Benefit of AgriInsurance and AgriStability

AgriStability

The AgriStability program helps farmers manage income risk by providing assistance when their operating margins decline. By basing support on margins (operating income less operating expenses), it responds to changes in production, input costs and commodity prices.

Support is based on the reference margin (the average margin over the last five years, excluding the best and worst years) using a producer's actual results. If the margin for the year declines to less than 70% of the reference margin, a payment of 70% of the difference between the reference margin and the margin for the year is triggered.

AgriInsurance

The AgriInsurance program helps farmers manage income risk by providing assistance when production declines. By basing support on production (yield), it responds to losses in production of a particular commodity. It does not respond to changes in commodity prices or input costs.

Support is based on historical average production, generally with a quality guarantee and at a standard market price. If production for the year is less than the guaranteed amount, a payment is triggered.

Linkages between AgriStability and AgriInsurance

In AgriStability, AgriInsurance premiums are allowable expenses and AgriInsurance payments are allowable income, in both the current and reference years.

Imputing

If a producer's margin is negative, the negative portion of the margin decline is eligible for an AgriStability payment only if it could not have been covered by AgriInsurance at the 70% coverage level (70% of expected yield).

MASC reviews AgriStability applications from Manitoba producers having negative margins, and determines if there were any insurable crops grown that would have been in a claim position at 70% coverage. If there were, a deemed AgriInsurance net benefit (payment less premium) is "imputed", i.e. added to the producer's margin, and the AgriStability negative margin payment is reduced accordingly.

Example:

AgriStability Reference Margin		$100,000
AgriStability Margin		($20,000)
Total Margin Decline		$120,000
Margin Decline - Negative Portion	($20,000)	
Deemed AI Payment (70% coverage)	$15,000	
Less associated premium	($4,000)	
Deemed AI Net Benefit		$11,000
Revised AgriStability Margin		($9,000)
AgriStability Negative Margin Payment*		$6,300

**70% of the negative portion of the margin decline. The payment for the positive portion of the margin decline is not affected.*

In this example, some of the negative margin loss may also have been caused by declines in the livestock part of the operation.

Margin declines caused by yield losses in pasture are exempt from imputing.

The deemed AgriInsurance net benefit is not allowable income in AgriStability, so it will not increase a producer's reference margin.

Why participate in both AgriInsurance and AgriStability?

AgriStability provides whole-farm coverage.

AgriStability provides coverage for losses caused by rising input costs and declining commodity prices, in addition to production risks.

AgriInsurance coverage is crop specific, so a producer who does not have a whole farm margin decline may still have an AgriInsurance claim on one or more crops.

AgriInsurance covers 100% of loss below the guaranteed yield, whereas AgriStability pays 70% of the decline greater than 30% of reference margin.

AgriInsurance payments are allowable income in AgriStability, helping maintain and stabilize a producer's reference margin. Because producers do not pay the full cost of AgriInsurance premiums, over time continuous participation in AgriInsurance tends to increase AgriStability reference margins.

AgriInsurance claims are paid after harvest, whereas AgriStability claims are paid after the end of the fiscal year.

Both AgriInsurance and AgriStability can be used as security for cash advances under the Advance Payment Program.

AgriInsurance provides coverage against prevented planting due to excess moisture, reseeding benefit, forage establishment insurance, forage restoration benefit, and forage and pasture insurance.