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Grain corn backgrounder

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Corn in its many types is a very important agricultural commodity that is widely cultivated throughout the world. As a staple crop, grain corn is valued for its ability to feed animals and is a major ingredient in the development of a wide range of commercial products from environmentally friendly plastics and adhesives to ethanol. About 60 per cent of the grain corn grown in Ontario is used for feeding livestock.

2012 crop conditions in Ontario

Many areas throughout Ontario are currently experiencing hot, dry weather, which could seriously affect this year's grain corn crop. Parts of Ontario are seeing rainfall well below normal for this time of year. Because rainfall during pollination is key, lack of rain during this critical stage of growth is a concern for many of Ontario's corn producers.

Weather and crop conditions vary widely across the province, within different regions and even within the same farming operation. The combination of high temperature and low precipitation is setting records in some locations. Some areas are experiencing good growing conditions. Corn will continue to be exposed to risk, and outcomes will not be known until after harvest.

Corn by the numbers

According to the Grain Farmers of Ontario, over 2 million acres of grain corn are grown in Ontario.

In 2011, Ontario producers harvested 285 million bushels of grain corn. The average yield for the province was 152 bushels per acre. Agricorp insured 1.4 million acres of corn totalling \$1.12 billion in liability. There were 1,488 claims for the year, resulting in claim payments of \$17.7 million for corn. For those producers insured by Agricorp, the average yield was 161 bushels per acre, ranging from 0 to 277 bushels per acre.

In 2012, Agricorp is insuring 1.6 million acres of corn. The amount of liability will not be determined until prices are set at the end of harvest. As of July 27, 2012, there were 1,203 damage reports for corn. Final claim amounts and details will not be known until after harvest.

Risk management programs

The majority of Ontario corn is covered by one or more business risk management programs designed to offer financial protection for producers in challenging situations. Ontario producers participate in the following programs delivered by Agricorp:

- AgriStability has 18,861 participants
- Production Insurance has 15,061 participants
- RMP: Grains and Oilseeds has 6,686 participants

How risk management programs work

The programs described below protect Ontario producers against many of the business and agricultural risks they face every day. By participating in multiple programs, producers take full advantage of the protection available. Producers could receive benefits from one or more programs in a given year.

Production Insurance

Production Insurance covers production loss and yield reductions caused by insured perils, including lack of rain. Production Insurance guarantees a level of production based on a producer's individual yield history and chosen coverage level.

When participants notice or suspect crop damage, they contact Agricorp to file a damage report. Agricorp assesses the damage and determines next steps, including whether or not a claim should be paid.

Plan details

Crops insured under the corn plan may be harvested as dry shelled grain corn, high-moisture whole-shelled, high-moisture ground-shelled, silage, cob corn and high-moisture ground cob.

The Production Insurance plan for corn is a yield-based plan, using each producer's individual average farm yield from the past 10 years. The producer's guaranteed production is based on their average farm yield and chosen coverage level. There are four coverage levels for corn: 75, 80, 85 or 90 per cent. The average coverage level for corn (weighted by acres) is approximately 87 per cent.

Producers choose a floating or a fixed claim price at the time of application or renewal. Most producers (85 per cent) choose the floating claim price to help with marketing and forward contracting. The floating claim price is set at harvest time and the fixed claim price is set at renewal time.

Production claims are paid when an insured peril causes the declared yield to fall below the guaranteed production. Claim amounts are based on the production shortfall multiplied by the claim price. Production Insurance also allows for the early harvest of stressed corn to be used as silage or feed.

For corn, claims are typically settled and paid after harvest, once the yield is known and floating claim prices are determined (by late November). In some cases, producers may choose to defer payment to the following year.

AgriStability

AgriStability covers margin declines caused by any combination of production losses, adverse market conditions, or increased costs. If a producer's margin falls below 85 per cent of their recent average, AgriStability helps to offset the difference.

Each year, participants submit forms showing their production, income and expense, and tax data for the year. If their production margin (income minus expenses) falls below 85 per cent of their reference margin (average production margin for the last five years), a payment is triggered.

Typically, payments are issued following the producer's fiscal year-end, after all forms are submitted. AgriStability participants who are experiencing financial distress can apply for an interim payment, which is an advance on their estimated final payment. Interim payments are processed on a priority basis before producers complete their fiscal year.

RMP: Grains and Oilseeds

The Risk Management Program (RMP) plan for grains and oilseeds helps offset losses caused by low commodity prices and rising production costs. Payments are made if a crop's market prices fall below the annual support level, which is based on the cost of production multiplied by the participant's chosen coverage level.

Payments are calculated and issued twice a year, in the fall and the spring, once pre-harvest and post-harvest market prices are set.

To participate in RMP, producers must also participate in AgriStability and Production Insurance. RMP payments are counted as an advance on the provincial portion of a producer's AgriStability payment. Because RMP is provincially funded, it has no impact on the federal portion of AgriStability payments.