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Forage backgrounder

July 2012

Forage consists of grass and legume plant species in either pure or mixed stands. This includes hay and pastureland, ranging from intensively managed pastureland to unimproved rough land. Forage is produced primarily to feed livestock such as cattle and sheep.

2012 crop conditions in Ontario

Many areas throughout Ontario are currently experiencing hot, dry weather, which could seriously affect this year's forage crop. Parts of Ontario are seeing rainfall well below normal for this time of year. Because adequate rainfall is key to forage production, lack of rain is a concern for many of Ontario's forage 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.

Forage by the numbers

In 2011, Agricorp insured 357,000 acres of forage totalling \$38.3 million in liability. There were 256 claims for the year, resulting in claim payments of approximately \$1.5 million for forage.

In 2012, Agricorp is insuring 344,000 acres of forage totalling \$38.2 million in liability. Claim amounts and details will not be known until after August.

Rainfall data is collected from 350 rainfall collection stations across Ontario.

Risk management programs

About 1,400 Ontario forage producers participate in Production Insurance, one of several business risk management programs designed to offer financial protection for 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

The Production Insurance forage rainfall plan provides protection against excess rainfall during first cut and/or insufficient rainfall during May, June, July and August. Producers can select one or both options depending on their risk management needs.

The forage plan is based on rainfall data collected by a professional weather service from a network of 350 rainfall collection stations across Ontario. Producers can select a station in the geographical township where they produce forage or in an adjacent geographical township. Daily and monthly rainfall caps are applied to the rainfall data.

Producers work with Agricorp staff to determine the value of their hay and pasture. Producers can choose the amount of coverage from a minimum of \$2,000 up to the total value of forage they produce.

For the insufficient rainfall option, if the measured rainfall at the rainfall station is less than 80 per cent of the long-term average rainfall for the area, a claim may be paid. The claim calculation takes into account the additional costs required to purchase and transport replacement forage. Producers can choose from four plan options that offer a choice of rainfall weightings to suit individual farm types, management practices and forage needs.

The excess rainfall option protects against excess rainfall during the chosen harvest period. Producers choose the 10-day harvest period in which they typically harvest first cut hay or haylage as well as the rainfall threshold. If there are no consecutive five-day windows in the intended harvest period with less rainfall than the chosen threshold, a claim will be paid. Claims will be automatically calculated and are 35 per cent of the chosen coverage amount.

With both options, producers do not need to contact Agricorp to make a claim. After the rainfall data collection period, Agricorp sends producers a rainfall report for their chosen rainfall station. The report details any applicable claims, which are based on the coverage amount and option. If a claim is payable, the cheque will be included with the report. Excess rainfall reports and claim payments are mailed in mid-August and insufficient rainfall reports and claim payments are mailed in mid-September.

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.