Production INSURANCE for British Columbia

Forage Supply Coverage

NEW INSURANCE PRODUCT FOR 2009

Development:

- Production Insurance consulted with the BC Cattlemen's Association in the development of this new product.

What is "Forage Supply Coverage"?

- This is additional coverage that is offered to livestock producers to help protect against the financial impacts of high forage replacement costs caused by drought or other weather related losses.

Why purchase?

- For livestock producers a loss on their own farm usually means they must go out and purchase replacement feed. The cost of this replacement feed tends to increase when drought or shortages occur in their immediate area as well as their supply areas. **"Forage Supply Coverage"** is designed to provide a measure of relief against increased costs to source, purchase and transport this hay to feed livestock.

Eligibility:

- Only available for the Cariboo, Central Interior and Peace regions in 2009. Expansion into other regions for future years will be evaluated.
- "Forage Supply Coverage" is only available to ranchers and other livestock producers. They must intend to feed at least half of this forage production to livestock to qualify.
- Ranchers only need to purchase Production Insurance at the minimum level to qualify
- A livestock producer must first participate in Forage Production Insurance and then may elect to purchase "Forage Supply Coverage", as an option, to their existing insurance policy.

How It Works:

- **Coverage –** Production Insurance will pay producers an additional $40 per ton when losses are widespread enough to impact the price of replacement hay.
- **Claims -** are paid when production in the forage supply region falls below 60% of the <u>aggregate</u> probable yield (of all producers in the program) and the individual producer falls below 80% of their <u>individual</u> probable yield (PY). ($40 is paid for each ton below their 80% PY).
- **Illustration** - If for example, a livestock producer has a probable yield of 1000 tons and only 500 tons is produced their potential claim is:
  1000 tons * 80% = 800 tons – 500 tons = 300 tons * $40/ton = $12,000 claim.
  This claim amount is over and above any claim the grower receives from regular production insurance. If in this example, the producer had chosen the maximum coverage available from production insurance they would receive an additional claim of $18,000 for a total claim of $30,000.

How much does it Cost:

- **Premiums –** the cost for the producer is $0.48 per ton for 2009. (The regular premium is $0.96 per ton. However, in recognition of the difficult situation in the livestock sector and the current dry conditions in the Peace region this year, the Province will pay half of the grower premium. As a result, the net cost to livestock producers is 48 cents per ton for **<u>2009 only</u>**.)

Application Deadline:

- **NOVEMBER 30, 2008**.

If interested or for further information, please contact our office.