Seed	13,930	5,095.5	639.1	273.3	43
Proso Millet Seed	3,097	1,363.3	261.6	113.6	43
Tall Fescue Seed	2,702	766.6	174.8	-	-
Hemp Grain	4,570	1,713.8	328.4	42.6	13
Greenfeed	75,893	11,946.3	2,774.7	349.1	13
Open Pollinated Corn	35	8.4	1.2	-	-
Open Pollinated Silage Corn	219	73.1	6.3	5.7	91
Overwinter Bee Mortality	-	3,807.0	400.4	-	-
Estimate of Incomplete Claims	-	-	-	29,697.4	-
<b>Subtotal</b>	<b>9,042,782</b>	<b>\$ 4,549,994.9</b>	<b>\$ 289,608.6</b>	<b>\$ 160,141.2</b>	<b>55</b>
Excess Moisture Insurance <sup>5</sup>	868,777	68,762.0	20,918.9	53,519.7	256
<b>Total</b>	<b>9,911,559</b>	<b>\$ 4,618,756.9</b>	<b>\$ 310,527.5</b>	<b>\$ 213,660.9</b>	<b>69</b>

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

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

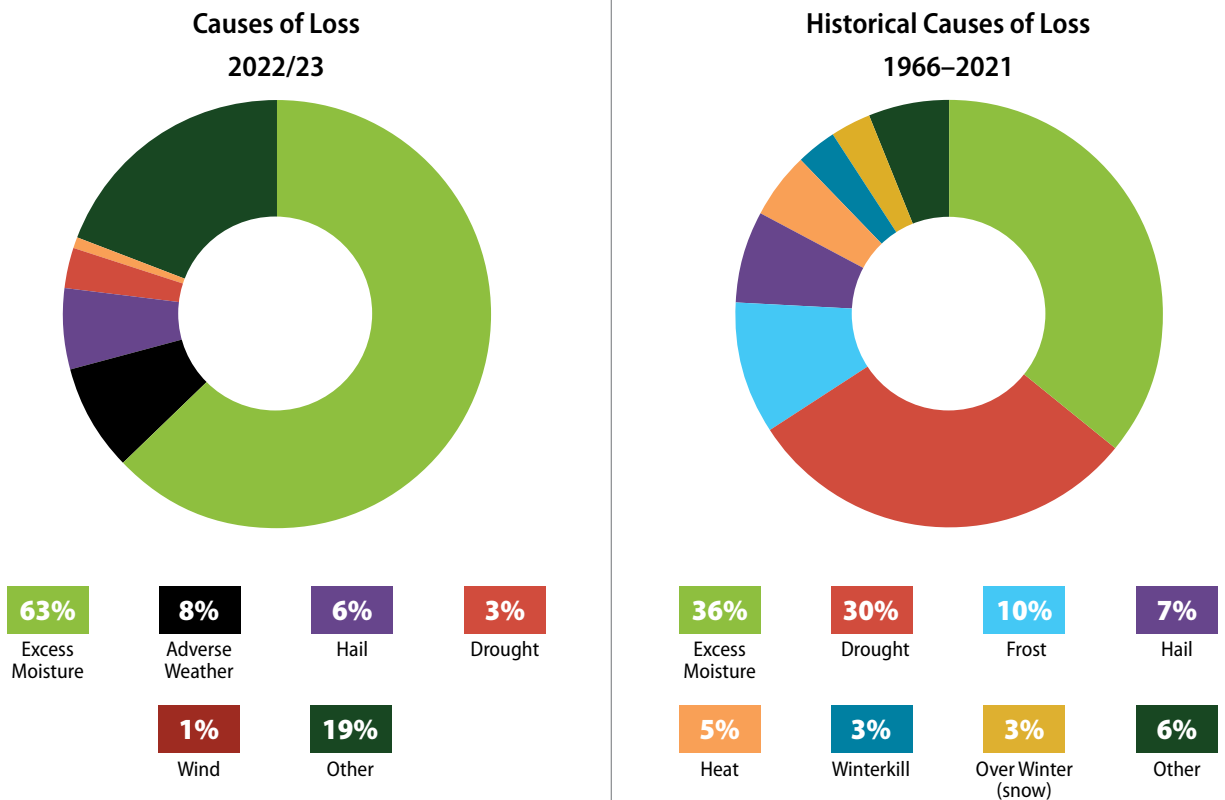
(3) Dry edible beans includes white pea, pinto, black, kidney, cranberry, small red, and other dry edible beans.

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

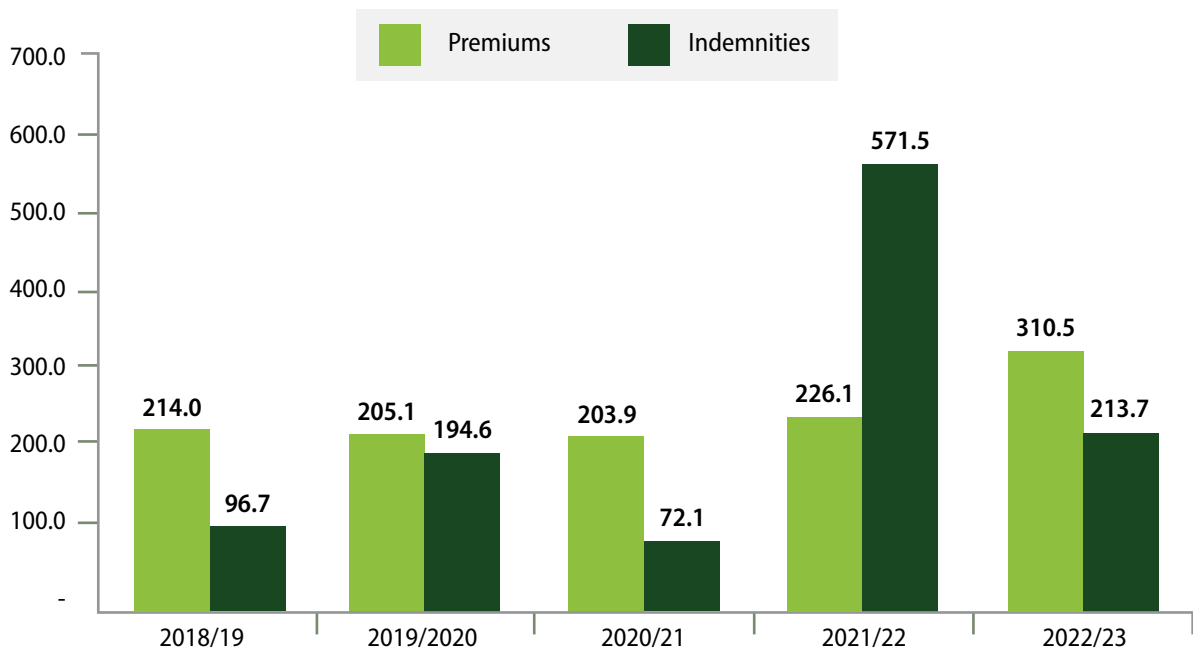
(5) Excess Moisture Insurance (EMI) acreage and coverage shown in the table is only for land that could not be seeded due to excess moisture and on which claims were paid. Total EMI insured acreage and coverage were 9,449,626 and \$628,961,423, respectively.

**Note:** The above statistics are based on the insurance crop year and, as such, may not correspond exactly to the 2022/23 financial statements.

**Figure 1 – AgrilInsurance Causes of Loss**



**Figure 2 – AgrilInsurance Premiums Collected and Indemnities Paid (\$ millions)**



## Hail Insurance

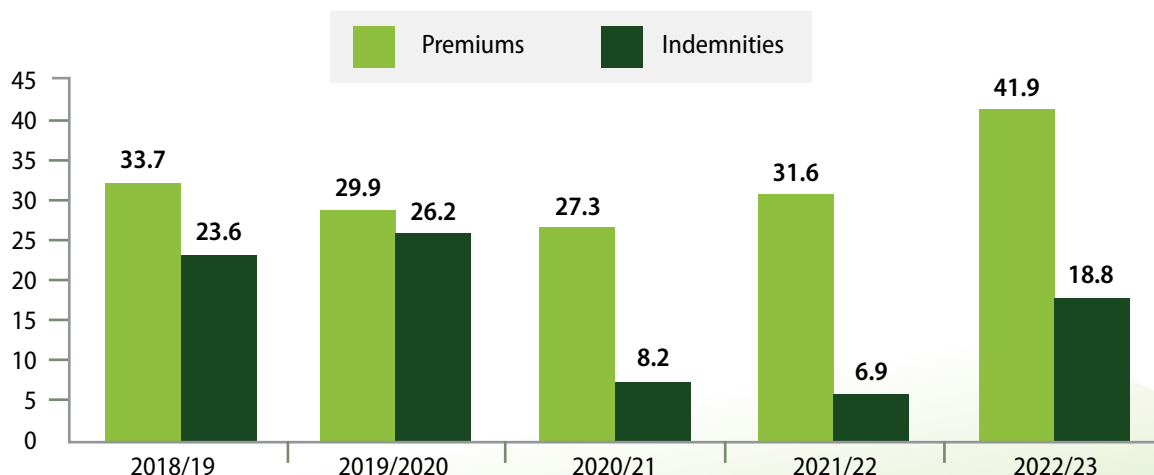
A separate policy covering spot-loss hail damage is available to producers who participate in AgrilInsurance. Producer premiums fund all Hail Insurance costs, including administrative expenses. Coverage can be selected at any time during the growing season and is available in various dollar amounts depending 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. In 2022/23, 62 per cent of MASC's Hail Insurance contract holders participated in CHIO.

Manitoba experienced sporadic hail activity throughout the province in 2022/23, resulting in below average indemnity payments.

MASC insured 4.1 million acres in 2022/23, with total Hail Insurance coverage (liability) of \$1,503 million. Premiums prior to discounts were \$41.9 million, and with indemnities of \$18.8 million, the resulting loss ratio (loss as a percentage of premium) was 45 per cent. After accounting for an interest revenue of \$2.9 million, CHIO discounts and early payment discounts totalling \$2.6 million, reinsurance premium of \$1.4 million and administrative expenses of \$4.1 million, Hail Insurance had a net income for the year of \$18.0 million. As a result, the Hail Insurance Trust equity increased from \$93.2 million to \$111.3 million. In 2022/23, MASC's Hail Insurance represented 58 per cent of Manitoba's crop hail insurance market (based on premium).

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



**Table 3 – Hail Insurance Statistics – 2018/19 to 2022/23**

	2018/19*	2019/2020*	2020/21*	2021/22*	2022/23*
Number of producer contracts	3,757	3,583	3,492	3,288	3,414
Insured acres (millions)	4.4	4.2	4.1	3.9	4.1
Total coverage (liability) (\$ millions)	1,024.6	985.7	969.2	1,121.3	1,502.9
Premiums, prior to discounts (\$ millions)	33.7	29.9	27.3	31.6	41.9
Number of claims paid	1,902	1,996	906	521	1,055
Indemnities paid (\$ millions)	23.6	26.2	8.2	6.9	18.8
Increase (decrease) in Hail Insurance Fund (\$ millions)	2.8	(3.0)	12.9	19.1	18.0
Funds retained, end of year (\$ millions)	64.2	61.2	74.1	93.2	111.2
Indemnities to premium ratio (%)	70	88	30	22	45
Indemnities to coverage ratio (%)	2.3	2.7	0.8	0.6	1.3

\* Includes the MASC reserve fund and the Trust fund balances.

**Note:** The above statistics are based on information up to March 31, 2023 based on the insurance crop year and may not correspond exactly to the 2022/23 financial statements or the prior year's annual report comparatives.



## Livestock Price Insurance

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

MASC is the insurer for Manitoba producers, with online applications, premium payments, and indemnity settlements handled by Agriculture Financial Services Corporation (AFSC) on behalf of MASC. AFSC's administrative expenses are shared by the participating provinces.

For the year ending March 31, 2023, Manitoba's share of AFSC's administrative expenses was \$138,000 (nine per cent of the total). In addition, MASC directly incurred \$305,000 in expenses, bringing

Manitoba's total expenses to \$443,000 (2021/22 - \$399,000).

Administration for this program is cost-shared 60 per cent by Canada and 40 per cent by Manitoba. Starting April 1, 2018, LPI 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 LPI; however, any deficit on account of Manitoba producers at the end of the program will be the responsibility of the Manitoba government.

In 2022/23, Manitoba producers purchased 198 LPI policies. The total insurance coverage was \$25.5 million, with no indemnities.

**Table 4 – Livestock Price Insurance – Manitoba Statistics 2022/23**

Livestock Type	Number of Livestock Insured		Coverage (000)		Premium (000)		Indemnities (000)	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
Calves	7,744	8,045	\$ 9,230.5	\$12,014.0	\$ 214.6	\$ 211.9	\$ 6.7	\$ 0.0
Feeder Cattle	5,053	6,188	8,568.4	13,209.0	245.8	334.4	129.9	0.0
Fed Cattle	564	107	1,242.7	271.1	37.7	7.8	38.3	0.0
Hogs	-	-	-	-	-	-	-	-
<b>Total</b>	<b>13,361</b>	<b>14,340</b>	<b>\$ 19,041.6</b>	<b>\$ 25,494.1</b>	<b>\$ \$498.1</b>	<b>\$ 554.1</b>	<b>\$ 174.9</b>	<b>\$ 0.0</b>

**Note:** The above statistics are based on information up to March 31, 2023 based on the insurance year and may not correspond exactly to the 2022/23 financial statements or the prior year's annual report comparatives.



## 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.

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 2022/23, MASC issued 295 Direct Loans totalling \$68.7 million to producers under the age of 40. This represented 63 per cent of the number of Direct Loans issued in 2022/23, and 62 per cent of the total dollar amount of Direct Loans issued.

MASC's **Flexible Financing** options give young farmers a choice between 90 per cent 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 2022/23, MASC approved 58 loans for \$16.0 million under the flexible financing options.

The **Young Farmer Rebate** (YFR) reduces the cost of borrowing in the critical start-up phase of an operation. The YFR provides an annual rebate of up to two percentage points on the first \$200,000 of loan principal and is available for the first five years of a loan, resulting in a maximum lifetime rebate of \$20,000. In 2022/23, YFRs totalled \$1.1 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 5**, as of March 31, 2023, MASC had 5,360 loans outstanding with current balances totalling \$820.0 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.

Direct Loans also include **Alternate Energy Loans**, which are available to finance the capital costs associated with alternate energy projects, such as ethanol, biodiesel, biomass, and wind energy production; and **Environmental Enhancement Loans** that provide financial assistance to producers to improve the environmental sustainability of their operations.

In 2022/23, MASC approved 541 new Direct Loans for a total of \$120.8 million, an increase of 15 per cent in the total new loan amount from the previous year. As of March 31, 2023, MASC's total Direct Loan portfolio was \$738.3 million (4,982 loans).

**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 180 Stocker Loans in 2022/23 for a total value of \$40.6 million (up 34 per cent from 2021/22). As of March 31, 2023, the Stocker Loan portfolio consisted of 157 loans for \$32.5 million.

**Comprehensive Refinancing Loans** assist existing MASC clients who are experiencing financial difficulty. In 2022/23, seven refinancing loans were approved, which was a 77 per cent decrease from 2021/22, while the associated dollar amount decreased 66 per cent to \$4.4 million. As of March 31, 2023, the Comprehensive Refinancing Loan portfolio consisted of 212 loans for \$48.8 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 2022/23; however, existing portfolios remain in run-off status. As of March 31, 2023, there were nine loans outstanding for \$0.4 million.

**Property Management** – As a result of debt settlement negotiations and foreclosure proceedings, MASC occasionally acquires title to land. As of March 31, 2023, MASC has no acres of land remaining in inventory.

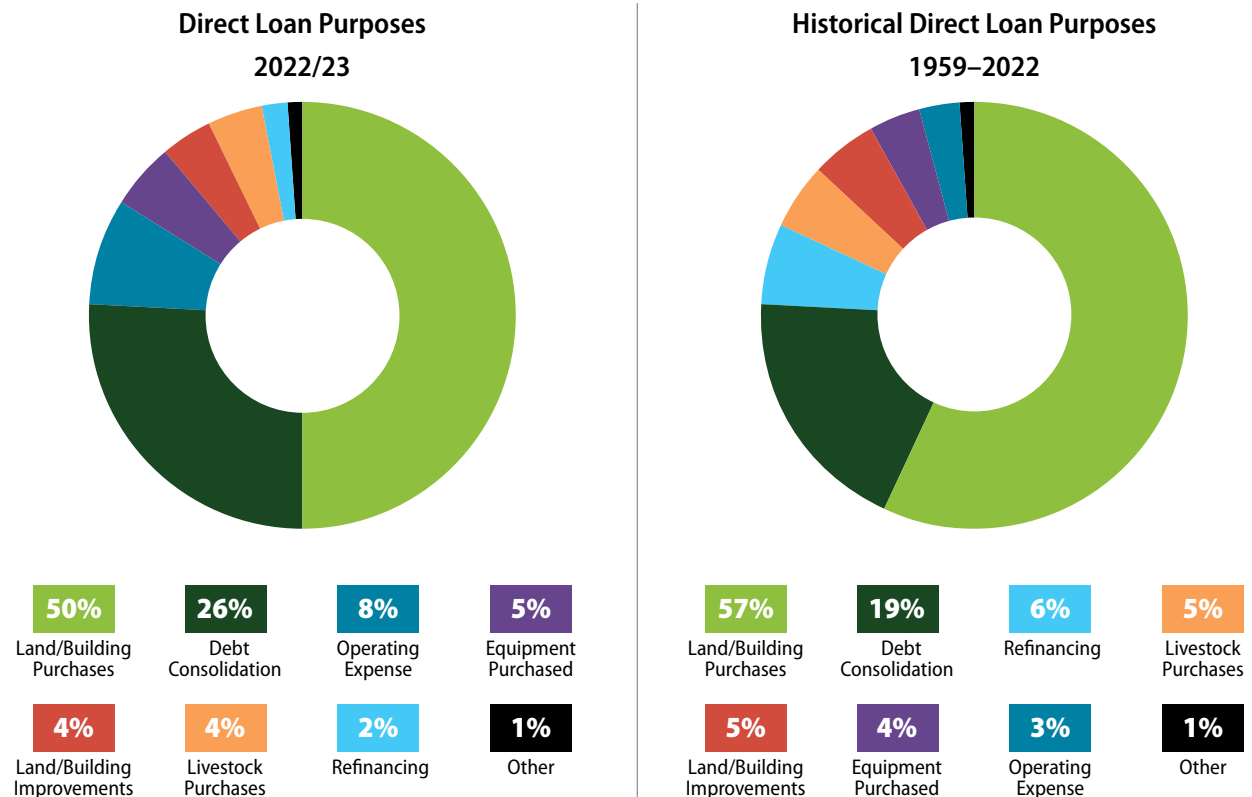
**Table 5 – Loan Summary**

	Approvals 2021/22		Approvals 2022/23		Outstanding as of March 31, 2023	
	Number	Millions	Number	Millions	Number	Millions
Direct Loans <sup>1</sup>	536	\$ 105.4	541	\$ 120.8	4,982	\$ 738.3
Stocker Loans	197	30.2	180	40.6	157	32.5
Comprehensive Refinancing Loans	31	13.1	7	4.4	212	48.8
Manitoba Hog Assistance Loans <sup>2</sup>	-	-	-	-	1	0.2
BSE Recovery Loans <sup>2</sup>	-	-	-	-	8	0.2
<b>Total</b>	<b>764</b>	<b>\$ 148.7</b>	<b>728</b>	<b>\$ 165.8</b>	<b>5,360</b>	<b>\$ 820.0</b>

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

(2) Emergency Assistance Loans that are still outstanding and in run-off status.

**Figure 4 – Direct Loan Purposes**



# Loan Guarantees

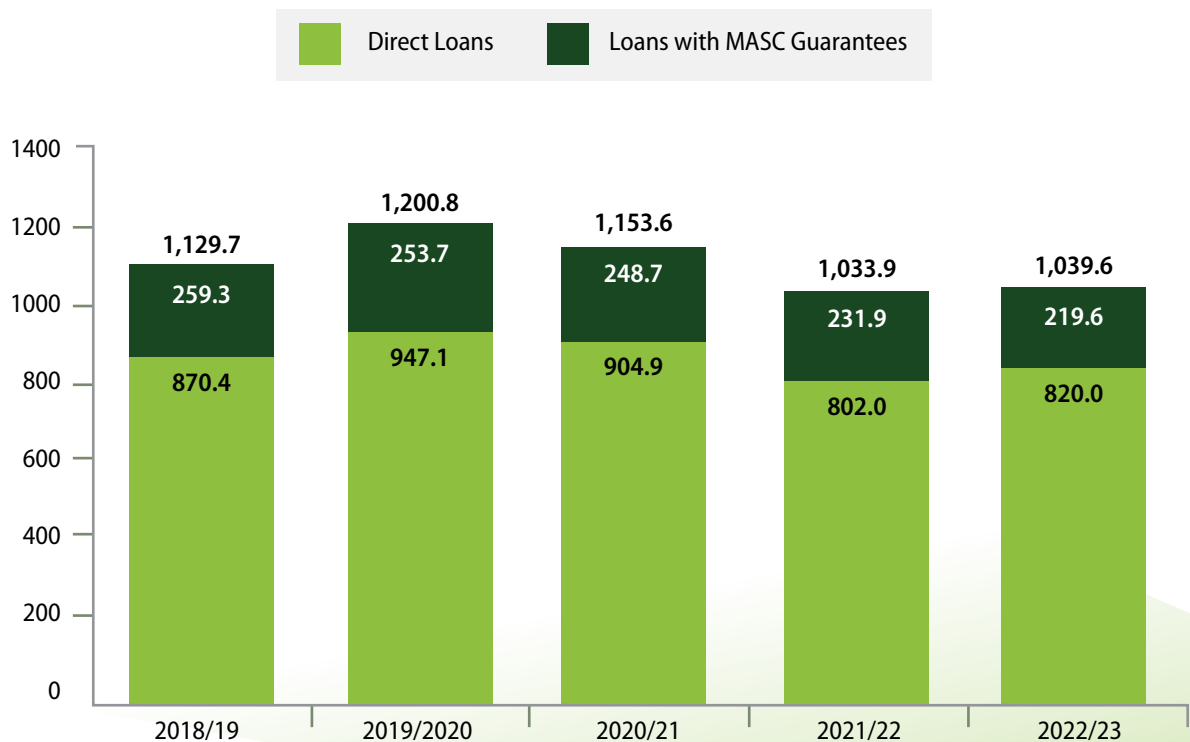
MASC guarantees various types of loans made by private sector lending institutions that are generally considered to be higher risk. In partnership with credit unions, caisse populaires, and certain chartered banks, MASC helps provide rural Manitobans with access to credit with reasonable interest rates and terms. As shown in **Table 6**, as of March 31, 2023, MASC had 260 outstanding loan guarantees amounting to \$56.4 million, which facilitated loans made by participating lenders totalling \$219.6 million. MASC does not charge any fees for loan guarantees. Except for 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 per cent guarantee of the principal amount of the loan made by a participating lender. In 2022/23, MASC approved three guarantees on loans totalling \$4.4 million. As of March 31, 2023, MASC had 149 active loan guarantees with related loan amounts of \$154.9 million.

**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 per cent of the principal amount of a loan made by a participating lender to a livestock association. As of March 31, 2023, there were nine associations with 137 active members, and an approved maximum total loan amount of \$35.9 million.

**Operating Credit Guarantees for Agriculture** assist producers in obtaining lines of credit with reasonable terms from lending institutions that participate in the program. MASC guarantees the actual eligible loss incurred by the participating private lender, up to 25 per cent of the maximum amount advanced under a line of credit. The guarantee facilitates financing that otherwise would not be offered by private sector lending institutions. As of March 31, 2023, MASC had 50 active guarantees with a maximum total loan amount of \$26.5 million.

Figure 5 - Five-Year Lending Statistics - Year End Totals (\$ millions)



**Table 6 – Loan Guarantee Summary**

	Loan Approvals 2021/22		Loan Approvals 2022/23		Related Outstanding Loans by Lending Institutions as of March 31, 2023		Outstanding Loan Guarantees as of March 31, 2023
	Number	Millions	Number	Millions	Number	Millions	Millions
Diversification Loan Guarantees	10	\$ 15.3	3	\$ 4.4	149	\$ 154.9 <sup>1</sup>	\$ 38.7
Manitoba Livestock Associations Loan Guarantees	9	38.6	9	35.9	9	35.9 <sup>1</sup>	9.0
Operating Credit Guarantees for Agriculture	64	29.8	56	30.6	50	26.5 <sup>1</sup>	6.6
Rural Entrepreneur Assistance	-	-	-	-	52	2.3 <sup>2</sup>	2.1
<b>Total</b>	<b>83</b>	<b>\$ 83.7</b>	<b>68</b>	<b>\$ 70.9</b>	<b>260</b>	<b>\$ 219.6</b>	<b>\$ 56.4</b>

(1) Amounts represent the original amounts for loans that were guaranteed under the program as of March 31, 2023.

(2) Amounts represent the participating lending institutions' loan balances as of March 31, 2023 for loans guaranteed by MASC.

**Table 7 – Agricultural Lending Activity by Sector**

Primary Enterprise	Direct Lending	Manitoba Livestock Associations Loan Guarantees	Operating Credit Guarantees for Agriculture	Diversification Loan Guarantees	Total
	%	%	%	%	%
Grains/Oilseeds	58.4	-	55.2	0.8	55.2
Potatoes	0.0	-	0.0	0.0	0.0
Other Crops	0.9	-	0.0	4.8	1.0
Cattle	35.7	100.0	14.1	0.0	34.6
Hogs	0.3	-	11.3	2.6	0.5
Poultry	0.3	-	0.1	17.8	1.1
Dairy	2.1	-	1.3	65.0	4.9
Other	2.3	-	18.0	9.0	2.7
<b>Total by Program</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>-</b>
<b>Share of All Programs (%)</b>	<b>93.8</b>	<b>1.0</b>	<b>0.8</b>	<b>4.4</b>	<b>100.0</b>

**Note:** The table does not include Rural Entrepreneur Assistance. 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

### Wildlife Damage Compensation

The Wildlife Damage Compensation program reduces financial losses to producers caused by predators, big game, and migratory waterfowl. If a producer takes reasonable steps to mitigate damage, the program compensates for 90 per cent of losses to their affected crops and livestock. Administration and program payments up to the 80 per cent level of protection are funded by Canada (60 per cent)

and Manitoba (40 per cent). Compensation above 80 per cent is funded entirely by the Manitoba government. In 2022/23, Wildlife Damage Compensation payments and related administration totalled \$12.3 million, up from \$8.3 million in the previous year. Administration for 2022/23 was 10 per cent of the total program cost.

**Table 8 – Wildlife Damage Compensation**

Type of Damage	Number of Claims		Compensation (000)		Administration (000)		Total (000)	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
Big Game	1,461	<b>1,307</b>	\$ 5,452.8	<b>\$ 7,951.8</b>	\$ 695.8	<b>\$ 848.5</b>	\$ 6,148.6	<b>\$ 8,800.3</b>
Waterfowl	93	<b>115</b>	254.7	<b>582.5</b>	31.5	<b>16.3</b>	286.2	<b>598.8</b>
Livestock Predation	1,666	<b>2,235</b>	1,636.7	<b>2,514.1</b>	239.3	<b>398.9</b>	1,876.0	<b>2,913.0</b>
<b>Total</b>	<b>3,220</b>	<b>3,657</b>	<b>\$ 7,344.2</b>	<b>\$ 11,048.4</b>	<b>\$ 966.6</b>	<b>\$ 1,263.7</b>	<b>\$ 8,310.8</b>	<b>\$ 12,312.1</b>

### Farmland School Tax Rebate

MASC is responsible for administering the Manitoba government's Farmland School Tax Rebate program. In 2021, the Province of Manitoba introduced the Education Property Tax Rebate, which provides property owners with a refund of a portion of their education property taxes. As a result, the Farmland School Tax Rebate dropped from 60 per cent of school tax owing on farmland in

2021 (maximum of \$3,750), to 50 per cent of school tax owing in 2022 (maximum of \$3,125). As of March 31, 2023, MASC had disbursed rebates for the 2022 tax year to 21,621 applicants totalling \$23.5 million, with incurred administrative expenses of \$519,000 (two per cent of the estimated total program cost).

**Table 9 – Farmland School Tax Rebates**  
As of March 31, 2023

Program Year	Rebate Level (subject to capping)	Applications Paid	Actual Rebate Paid to March 31, 2023 (Millions)	Provision for Future Rebates (Millions)	Estimated Total Rebate (Millions)
2018	80%	26,976	\$ 44.2	\$ 0.1	\$ 44.3
2019	80%	26,785	\$ 44.3	\$ 0.0	\$ 44.3
2020	80%	25,935	\$ 45.4	\$ 0.0	\$ 45.4
2021	60%	24,432	\$ 32.1	\$ 0.0	\$ 32.1
2022 <sup>1</sup>	50%	21,621	\$ 23.5	\$ 2.3	\$ 25.8

(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 2022/23, MASC completed third-party crop loss appraisals for private sector property insurers and conducted inspections for the Manitoba Livestock Cash Advance program and the Manitoba Crop Alliance Advance Payment program. Total revenue of \$38,000 was generated by these services.

## 2021 Canada-Manitoba AgriRecovery Drought Assistance

MASC is providing financial services on a cost recovery basis to Manitoba Agriculture for assisting in the administration of the 2021 Canada-Manitoba AgriRecovery Drought Assistance program. The purpose of the program was to provide financial assistance to Manitoba livestock producers to help with herd management, and extraordinary costs incurred for feed and transportation due to drought conditions in 2021. During the year, MASC has recorded administrative expenses and a cost recovery of \$25,000 relating to this program.

## Canadian Agricultural Partnership – Ag Action Manitoba Program

Effective January 1, 2021, to March 31, 2023, MASC provided financial services on a cost recovery basis to Manitoba Agriculture, who has been authorized to administer the non-business risk management program Ag Action Manitoba under the joint Canada-Manitoba Canadian Agricultural Partnership (CAP) framework agreement on behalf of the federal government. The purpose of the program is to provide financial assistance to Manitoba farmers, agricultural processors, industry organizations, researchers, and industry service providers. During the year ended March 31, 2023, MASC incurred administrative expenses and a cost recovery, relating to the administration of the CAP Ag Action Manitoba Program totalling \$9,000.









# FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2023





## **Responsibility for Financial Statements, Production Insurance Trust, and Hail Insurance Trust**

The management of MASC is responsible for the integrity, objectivity, and reliability of the financial statements, the accompanying notes and other financial information in the annual report including the consolidated financial statements of MASC, the Production Insurance Trust, and the Hail Insurance Trust.

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  
Chief Executive Officer

Manon Pascal  
Chief Financial Officer

July 18, 2023

## INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba

To the Board of the Manitoba Agricultural Services Corporation

### *Opinion*

We have audited the consolidated financial statements of Manitoba Agricultural Services Corporation (MASC), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statement of operations, the consolidated statement of change in net financial assets and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of MASC as at March 31, 2023, and the results of its consolidated operations, changes in its consolidated net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

### *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of MASC in accordance with the ethical requirements in Canada that are relevant to our audit of the financial statements, 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.

### *Responsibilities of management and those charged with governance for the consolidated financial statements*

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



In preparing the consolidated financial statements, management is responsible for assessing 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 MASC or to cease operations, or there is 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 consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 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 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 consolidated 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 MASC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within MASC to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Original signed by:

Office of the Auditor  
General Winnipeg,  
Manitoba  
July 18, 2023

**MANITOBA AGRICULTURAL SERVICES CORPORATION**

# Consolidated Statement of Financial Position

As of March 31, 2023 | In Thousands of Dollars

	NOTE	2023	2022
<b>FINANCIAL ASSETS</b>			
Cash	8	\$ 18,983	\$ -
Accounts receivable	9	4,171	15,019
Receivables from the Province of Manitoba	10	10,620	8,719
Receivables from the Government of Canada	11	14,482	9,631
Investments	12	633,027	651,984
Loans receivable	13	806,339	787,448
Total Financial Assets		\$ 1,487,622	\$ 1,472,801
<b>LIABILITIES</b>			
Bank indebtedness	8	\$ -	\$ 9,420
Accounts payable and accrued liabilities	14	11,854	7,402
Accounts payable – Canadian Agricultural Partnership	15	9,909	5,279
Accounts payable – AgriRecovery	16	4,944	20,607
Claims payable	17	44,903	104,790
Unearned revenue	18	475,624	410,463
Loans from the Province of Manitoba	19	833,934	827,797
Provisions for losses on guaranteed loans	20	5,762	4,284
Future employee benefits	21	7,440	7,533
Total Liabilities		\$ 1,394,370	\$ 1,397,575
Net Financial Assets		\$ 93,252	\$ 75,226
<b>NON-FINANCIAL ASSETS</b>			
Prepaid expenses	2	\$ 492	\$ 527
Tangible capital assets	2 & 22	2,397	2,543
Total Non-Financial Assets		\$ 2,889	\$ 3,070
Accumulated Surplus		\$ 96,141	\$ 78,296

Loan guarantees and contingencies

20

Commitments

23

*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

Charles Mayer  
Board of Directors

**MANITOBA AGRICULTURAL SERVICES CORPORATION**

# Consolidated Statement of Operations

For the Year Ended March 31, 2023 | In Thousands of Dollars

	2023		2022
	BUDGET	ACTUAL	ACTUAL
<b>REVENUE</b>			
Premiums from insured producers	\$ 177,590	\$ 138,625	\$ 276,654
Interest from loans	37,678	34,472	34,461
Contribution from the Province of Manitoba	120,376	95,673	185,500
Contribution from the Government of Canada	139,537	102,381	229,989
Private reinsurance recoveries	-	-	12,383
Investment income	710	16,619	1,747
Other income	56	48	1,069
	475,947	387,818	741,803
<b>EXPENSE</b>			
Lending programs	31,202	36,368	27,948
AgrilInsurance program	362,550	269,824	635,547
Hail Insurance program	37,017	24,249	10,832
Wildlife Damage Compensation program	11,459	12,312	8,311
Farmland School Tax Rebate program	32,731	26,398	31,395
Livestock Price Insurance program	992	716	661
Other programs	39	106	55
	475,990	369,973	714,749
Income (loss) for the year	\$ (43)	17,845	27,054
Accumulated surplus, beginning of year		78,296	51,242
Accumulated surplus, end of year		\$ 96,141	\$ 78,296

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

# MANITOBA AGRICULTURAL SERVICES CORPORATION

## Consolidated Statement of Change in Net Financial Assets

For the Year Ended March 31, 2023 | In Thousands of Dollars

	2023	2022
Income for the year	\$ 17,845	\$ 27,054
Tangible capital assets		
Acquisition of tangible capital assets	(36)	(1,485)
Disposal of tangible capital assets	1	-
Amortization of tangible capital assets	181	25
	146	(1,460)
Other non-financial assets		
Disposal of inventory held for use	-	131
Decrease (increase) in prepaid expenses	35	(101)
	35	30
Increase in net financial assets	18,026	25,624
Net financial assets, beginning of year	75,226	49,602
Net financial assets, end of year	\$ 93,252	\$ 75,226

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

**MANITOBA AGRICULTURAL SERVICES CORPORATION**

# Consolidated Statement of Cash Flows

As of March 31, 2023 | In Thousands of Dollars

Cash provided by (used for):	2023	2022
<b>OPERATING</b>		
Income for the year	\$ 17,845	\$ 27,054
Amortization of tangible capital assets	181	25
	18,026	27,079
Changes in:		
Accrued interest receivable	(5,752)	(250)
Receivables	4,096	(13,667)
Loans receivable	(2,175)	215
Accounts payable and accrued liabilities	4,452	(1,730)
Accounts payable – Canadian Agricultural Partnership	4,630	(7,025)
Accounts payable – AgriRecovery	(15,663)	20,607
Unearned revenue	65,161	(381,029)
Claims payable	(59,887)	94,797
Provisions for losses on guaranteed loans	1,478	(5,316)
Future employee benefits	(93)	(220)
Prepaid expenses	35	(101)
Inventories held for use	-	131
Cash provided by (used for) operating activities	14,308	(266,509)
<b>CAPITAL</b>		
Tangible capital assets purchased	(36)	(1,485)
Tangible capital assets disposed	1	-
Cash used for capital activities	(35)	(1,485)
<b>INVESTING</b>		
Investments purchased	(172,013)	(15,774)
Loans disbursed	(177,809)	(146,396)
Loan principal received	161,093	246,748
Cash provided by (used for) investing activities	(188,729)	84,578
<b>FINANCING</b>		
Debt repayments to the Province of Manitoba	(160,863)	(162,663)
Loans from the Province of Manitoba	167,000	65,000
Cash provided by (used for) financing activities	6,137	(97,663)
Net increase (decrease) in cash and cash equivalents	(168,319)	(281,079)
Cash and cash equivalents, beginning of year	429,141	710,220
Cash and cash equivalents, end of year	\$ 260,822	\$ 429,141
Cash and cash equivalents are comprised of the following:		
Investments	\$ 633,027	\$ 651,984
Investments with terms greater than three months and accrued interest	(391,188)	(213,423)
Investments with terms of three months or less	241,839	438,561
Cash (bank indebtedness)	18,983	(9,420)
	\$ 260,822	\$ 429,141
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	\$ 22,753	\$ 23,642
Interest received	\$ 45,337	\$ 35,956

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

# Consolidated Notes to Financial Statements

As of March 31, 2023

## 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 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, 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 statement information has been consolidated with the Production Insurance Trust and Hail Insurance Trust financial statement information using Public Sector Accounting (PSA) standards. The Production Insurance Trust and Hail Insurance Trust financial statement information is also shown separately at the end of the annual report using International Financial Reporting Standards (IFRS).

### (A) Investments

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

### (B) Loans Receivable

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

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

### (C) Claims Payable

Claims payable are comprised of claims approved but not yet disbursed and a provision for claims in process. The provision represents management's best estimate of probable claims against the programs and is determined through a review of each program. For most programs, the provision is established by reviewing outstanding claims and either providing individual claim estimates or establishing an average loss and multiplying this amount by the number of claims outstanding.

### (D) Loans from the Province of Manitoba

Loans from the Province of Manitoba are carried at cost.

### (E) Provision for Losses on Guaranteed Loans

The provision for losses on loan guarantees is determined annually through a review of each guarantee program. The provision represents management's best estimate of probable claims against the loan guarantees. Such provision is intended to cover MASC's share of principal, accrued and unpaid interest, and any additional amounts that are recoverable by the financial institution that issued the loan.

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



## **(F) Future Employee Benefits**

The employees of MASC belong to the Manitoba Civil Service Superannuation Fund plan, which is a multi-employer joint trustee pension plan. This plan is a defined benefit plan, providing a pension on retirement based on the member's age at retirement, length of service, and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. The joint trustee board of the plan determines the required plan contributions annually. Pension costs included in these statements are comprised of: the cost of employer contributions for the current year of service of employees, employer costs for past service costs relating to a portion of current and retired employees, plan amendments, and accrued benefits. Experience gains and losses are amortized over the expected average remaining service life 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 21 provides additional information on future employee benefits.

## **(G) 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.

## **(H) 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

## **(I) 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.

## **(J) Premiums and Government Contributions**

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

MASC follows PS 3100 restricted assets and revenues for recognition of AgrilInsurance premiums and PS3410 government transfers for contributions from the Province of Manitoba and Government of Canada. The revenue for the AgrilInsurance program will be recognized when the restricted assets are used for the specified purposes under the Canadian Agricultural Partnership agreement and the AgrilInsurance Regulation. Premiums and government contributions include all accruals determined for current year entitlements that have been authorized by March 31, for which any eligibility criteria have been met and that can be reasonably estimated. A liability is recorded to the extent that a transfer gives rise to an obligation that meets the definition of a liability in accordance with the criteria in PS 3200 Liabilities.

The Canada-Manitoba AgrilInsurance 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 AgrilInsurance premiums. For most AgrilInsurance programs, premiums are paid 40 per cent by insured producers, 36 per cent by the Government of Canada and 24 per cent 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 per cent by insured producers, 20 per cent by the Government of Canada and 13 per cent by the Province of Manitoba; and the Hay Disaster Benefit, which is paid 60 per cent by the Government of Canada and 40 per cent by the Province of Manitoba.

### (K) Administrative Expenses

Identifiable administrative expenses for all 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 (J) of this note, stipulates that associated administrative expenses, net of any administrative revenues, will be shared by the Government of Canada (60 per cent) and the Province of Manitoba (40 per cent).

### (L) Financial Instruments

MASC's financial instruments include cash, receivables, investments, loans receivable, bank indebtedness, accounts payable and accrued liabilities, accounts payable – Canadian Agricultural Partnership, accounts payable – AgriRecovery, claims payable, loans from the Province of Manitoba, and provisions for losses on guaranteed loans.

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

### (M) 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, reinsurance recoveries (expense), and accrued administration liabilities.

## 3. FINANCIAL STRUCTURE

### (A) Funding

The Board of Directors approved MASC's 2022/23 budget in June 2022. At that time, the contribution from the Province of Manitoba was budgeted at \$120,376,000 while the province had budgeted \$111,087,000 resulting in a shortfall of \$9,288,000. This shortfall was to be covered by a supplemental funding request to the province during the year. However, actual expenditures were lower than anticipated, and the supplemental funding request was not made. 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	\$	111,087	\$	139,349
Non-cash items*		1		188
Shortfall		9,288		-
Funding approved by MASC's Board of Directors	\$	120,376	\$	139,537

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

### (B) Lending Programs

The lending programs' accumulated deficit of \$16,726,000 (2022 - \$16,172,000) is mainly comprised of the provision for loan losses and the provision for losses on guaranteed loans. The Province of Manitoba only funds loan losses when they are written off or when an eligible claim is submitted by a private sector financial institution for a loan guarantee. Annual changes to the provisions are not funded but are part of MASC's budget.

### (C) AgriInsurance and Hail Insurance Fund Balance Restrictions

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

#### **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 per cent of production loss with the top-up level (80 to 90 per cent) of protection funded entirely by the Province of Manitoba. Administrative expenses and program payments up to the 80 per cent level of protection are shared by the Government of Canada (60 per cent) and the Province of Manitoba (40 per cent).

#### **5. FARMLAND SCHOOL TAX REBATE**

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 50 per cent decreased from the 2021 tax year rebate level of 60 per cent. The rebates are subject to a \$3,125 maximum (\$3,750 maximum for the 2021 tax year), 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 2022 tax rebates is a provision of \$2,281,000 for rebates that have been applied for and are in process of payment as of March 31, 2023. A provision of \$117,000 remains for pre-2022 rebates that are in process of payment. The Province of Manitoba pays for the full cost of the Farmland School Tax Rebate program.

#### **6. LIVESTOCK PRICE INSURANCE**

The Livestock Price Insurance (LPI) program 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. LPI 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 nine per cent (2022 – nine per cent) of the cost. Participating producers pay 100 per cent of the insurance premiums, with Canada and Manitoba sharing the administration expenses 60 per cent and 40 per cent, respectively. Canada is providing a financial backstop for LPI 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 \$71,000 expense of indemnities for 2023 (2022 – \$106,000 expense). At March 31, 2023, the end of the current agreement, there was a surplus of \$1,610,000. The agreement has been renewed for another five years beginning April 1, 2023.

#### **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 \$38,000 in 2023 (2022 – \$30,000).

##### **(B) 2021 Canada-Manitoba AgriRecovery Drought Assistance**

MASC is providing financial services on a cost recovery basis to Manitoba Agriculture for the administration of the 2021 Canada-Manitoba AgriRecovery Drought Assistance program. The purpose of the program was to provide financial assistance to Manitoba livestock producers to help with herd management, and extraordinary costs incurred for feed and transportation due to drought conditions in 2021. The program was funded by both the Government of Canada (60 per cent) and the Province of Manitoba (40 per cent). During the year MASC has recorded administrative expenses and a cost recovery of \$25,000 relating to this program.

MASC uses its bank account to issue cheques for this program. As at March 31, 2023, the total cash on hand relating to AgriRecovery funding received was \$1,011,000. MASC also invested excess funds received in advance of compensation payments made. As of March 31, 2023, MASC had \$3,933,000 invested (including accrued interest) for the AgriRecovery program. The cash on hand of \$1,011,000 was included in MASC's cash balance and the investments on hand of \$3,933,000 were included in MASC's investments. As a result, MASC has recorded a payable to AgriRecovery of \$4,944,000 at March 31, 2023.

A summary of the AgriRecovery activity during 2022/23 is as follows:

	2023	2022
Total funding carried forward from prior year	\$ 20,607	\$ -
Total funding received/advanced during the year	36,925	54,956
Total interest received during the year	691	4
Total accrued interest on investments	33	2
Total expenditures during the year	53,312	34,355
Excess (deficiency) of funding over expenditures	\$ 4,944	\$ 20,607

These amounts are not included in the financial statements of MASC.

### (C) Canadian Agricultural Partnership – Ag Action Manitoba Program

Effective January 1, 2021 to March 31, 2023, MASC will provide financial services on a cost recovery basis to Manitoba Agriculture, who has been authorized to administer the non-business risk management program Ag Action Manitoba under the joint Canada-Manitoba Canadian Agricultural Partnership (CAP) framework agreement on behalf of the federal government. The purpose of the program is to provide financial assistance to Manitoba farmers, agricultural processors, industry organizations, researchers, and industry service providers. During the year ended March 31, 2023, MASC incurred administrative expenses and a cost recovery, relating to the administration of the CAP Ag Action Manitoba Program totalling \$9,000. Although CAP is administered by Manitoba Agriculture, with the help of MASC, control of the funds received by MASC for CAP activities remains with the Government of Canada, Agriculture and Agri-Food Canada. Therefore, the financial statements of CAP have not been consolidated into the financial statements of MASC.

MASC uses its bank account to issue cheques for this program. As at March 31, 2023, the total cash on hand relating to CAP funding received was \$9,909,000. These funds were included in MASC's cash and are recorded as a payable to CAP at March 31, 2023.

A summary of CAP activity is as follows:

	2023	2022
Total funding carried forward from prior year	\$ 5,279	\$ 12,304
Total funding received/advanced during the year	21,985	15,114
Total expenditures paid during the year	17,355	22,139
Excess (deficiency) of funding over expenditures	\$ 9,909	\$ 5,279

Net CAP payments totalling \$5,688,000, relating to the 2022/23 fiscal year, were paid after March 31, 2023, and are not included in the total expenditures listed above. The remaining \$4,221,000 was returned to the government.

These amounts are not included in the financial statements of MASC.

## 8. CASH & BANK INDEBTEDNESS

	2023	2022
Cash (bank indebtedness) balance belonging to:		
MASC	\$ 8,063	\$ (15,304)
Canadian Agricultural Partnership	9,909	5,279
AgriRecovery	1,011	605
	\$ 18,983	\$ (9,420)

Effective January 1, 2021 to March 31, 2023, MASC will provide financial services to Manitoba Agriculture, to help administer the Canadian Agricultural Partnership – Ag Action Manitoba program on behalf of the federal government. MASC uses its bank account to issue cheques for this program. The portion of MASC's bank account balance that belongs to the Canadian Agricultural Partnership is shown under Accounts Payable – Canadian Agricultural Partnership.

Effective September 2021, MASC will provide financial services to Manitoba Agriculture, to help administer the AgriRecovery program on behalf of the federal and provincial governments. MASC uses its bank account to issue cheques for this program. The portion of MASC's bank account balance that belongs to the AgriRecovery program is shown under Accounts Payable – AgriRecovery.

## 9. ACCOUNTS RECEIVABLE

	2023	2022
Amounts from insured persons:		
AgrilInsurance	\$ 2,273	\$ 1,941
Hail Insurance	901	379
Private reinsurance recoveries	-	12,383
Other	1,829	1,414
	\$ 5,003	\$ 16,117
Less provision for credit losses	(832)	(1,098)
	\$ 4,171	\$ 15,019

The provisions for credit losses of \$832,000 (2022 - \$1,098,000) 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 per cent 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.

## 10. RECEIVABLES FROM THE PROVINCE OF MANITOBA

	2023	2022
AgrilInsurance premiums (Note 2J)	\$ 3,347	\$ 2,031
Wildlife Damage Compensation program	1,390	131
Administrative expenses	74	755
Pension liability	5,211	5,204
Severance liability	429	429
Vacation pay liability	169	169
	\$ 10,620	\$ 8,719

## 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 \$5,211,000 as of March 31, 2023 (2022 - \$5,204,000) and has recorded an increase under other contributions from the Province of Manitoba for 2022/23 equal to the related pension increase of \$7,000 (2022 - \$90,000 decrease). 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, 2023, the receivable for severance pay liability was \$429,000 (2022 - \$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, 2023, the receivable for vacation pay liability was \$169,000 (2022 - \$169,000).

## 11. RECEIVABLES FROM THE GOVERNMENT OF CANADA

	2023	2022
AgrilInsurance premiums (Note 2J)	\$ 10,189	\$ 6,014
Administrative expenses	121	1,932
Wildlife Damage Compensation program	4,068	1,482
Livestock Price Insurance program	104	75
Other programs	-	128
	\$ 14,482	\$ 9,631

## 12. INVESTMENTS

MASC's investments are with the Province of Manitoba and consist of the following as of March 31, 2023:

Maturity Terms	Average Interest Rate	Lending Programs	AgrilInsurance Program	Hail Insurance Program	Farmland School Tax Rebate Program	Other Programs*	2023	2022
3 months or less	4.538%	\$ 8,000	\$ 160,000	\$ 67,499	\$ 1,755	\$ 4,585	\$ 241,839	\$ 438,561
1 year	4.556%	6,500	334,170	40,042	2,400	-	383,112	211,099
5 years	2.425%	-	-	2,000	-	-	2,000	2,000
	4.542%	14,500	494,170	109,541	4,155	4,585	626,951	651,660
Accrued interest		55	5,030	921	30	40	6,076	324
		\$ 14,555	\$ 499,200	\$ 110,462	\$ 4,185	\$ 4,625	\$ 633,027	\$ 651,984

\*Includes \$3.9 million in AgriRecovery investments and \$33 thousand in AgriRecovery accrued interest.



### 13. LOANS RECEIVABLE

MASC's loans receivable consist of the following as of March 31, 2023:

	2023			2022		
	Regular Program Loans	Special Assistance Loans*	Total	Regular Program Loans	Special Assistance Loans*	Total
Recorded investment	\$ 806,749	\$ 366	\$ 807,115	\$ 790,103	\$ 516	\$ 790,619
Specific provision**	(4,846)	(406)	(5,252)	(5,806)	(570)	(6,376)
General provision	(8,400)	(4)	(8,404)	(8,197)	(7)	(8,204)
	793,503	(44)	793,459	776,100	(61)	776,039
Accrued interest	12,870	10	12,880	11,396	13	11,409
Net carrying value	\$ 806,373	\$ (34)	\$ 806,339	\$ 787,496	\$ (48)	\$ 787,448

\*Includes Manitoba Hog Assistance and BSE Recovery loans.

\*\*Provisions may be higher than corresponding loan balances to account for accrued interest and legal fees.

#### Impaired loans included in the preceding schedule:

	2023			2022		
	Regular Program Loans	Special Assistance Loans*	Total	Regular Program Loans	Special Assistance Loans*	Total
Impaired loan balance	\$ 66,173	\$ 375	\$ 66,548	\$ 66,534	\$ 529	\$ 67,063
Specific provision**	(4,846)	(406)	(5,252)	(5,806)	(570)	(6,376)
	\$ 61,327	\$ (31)	\$ 61,296	\$ 60,728	\$ (41)	\$ 60,687

\*Includes Manitoba Hog Assistance and BSE Recovery loans.

\*\*Provisions may be higher than corresponding loan balances to account for accrued interest and legal fees.

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, 2023. A total of \$2,997,000 (2022 - \$2,756,000) of interest on impaired loans was included in revenue for the year ended March 31, 2023.

## Provisions for impaired loans:

	2023			2022		
	Regular Program Loans	Special Assistance Loans*	Total	Regular Program Loans	Special Assistance Loans*	Total
Beginning provision balance	\$ 14,003	\$ 577	\$ 14,580	\$ 15,388	\$ 1,538	\$ 16,926
Write-offs, net of recoveries	(137)	-	(137)	(29)	(557)	(586)
Provision (recovery) expense	(620)	(167)	(787)	(1,356)	(404)	(1,760)
Ending provision balance	\$ 13,246	\$ 410	\$ 13,656	\$ 14,003	\$ 577	\$ 14,580

\*Includes Manitoba Hog Assistance and BSE Recovery loans.

Included in loans receivable is a specific provision of \$5,252,000 (2022 - \$6,376,000) and a general provision of \$8,404,000 (2022 - \$8,204,000) that are subject to measurement uncertainty. The resulting amount established for specific and general provisions of \$13,656,000 (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 as of the most recent valuation dates is \$1,347,713,000 (2022 - \$1,324,429,000).

## Remaining terms to maturities are as follows:

	2023			2022		
	Regular Program Loans	Special Assistance Loans*	Total	Regular Program Loans	Special Assistance Loans*	Total
Less than 5 years	\$ 102,209	\$ 366	\$ 102,575	\$ 108,201	\$ 516	\$ 108,717
5 years to up to 10 years	93,173	-	93,173	88,569	-	88,569
10 years to up to 15 years	122,204	-	122,204	126,780	-	126,780
15 years to up to 20 years	167,291	-	167,291	163,177	-	163,177
More than 20 years	321,872	-	321,872	303,376	-	303,376
	\$ 806,749	\$ 366	\$ 807,115	\$ 790,103	\$ 516	\$ 790,619

\*Includes Manitoba Hog Assistance and BSE Recovery loans.

## 14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of March 31, 2023 consist of the following:

	Accounts Payable General	Salaries and Benefits	Accrued Vacation Pay	Other	2023	2022
Lending program	\$ -	\$ 309	\$ -	\$ 73	\$ 382	\$ 112
AgriInsurance program	5,560	2,146	950	1	8,657	6,952
Hail Insurance program	-	-	-	11	11	-
Wildlife Damage Compensation program	41	91	-	-	132	133
Farmland School Tax Rebate program	2,090	45	-	-	2,135	3
Livestock Price Insurance program	44	24	-	-	68	41
Other programs	5	21	-	443	469	161
<b>Total</b>	<b>\$ 7,740</b>	<b>\$ 2,636</b>	<b>\$ 950</b>	<b>\$ 528</b>	<b>\$ 11,854</b>	<b>\$ 7,402</b>

\*Other accounts payable of \$443 thousand includes amounts owing to the Province of Manitoba for various other programs administered by MASC.

## 15. ACCOUNTS PAYABLE – CANADIAN AGRICULTURAL PARTNERSHIP

Accounts payable to the Canadian Agricultural Partnership as of March 31, 2023 consist of the following:

	2023	2022
Ag Action Manitoba – Bank Balance (Note 7 (C))	\$ 9,909	\$ 5,279
	\$ 9,909	\$ 5,279

Effective January 1, 2021, MASC provided financial services for the Canadian Agricultural Partnership – Ag Action Manitoba program. The two corporations share one bank account. The accounts payable to the Canadian Agricultural Partnership represents the portion of MASC's bank account balance that belongs to the Canadian Agricultural Partnership - Ag Action Manitoba program.

## 16. ACCOUNTS PAYABLE – AGRIRECOVERY

Accounts payable to AgriRecovery as of March 31, 2023 consist of the following:

	2023	2022
AgriRecovery – Bank Balance	\$ 1,011	\$ 605
AgriRecovery – Investments	3,900	20,000
AgriRecovery – Accrued Interest	33	2
	\$ 4,944	\$ 20,607

Effective September 2021, MASC provided financial services for the AgriRecovery program. The accounts payable to AgriRecovery represents the portion of MASC's bank account balance, investments, and accrued interest that belong to the AgriRecovery program.

## 17. CLAIMS PAYABLE\*

	2023		2022	
AgrilInsurance program	\$	40,353	\$	99,864
Hail Insurance program		32		-
Wildlife Damage Compensation program		2,082		1,884
Farmland School Tax Rebate program		2,436		2,726
Livestock Price Insurance program		-		26
Other programs		-		290
	\$	44,903	\$	104,790

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

## 18. UNEARNED REVENUE

	2023		2022	
Producer	\$	191,796	\$	165,546
Province of Manitoba – AgrilInsurance premium revenue		112,808		97,202
Province of Manitoba – capital asset purchases		716		758
Government of Canada – AgrilInsurance premium revenue		169,230		145,820
Government of Canada – capital asset purchases		1,074		1,137
	\$	475,624	\$	410,463

MASC follows PS 3100 restricted assets and revenues for recognition of AgrilInsurance premiums and PS3410 government transfers for contributions from the Province of Manitoba and the Government of Canada. The revenue for the AgrilInsurance program will be recognized when the restricted assets are used for the specified purpose under the Canadian Agricultural Partnership agreement and the AgrilInsurance Regulation. The current year premium revenue and interest income, net of reinsurance premiums, will be used to fund current year claims first, with any shortfall resulting in a recognition of revenue. The balance remaining is restricted for the payment of claims and other expenses allowed under the Manitoba Agricultural Services Corporation Act.

	Producer	Province	Canada	2023	2022
<b>Unearned premium revenue April 1</b>	<b>\$ 165,546</b>	<b>\$ 97,202</b>	<b>\$ 145,821</b>	<b>\$ 408,569</b>	<b>\$ 791,492</b>
Premium contribution	125,009	74,227	111,348	310,584	225,944
Interest income	4,826	2,865	4,298	11,989	1,327
Reinsurance recoveries (expense)	(5,004)	(2,951)	(4,428)	(12,383)	12,383
Loss recoveries	6	3	5	14	430
	124,837	74,144	111,223	310,204	240,084
Indemnities	78,742	46,754	70,137	195,633	589,966
Private reinsurance premiums	19,845	11,784	17,677	49,306	33,041
	98,587	58,538	87,814	244,939	623,007
Increase (decrease) in unearned premium revenue	26,250	15,606	23,409	65,265	(382,923)
<b>Unearned premium revenue March 31</b>	<b>\$ 191,796</b>	<b>\$ 112,808</b>	<b>\$ 169,230</b>	<b>\$ 473,834</b>	<b>\$ 408,569</b>

## 19. 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, 2023, interest rates ranging from 0.750 per cent to 6.875 per cent (2022 – 0.750 per cent to 6.875 per cent).

Maturities of principal over the following terms	2023		2022	
1 year	\$	131,735	\$	160,727
2 years		87,374		89,790
3 years		75,033		72,690
4 years		66,024		57,659
5 years		63,141		49,170
More than 5 years		410,627		397,761
	\$	833,934	\$	827,797

## 20. LOAN GUARANTEES AND CONTINGENCIES

(A) Contingent liabilities and the corresponding provisions for MASC's loan guarantee programs as of March 31, 2023 are shown below:

	2023			2022		
	Contingent Liability	Provision for Losses	Net Contingent Liability	Contingent Liability	Provision for Losses	Net Contingent Liability
Operating Credit Guarantees for Agriculture	\$ 6,630	\$ (331)	\$ 6,299	\$ 7,262	\$ (363)	\$ 6,899
Manitoba Livestock Associations Loan Guarantees	8,968	(2,379)	6,589	9,659	(579)	9,080
Diversification Loan Guarantees	38,724	(2,904)	35,820	40,102	(3,008)	37,094
Rural Entrepreneur Assistance Program	2,108	(148)	1,960	3,478	(334)	3,144
	\$ 56,430	\$ (5,762)	\$ 50,668	\$ 60,501	\$ (4,284)	\$ 56,217

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

	2023		2022	
Beginning provision balance	\$	4,284	\$	9,600
Write-offs, net of recoveries		(175)		(20)
Provision expense (recovery)		1,653		(5,296)
Ending provision balance	\$	5,762	\$	4,284

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 per cent 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 Manitoba Livestock Associations Loan Guarantee program was introduced in 1991. For each participating livestock association, MASC provides a 25 per cent guarantee to the association's lending institution, based on a maximum loan of \$12,000,000 per association.

The Diversification Loan Guarantee program was introduced in 2001, whereby guarantees are based on 25 per cent of the original principal amount of each individual loan, with no maximum loan amount.

The Rural Entrepreneur Assistance (REA) program provided a guarantee of up to 80 per cent of the principal amount of a qualifying loan made by participating lenders to small rural non-agricultural businesses. REA guaranteed loans up to a maximum of \$200,000. MASC assumed administration of the program in 2005. This program was discontinued as of April 1, 2019, with outstanding guarantees in run-off status.

- (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.

## 21. FUTURE EMPLOYEE BENEFITS

### Severance Liability

MASC's employees are eligible for severance, because 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, 2023, was conducted by Ellement Consulting Group. The key actuarial assumptions include an interest rate of 4.80 per cent for administration staff and 4.90 per cent for adjusting staff (2020 – 5.75 per cent administration and adjustors), severance rate of 1.13 per cent of average salary of \$72,393 for administration staff and 0.29 per cent of average salary of \$45,364 for adjusting staff (2020 - 0.94 per cent of average salary of \$72,362 for administration staff and 0.34 per cent of average salary of \$45,448 for adjusting staff), and salary inflation rate increases of 3.50 per cent (2020 - 3.50 per cent). The accrued benefit cost method with salary projection was used.

The average remaining service life of the employees is 15 years for administration staff and nine years for adjusting staff. For 2022/23, the amortization of the net actuarial loss was \$6,000 (2022 - \$23,000 gain).

Provision for severance liability	2023		2022	
Accrued severance obligation, beginning of year	\$	2,373	\$	2,473
Benefits accrued		105		106
Interest accrued on benefits		122		142
Benefits paid		(306)		(348)
Accrued severance obligation, end of year		2,294		2,373
Unamortized actuarial gain (loss)		(6)		23
Provision, end of year	\$	2,288	\$	2,396

MASC's severance costs consist of the following:	2023		2022	
Benefits accrued	\$	105	\$	106
Interest accrued on benefits		122		142
Amortization of experience loss (gain)		(29)		(27)
Severance cost	\$	198	\$	221

## 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 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 Civil Service Superannuation Fund by employees at prescribed rates, which is recorded as an operating expense.

MASC contributes 50 per cent of the pension disbursements made to retired employees of the former MACC for service up to September 1, 2005.

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 for former MCIC employees continued to be matched by MASC. As a matching employer for this group of employees, MASC discharges its pension liability on a current basis and, therefore, has no additional pension obligation. MASC paid \$786,000 to the current pension in 2022/23 (2022 - \$771,000).

Prior to the amalgamation of MACC and MCIC into MASC, MACC did not match employees' current service contributions, and instead contributed 50 per cent 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 10).

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, 2021, was conducted by Ellement Consulting Group. The key actuarial assumptions include a rate of return of 5.75 per cent (2020 - 5.75 per cent), inflation of two per cent (2020 - two per cent), salary inflation rate increases of 3.50 per cent (2020 - 3.50 per cent), discount rate of 5.75 per cent (2020 - 5.75 per cent), 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, 2023, all according to the formula prescribed by the consulting actuary.

The amortization of actuarial gains or losses is performed over a period of five years. For 2022/23, the amortization of the net actuarial gain was \$80,000 (2022 - \$1,000 loss).

Provision for employer's share of employees' pension plan	2023		2022	
Accrued pension obligation, beginning of year	\$	5,130	\$	5,340
Interest accrued on benefits		337		320
Benefits paid		(412)		(385)
Actuarial (gain) loss		390		(145)
Accrued pension obligation, end of year		5,445		5,130
Unamortized actuarial gain (loss)		(293)		7
Provision, end of year	\$	5,152	\$	5,137

MASC's pension plan costs consist of the following:	2023		2022	
Interest accrued on benefits	\$	337	\$	320
Interest earned		6		(22)
Amortization of experience loss (gain)		(80)		1
Pension cost	\$	263	\$	299

## 22. TANGIBLE CAPITAL ASSETS

Tangible capital assets as of March 31, 2023 are shown below:

	Leasehold Improvements		Machinery, Equipment, & Furniture		Computer Hardware & Software		Major Application Development		2023	2022
<b>Cost of Tangible Capital Asset</b>										
Opening Balance	\$	471	\$	319	\$	267	\$	2,478	\$	3,535
Additions		-		36		-		-		36
Disposals		-		(12)		-		-		(12)
Closing Balance		471		343		267		2,478		3,559
<b>Accumulated Amortization</b>										
Opening Balance	\$	420	\$	305	\$	267		-	\$	992
Amortization		19		7		-		155		181
Accumulated Amortization on Disposals		-		(11)		-		-		(11)
Closing Balance		439		301		267		155		1,162
Net Property & Equipment	\$	32	\$	42	\$	-	\$	2,323	\$	2,397

MASC uses the straight line amortization method for capitalization.

## 23. COMMITMENTS

	2023		2022	
Approved, undisbursed loans	\$	17,695	\$	27,986
Estimated farm loan incentives		3,511		3,319
Operating leases		52		82
Service agreements		1,233		1,261
	\$	22,491	\$	32,648

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.

The service agreements are for software as a service, Microsoft Enterprise licensing agreement, and internet services.

## 24. 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 both fixed and renewable term loans to clients at interest rates that generally earn a reasonable interest rate margin to cover associated administrative expenses. For AgrilInsurance 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:

	2023	2022
Investments	\$ 633,027	\$ 651,984
Accounts receivable	4,171	15,019
Receivables from the Province of Manitoba	10,620	8,719
Receivables from the Government of Canada	14,482	9,631
Loans receivable	806,339	787,448
Loan guarantees	56,430	60,501
	\$ 1,525,069	\$ 1,533,302

**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 consists 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 Consolidated 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 to mitigate losses. Special assistance loans make up 0.05 per cent of MASC's overall lending portfolio.

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

	2023			2022		
	Regular Program Loans	Special Assistance Loans*	Total	Regular Program Loans	Special Assistance Loans*	Total
Less than 1 year in arrears	\$ 8,166	\$ -	\$ 8,166	\$ 19,556	\$ -	\$ 19,556
1 to 2 years in arrears	7,510	-	7,510	9,690	-	9,690
	\$ 15,676	\$ -	\$ 15,676	\$ 29,246	\$ -	\$ 29,246

\*Includes Manitoba Hog Assistance and BSE Recovery 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 13, is broken down by agricultural sector as shown in the table below:

### Loans Receivable by Agricultural Sector

	2023			2022		
	Regular Program Loans	Special Assistance Loans*	Total	Regular Program Loans	Special Assistance Loans*	Total
Grains and oilseeds	\$ 478,522	\$ 58	\$ 478,580	\$ 455,310	\$ 64	\$ 455,374
Other crops	7,051	75	7,126	7,089	70	7,159
Cattle	292,511	41	292,552	296,887	149	297,036
Hogs	2,418	178	2,596	1,333	222	1,555
Poultry	2,650	-	2,650	2,797	-	2,797
Dairy	17,686	-	17,686	17,447	-	17,447
Other	18,781	24	18,805	20,636	24	20,660
Provisions and concessions	(13,246)	(410)	(13,656)	(14,003)	(577)	(14,580)
	\$ 806,373	\$ (34)	\$ 806,339	\$ 787,496	\$ (48)	\$ 787,448

\*Includes Manitoba Hog Assistance and BSE Recovery 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 it fits within the established program parameters. Loan guarantees are approved based on a delegated approval authority. MASC's loan guarantee activity involves three separate programs: Manitoba Livestock Associations Loan Guarantees, which are directed at the cattle industry; and both 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	
	2023	2022	2023	2022
Grains and oilseeds	1%	1%	55%	54%
Potatoes	-	-	-	7%
Other crops	5%	5%	-	-
Cattle	-	-	14%	11%
Hogs	2%	3%	11%	10%
Poultry	18%	17%	-	-
Dairy	65%	66%	2%	1%
Other	9%	8%	18%	17%
	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 a minimum of 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					Not Interest Rate Sensitive*	2023	2022
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years				
Loans receivable	\$ 84,401	\$ 189,581	\$ 184,370	\$ 348,762	\$ (775)		\$ 806,339	\$ 787,448
Average interest rate	4.65%	4.66%	4.70%	4.77%	-		4.72%	4.21%
Due to the Province of Manitoba	\$ 131,735	\$ 291,572	\$ 178,206	\$ 232,421	-		\$ 833,934	\$ 827,797
Average interest rate	3.35%	3.36%	3.38%	3.53%	-		3.41%	2.84%
	\$ (47,334)	\$ (101,991)	\$ 6,164	\$ 116,341	\$ (775)		\$ (27,595)	\$ (40,349)

\*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 are paid out of the Production Insurance Trust and Production Insurance Fund, the balance of which is included in MASC's consolidated unearned revenue of \$473,834,000 as at March 31, 2023. The AgrilInsurance indemnities are funded firstly out of MASC's current net revenue including premiums collected, interest earned on investments, reinsurance recoveries and loss recoveries, which normally exceed cash requirements. If all the above is exhausted, the program can access excess funds accumulated in MASC's unearned revenue balance. Once the unearned revenue balance is exhausted, the program can access funds from the Government of Canada and the Province of Manitoba through an agreement that provides for unlimited additional funding for claim payments. MASC can also access funds through its ability to borrow funds from the Province of Manitoba for the AgrilInsurance program.

Hail indemnities for the 2018 and future crop years are paid out of the Hail Insurance Trust. Hail Insurance Trust equity was \$111,257,000 as at March 31, 2023. 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.

## 25. 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 Government of Canada be completed annually.

## 26. 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:

	<b>2023</b>		<b>2022</b>	
Interest earned on investments from the Province of Manitoba	\$	<b>16,303</b>	\$	1,562
Interest paid on loans from the Province of Manitoba	\$	<b>22,753</b>	\$	23,642

Loans made to directors and staff are approved under the same lending criteria applicable to MASC's clients. There are no loans that are impaired in relation to the staff and directors loan balances. Loans to directors and staff at year end amounted to \$10,959,000 (2022 - \$11,566,000).

## 27. REINSURANCE FUNDS

### AgrilInsurance Program

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.

	<b>Crop Reinsurance Fund of Canada for Manitoba</b>		<b>Crop Reinsurance Fund of Manitoba</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Opening surplus	\$ <b>36,029</b>	\$ 36,028	\$ <b>58,049</b>	\$ 58,048
Current year premium contributions (net)*	<b>2</b>	1	<b>1</b>	1
Net book value	\$ <b>36,031</b>	\$ 36,029	\$ <b>58,050</b>	\$ 58,049

\*For 2022/23, 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 2022/23 is \$3 thousand (2022 - \$1 thousand).

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. The agreement covers 100 per cent (2022 - 100 per cent) of losses (including deemed losses for adjusting expenses) that exceed 15 per cent of AgrilInsurance liability coverage. The maximum coverage is \$512,600,000. Reinsurance premiums were \$49,306,000 (2022 - \$33,041,000). There was private sector reinsurance expense of \$12,383,000 for 2023 (2022 - \$12,383,000 recovery). Actual 2022 indemnities were lower than estimated. As a result, MASC was no longer eligible for a private reinsurance claim recovery and the recovery was reversed.

### **Hail Insurance Program**

For 2022/23, MASC entered into a one-year agreement with private sector reinsurers for the Hail Insurance program. The agreement covers 100 per cent (2022 – 100 per cent) of hail insurance losses (including actual loss adjusting expenses) that exceed 5 per cent of hail insurance liability coverage. The maximum coverage is \$37,500,000. Reinsurance premiums were \$1,356,000 (2022 – \$1,027,000), with no reinsurance recovery for 2023 (2022 – nil).

### **Livestock Price Insurance Program**

Alberta's Agriculture Financial Services Corporation (AFSC) administers this program on behalf of MASC. AFSC entered into a private reinsurance agreement for 2022/23 for excess of loss reinsurance, whereby reinsuring companies assumed 100 per cent of the losses between 200 to 300 per cent of gross net written premium. This agreement included Manitoba's share of the program. Manitoba's share of reinsurance premiums was \$103,000 (2022 – \$89,000).

For 2022/23, the program also entered into a separate quota share reinsurance agreement whereby the reinsurer assumed 27.5 per cent (2022 – 27.5 per cent) of all losses incurred for the Livestock Price Insurance program. Manitoba's share of total reinsurance premiums, net of commissions and rebates was \$121,000 (2022 – \$110,000). The reinsurers' share of Manitoba's losses were nil (2022 – \$29,000). An adjustment was made for the reinsurers' share of Manitoba's losses for the prior year (\$18,000). Manitoba's total net quota share reinsurance premiums were \$99,000 (2022 – \$68,000).

## **28. RECLASSIFICATION**

Certain comparative figures in the financial statements have been restated to conform to the presentation in the current year.

# MANITOBA AGRICULTURAL SERVICES CORPORATION

## Schedule 1: Consolidated Schedule of Administrative Expenses

For the Year Ended March 31, 2023 | In Thousands of Dollars

	2023		2022	
Adjustors' wages, benefits, and expenses	\$	4,775	\$	5,625
Advertising		409		337
Amortization expense		176		25
Appeal tribunal		36		5
Audit fees and legal		250		324
Directors' remuneration and expense		62		49
Furniture and equipment		68		136
Information technology		1,697		1,502
Office rental and utilities		1,013		1,131
Other administrative expenses		1,484		815
Other administrative recoveries		(705)		(588)
Postage		150		168
Printing and office supplies		123		137
Salaries and employee benefits		15,103		12,658
Telephone		93		123
Travel and vehicle expenses		212		103
<b>Total administrative expenses</b>	<b>\$</b>	<b>24,946</b>	<b>\$</b>	<b>22,550</b>
Administrative expenses allocation:				
Lending programs	\$	6,151	\$	4,801
AgrilInsurance program		12,508		12,964
Hail Insurance program		4,101		2,901
Wildlife Damage Compensation program		1,264		967
Farmland School Tax Rebate program		519		463
Livestock Price Insurance program		443		399
Other programs		(40)		55
<b>Total administrative expenses</b>	<b>\$</b>	<b>24,946</b>	<b>\$</b>	<b>22,550</b>



# MANITOBA AGRICULTURAL SERVICES CORPORATION

## Schedule 2: Consolidated Schedule of Operations and Accumulated Surplus

For the Year Ended March 31, 2023 | In Thousands of Dollars

	Lending Programs		AgrilInsurance Program		Hail Insurance Program	
	2023	2022	2023	2022	2023	2022
<b>REVENUE</b>						
Insurance premiums						
Insured producers	\$ -	\$ -	\$ 98,760	\$ 246,467	\$ 39,308	\$ 29,690
Province of Manitoba	-	-	58,621	144,951	-	-
Government of Canada	-	-	87,937	217,451	-	-
	-	-	245,318	608,869	39,308	29,690
Interest from loans	34,472	34,461	-	-	-	-
Other contributions - Province of Manitoba	-	-	5,012	5,189	-	-
Other contributions - Government of Canada	-	-	7,505	7,778	-	-
Private reinsurance recoveries	-	-	-	12,383	-	-
Investment income	1,332	108	11,989	1,328	2,949	285
Other income	10	1,039	-	-	-	-
<b>Total revenue</b>	<b>35,814</b>	<b>35,608</b>	<b>269,824</b>	<b>635,547</b>	<b>42,257</b>	<b>29,975</b>
<b>EXPENSE</b>						
Insurance indemnities and compensation payments	-	-	195,633	589,966	18,775	6,882
Reinsurance premiums (Note 27)	-	-	49,306	33,041	1,356	1,027
Private reinsurance expense (Note 27)	-	-	12,383	-	-	-
Interest on borrowed funds	22,753	23,642	-	-	-	-
Provision (recoveries) for credit losses	(787)	(1,760)	(14)	(428)	17	22
Provision (recoveries) for guaranteed loan losses (Note 20)	1,653	(5,296)	-	-	-	-
Other recoveries - Province of Manitoba	5,510	5,368	-	-	-	-
Young farmer incentives	1,088	1,193	8	4	-	-
Farmland School Tax Rebates (Note 5)	-	-	-	-	-	-
Other program payments (Note 7)	-	-	-	-	-	-
Administrative expenses (Schedule 1)	6,151	4,801	12,508	12,964	4,101	2,901
<b>Total expenses</b>	<b>36,368</b>	<b>27,948</b>	<b>269,824</b>	<b>635,547</b>	<b>24,249</b>	<b>10,832</b>
Income (loss) for the year	(554)	7,660	-	-	18,008	19,143
Accumulated surplus (deficit), beginning of year	(16,172)	(23,832)	-	-	93,249	74,106
<b>Surplus (deficit), end of year</b>	<b>\$ (16,726)</b>	<b>\$ (16,172)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 111,257</b>	<b>\$ 93,249</b>

Wildlife Damage Compensation Program			Farmland School Tax Rebate Program		Livestock Price Insurance Program		Other Programs		Total	
2023	2022		2023	2022	2023	2022	2023	2022	2023	2022
\$ -	\$ -		\$ -	\$ -	\$ 557	\$ 497	\$ -	\$ -	\$ 138,625	\$ 276,654
-	-		-	-	-	-	-	-	58,621	144,951
-	-		-	-	-	-	-	-	87,937	217,451
-	-		-	-	557	497	-	-	285,183	639,056
-	-		-	-	-	-	-	-	34,472	34,461
5,653	3,809		26,210	31,387	177	160	-	4	37,052	40,549
6,659	4,502		-	-	266	239	14	19	14,444	12,538
-	-		-	-	-	-	-	-	-	12,383
-	-		188	8	107	16	54	2	16,619	1,747
-	-		-	-	-	-	38	30	48	1,069
12,312	8,311		26,398	31,395	1,107	912	106	55	387,818	741,803
11,048	7,344		-	-	71	106	-	-	225,527	604,298
-	-		-	-	202	156	-	-	50,864	34,224
-	-		-	-	-	-	-	-	12,383	-
-	-		-	-	-	-	-	-	22,753	23,642
-	-		(5)	17	-	-	(9)	(8)	(798)	(2,157)
-	-		-	-	-	-	-	-	1,653	(5,296)
-	-		-	-	-	-	445	-	5,955	5,368
-	-		-	-	-	-	-	-	1,096	1,197
-	-		25,884	30,915	-	-	-	-	25,884	30,915
-	-		-	-	-	-	(290)	8	(290)	8
1,264	967		519	463	443	399	(40)	55	24,946	22,550
12,312	8,311		26,398	31,395	716	661	106	55	369,973	714,749
-	-		-	-	391	251	-	-	17,845	27,054
-	-		-	-	1,219	968	-	-	78,296	51,242
\$ -	\$ -		\$ -	\$ -	\$ 1,610	\$ 1,219	\$ -	\$ -	\$ 96,141	\$ 78,296

## INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba

To the Board of the Manitoba Agricultural Services Corporation

### *Opinion*

We have audited the financial statements of the Production Insurance Trust (Production Trust) which comprise the statement of financial position as at March 31, 2023, and the statement of comprehensive income, the statement of changes in trust equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Production Trust as at March 31, 2023, and its financial performance, changes in its trust equity, and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Production Trust in accordance with the ethical requirements in Canada that are relevant to our audit of the financial statements, 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.

### *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 Production 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 an intention exists to liquidate the Production Trust or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Production 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Production Trust'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 Production 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 Production 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.

Original signed by:

Office of the Auditor  
General Winnipeg,  
Manitoba  
July 18, 2023



## PRODUCTION INSURANCE TRUST

# Statement of Financial Position

As of March 31, 2023 | In Thousands of Dollars

	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents (Note 3A)	\$ 99,000	\$ 169,524
Accounts receivable from MASC (Note 3B)	16,739	277
Investments (Note 4)	125,413	66,259
<b>Total Assets</b>	<b>\$ 241,152</b>	<b>\$ 236,060</b>
<b>LIABILITIES</b>		
Claims payable (Note 3D)	\$ 39,691	\$ 99,865
<b>TRUST EQUITY</b>	<b>201,461</b>	<b>136,195</b>
<b>Total Liabilities and Trust Equity</b>	<b>\$ 241,152</b>	<b>\$ 236,060</b>

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

Charles Mayer  
Board of Directors

## PRODUCTION INSURANCE TRUST

# Statement of Comprehensive Income (Loss)

For the Year Ended March 31, 2023 | In Thousands of Dollars

	2023	2022
<b>REVENUE</b>		
Contribution from MASC	\$ 256,162	\$ 206,432
Investment income	4,737	585
<b>Total Revenue</b>	<b>\$ 260,899</b>	<b>\$ 207,017</b>
<b>EXPENSE</b>		
Insurance indemnities	\$ 195,633	\$ 589,941
<b>Net Income (Loss) and Comprehensive Income (Loss) for the year</b>	<b>\$ 65,266</b>	<b>\$ (382,924)</b>

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

## PRODUCTION INSURANCE TRUST

# Statement of Changes in Trust Equity

For the Year Ended March 31, 2023 | In Thousands of Dollars

	2023		2022	
Trust equity, beginning of year	\$	136,195	\$	519,119
Net income (loss) and comprehensive income (loss) for the year		65,266		(382,924)
Trust equity, end of year	\$	201,461	\$	136,195

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

## PRODUCTION INSURANCE TRUST

# Statement of Cash Flows

For the Year Ended March 31, 2023 | In Thousands of Dollars

	2023		2022	
Cash provided by (used for):				
<b>OPERATING</b>				
Income (loss) for the year	\$	65,266	\$	(382,924)
Changes in:				
Receivables from MASC		(16,462)		3,813
Claims payable		(60,174)		94,260
Cash used for operating activities		(11,370)		(284,851)
<b>INVESTING</b>				
Investments (purchased) redeemed		(59,154)		36,379
Cash provided by (used for) investing activities		(59,154)		36,379
Net increase (decrease) in cash and cash equivalents		(70,524)		(248,472)
Cash and cash equivalents, beginning of year		169,524		417,996
Cash and cash equivalents, end of year	\$	99,000	\$	169,524
<b>Supplemental Cash Flow Information</b>				
Interest received	\$	2,221	\$	542

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

# PRODUCTION INSURANCE TRUST

## Notes to Financial Statements

As of March 31, 2023

### 1. NATURE OF TRUST

The Production Insurance Trust (Trust) was created by the Province of Manitoba to benefit Manitoba Agricultural Services Corporation's 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 is 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 18, 2023.

### 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 three months) and are measured at amortized cost. Interest income is recorded on an accrual basis within investment income in the statement of comprehensive income (loss).

#### (B) Accounts Receivable from MASC

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. Investment income is recognized using the effective interest rate method. 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) Related Party Transactions

Contributions from MASC are recognized at the exchange amount when received.

#### (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 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.

### 4. INVESTMENTS

The Trust's investments are with the Province of Manitoba and consist of the following as of March 31, 2023.

Maturity Terms	Average Interest Rate	2023		2022	
1 year	4.484%	\$	122,798	\$	66,160
Accrued Interest			2,615		99
		\$	125,413	\$	66,259

### 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, 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 unearned revenue balance, which maintains the Production Insurance Fund balance. 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.



## INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba

To the Board of the Manitoba Agricultural Services Corporation

### *Opinion*

We have audited the financial statements of the Hail Insurance Trust (Hail Trust), which comprise the statement of financial position as at March 31, 2023, and the statement of comprehensive income, the statement of change in trust equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hail Trust as at March 31, 2023, and its financial performance, changes in its trust equity, and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Hail Trust in accordance with the ethical requirements in Canada that are relevant to our audit of the financial statements, 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.

### *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 Hail 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 an intention exists to liquidate the Hail Trust or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Hail 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Hail Trust'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 Hail 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 Hail 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.

Original signed by:

Office of the Auditor  
General Winnipeg,  
Manitoba  
July 18, 2023

**HAIL INSURANCE TRUST**

# Statement of Financial Position

**As of March 31, 2023 | In Thousands of Dollars**

	<b>2023</b>		<b>2022</b>	
<b>ASSETS</b>				
Cash and cash equivalents (Note 3A)	\$	67,499	\$	22,900
Accounts receivable from MASC (Note 3B)		828		337
Investments (Note 4)		42,963		70,012
<b>Total Assets</b>	<b>\$</b>	<b>111,290</b>	<b>\$</b>	<b>93,249</b>
<b>LIABILITIES</b>				
Claims payable (Note 3D)	\$	33	\$	-
<b>TRUST EQUITY</b>		111,257		93,249
<b>Total Liabilities and Trust Equity</b>	<b>\$</b>	<b>111,290</b>	<b>\$</b>	<b>93,249</b>

*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

Charles Mayer  
Board of Directors

**HAIL INSURANCE TRUST**

# Statement of Comprehensive Income

**For the Year Ended March 31, 2023 | In Thousands of Dollars**

	<b>2023</b>		<b>2022</b>	
<b>REVENUE</b>				
Contribution from MASC	\$	33,877	\$	25,768
Investment income		2,906		257
<b>Total Revenue</b>	<b>\$</b>	<b>36,783</b>	<b>\$</b>	<b>26,025</b>
<b>EXPENSE</b>				
Insurance indemnities	\$	18,775	\$	6,882
<b>Net Income and Comprehensive Income for the year</b>	<b>\$</b>	<b>18,008</b>	<b>\$</b>	<b>19,143</b>

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

## HAIL INSURANCE TRUST

# Statement of Change in Trust Equity

For the Year Ended March 31, 2023 | In Thousands of Dollars

	2023		2022	
Trust equity, beginning of year	\$	93,249	\$	74,106
Net income and Comprehensive Income for the year		18,008		19,143
Trust equity, end of year	\$	111,257	\$	93,249

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

## HAIL INSURANCE TRUST

# Statement of Cash Flows

For the Year Ended March 31, 2023 | In Thousands of Dollars

	2023		2022	
Cash provided by (used for):				
<b>OPERATING</b>				
Income for the year	\$	18,008	\$	19,143
Changes in:				
Receivables from MASC		(491)		763
Claims payable		33		-
Cash provided by operating activities		17,550		19,906
<b>INVESTING</b>				
Investments (purchased) redeemed		27,049		(55,091)
Cash provided by (used for) investing activities		27,049		(55,091)
Net increase (decrease) in cash and cash equivalents		44,599		(35,185)
Cash and cash equivalents, beginning of year		22,900		58,085
Cash and cash equivalents, end of year	\$	67,499	\$	22,900
<b>Supplemental Cash Flow Information</b>				
Interest received	\$	2,058	\$	191

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

# Notes to Financial Statements

As of March 31, 2023

### 1. NATURE OF TRUST

The Hail Insurance Trust (Trust) was created by the Province of Manitoba to benefit Manitoba Agricultural Services Corporation's 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 is 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 18, 2023.

### 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 three months) 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 MASC

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. Investment income is recognized using the effective interest rate method. 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) Related Party Transactions

Contributions from MASC are recognized at the exchange amount when received.

#### (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 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 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.

#### (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.

### 4. INVESTMENTS

The Trust's investments are with the Province of Manitoba and consist of the following as of March 31, 2023:

Maturity Terms	Average Interest Rate	2023	2022
1 Year	4.202%	\$ 40,042	\$ 67,939
5 Years	2.425%	2,000	2,000
	4.118%	42,042	69,939
Accrued Interest		921	73
		\$ 42,963	\$ 70,012

### 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, 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 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.

# MASC Service Centres

## **Arborg**

Box 2000, 317 River Road, Arborg, MB R0C 0A0  
Phone: 1-833-206-0451  
Fax: 1-833-478-1304  
Email: [arborm@masc.mb.ca](mailto:arborm@masc.mb.ca)

## **Brandon**

Unit 100, 1525 - 1st Street S, Brandon, MB R7A 7A1  
Phone: 1-833-206-0455  
Fax: 1-833-478-1305  
Email: [brandon@masc.mb.ca](mailto:brandon@masc.mb.ca)

## **Dauphin**

Room 209, 27 - 2nd Avenue SW, Dauphin, MB R7N 3E5  
Phone: 1-833-206-0459  
Fax: 1-833-478-1306  
Email: [dauphin@masc.mb.ca](mailto:dauphin@masc.mb.ca)

## **Headingley**

Unit 1, 5290 Monterey Road, Headingley, MB R4H 1J9  
Phone: 1-833-206-0465  
Fax: 1-833-478-1307  
Email: [headingley@masc.mb.ca](mailto:headingley@masc.mb.ca)

## **Killarney**

Box 190, 203 South Railway Street, Killarney, MB R0K 1G0  
Phone: 1-833-206-0466  
Fax: 1-833-478-1309  
Email: [killarney@masc.mb.ca](mailto:killarney@masc.mb.ca)

## **Morden**

Unit B, 536 Stephen Street, Morden, MB R6M 1T7  
Phone: 1-833-206-0479  
Fax: 1-833-467-1056  
Email: [morden@masc.mb.ca](mailto:morden@masc.mb.ca)

## **Neepawa**

Box 1179, 41 Main Street E, Neepawa, MB R0J 1H0  
Phone: 1-833-206-0469  
Fax: 1-833-478-1310  
Email: [neepawa@masc.mb.ca](mailto:neepawa@masc.mb.ca)

## **Portage la Prairie**

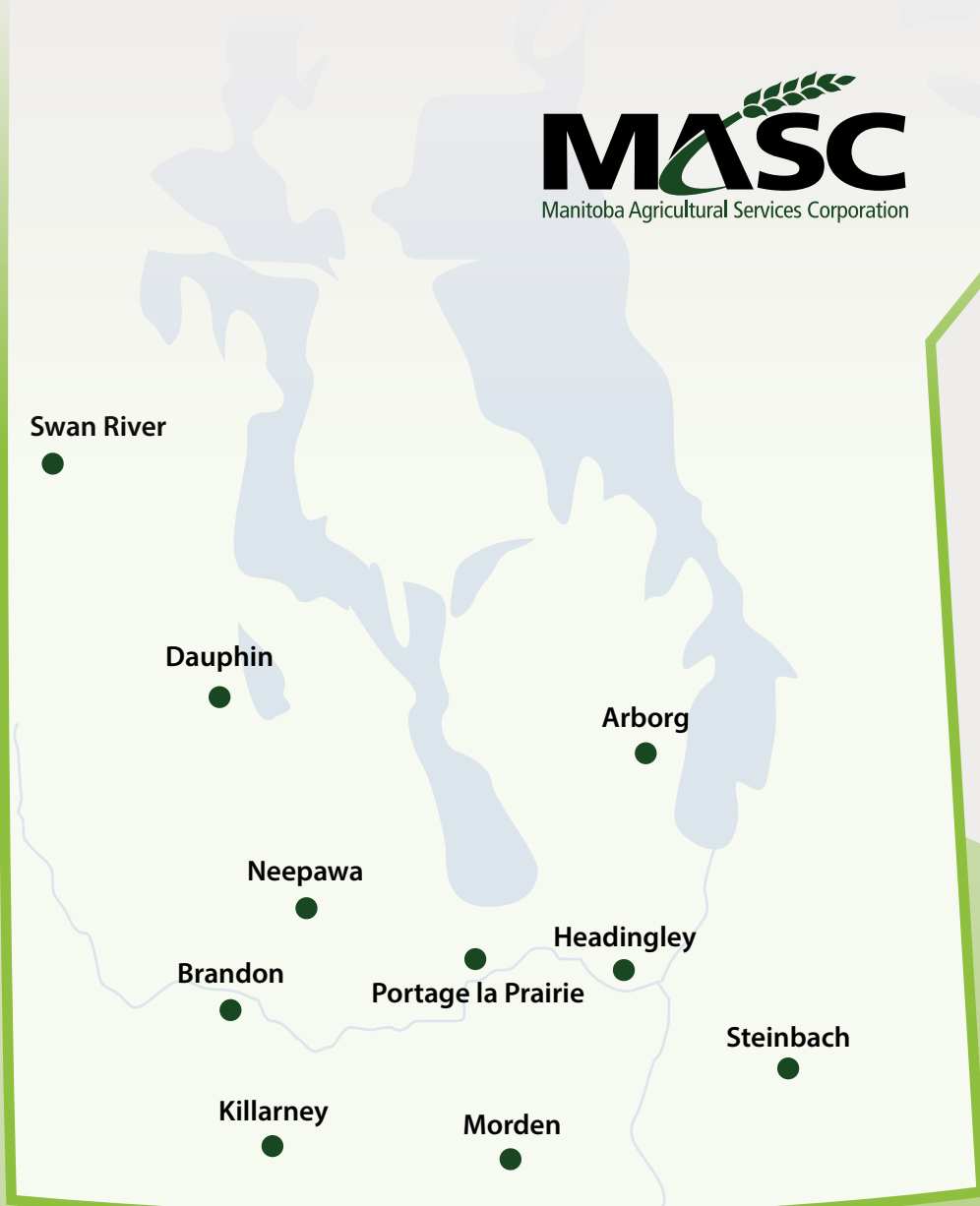
Unit 400, 50 - 24th Street, NW Portage la Prairie, MB R1N 3V9  
Phone: 1-833-206-0470  
Fax: 1-833-478-1312  
Email: [portagelaprairie@masc.mb.ca](mailto:portagelaprairie@masc.mb.ca)

## **Steinbach**

Unit C, 284 Reimer Avenue, Steinbach, MB R5G 0R5  
Phone: 1-833-206-0480  
Fax: 1-833-467-1059  
Email: [steinbach@masc.mb.ca](mailto:steinbach@masc.mb.ca)

## **Swan River**

Box 1108, 120 - 6th Avenue N, Swan River, MB R0L 1Z0  
Phone: 1-833-206-0476  
Fax: 1-833-478-1315  
Email: [swanriver@masc.mb.ca](mailto:swanriver@masc.mb.ca)





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