

The insurable value represents the monetary value of the insured crop. It varies according to the insured units and the unit price. Depending on the producer's preference, the insured units correspond either to a quantity produced (for the "acreage" option) or to a quantity based on the herd's feed requirements. In both cases, the insured units are expressed in kilograms.

## CALCULATING THE INSURABLE VALUE

### Step 1 - Calculating Insured Units (kg)

"ACREAGE" OPTION	"FEED REQUIREMENTS" OPTION																										
<p>With the "Acreage" option, the insured units are determined by the area's reference yield, expressed in kg/ha, and the number of hectares of hay the producer grows.</p> <p>The reference yield is calculated based on the usual long-term yield, given the available statistics or any other data that La Financière agricole du Québec deems relevant. The reference yield is determined according to each area covered by a weather station:</p> <p style="text-align: center;"><i>Insured units = Reference Yield x Acreage</i></p> <p>For example, a producer is in an area where the reference yield is 3,000 kg per hectare. He grows 50 hectares of hay. Therefore, the number of insured units will be:</p> <p style="text-align: center;"><i>Insured units = 3,000 kg/ha</i> <i>x 50 ha = 150,000 kg, i.e., 150 tonnes</i></p>	<p>With the "Feed Requirements" option, the insured units are determined based on the quantity of forage required to feed the producer's herd for the entire year. It has been established that one <u>animal unit</u> consumes 5,300 kg per year, which is equivalent to the consumption of a mature beef cow or bull. From this amount, a ratio is determined for each type of animal based on its average feed consumption. For example, a mature dairy cow is equivalent to 1.4 animal units in terms of feed consumption. The ratios are listed below:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2" style="text-align: center;">Equivalent Animal Units</th> </tr> </thead> <tbody> <tr><td>1 mature cow (dairy)</td><td style="text-align: right;">1.4</td></tr> <tr><td>1 horse or 1 bison</td><td style="text-align: right;">1.2</td></tr> <tr><td>1 mature cow (beef) or 1 bull</td><td style="text-align: right;">1.0</td></tr> <tr><td>1 bred heifer (18 to 30 months)</td><td style="text-align: right;">0.8</td></tr> <tr><td>1 female or male cow-calf (1 to 2 years)</td><td style="text-align: right;">0.6</td></tr> <tr><td>1 female or male cow-calf (0 to 1 year)</td><td style="text-align: right;">0.2</td></tr> <tr><td>1 slaughter steer</td><td style="text-align: right;">0.5</td></tr> <tr><td>1 foal</td><td style="text-align: right;">0.4</td></tr> <tr><td>1 sheep or 1 goat or 1 deer</td><td style="text-align: right;">0.2</td></tr> <tr><td>1 sow or 1 fallow deer</td><td style="text-align: right;">0.1</td></tr> <tr><td>1 hog</td><td style="text-align: right;">0.1</td></tr> <tr><td>1 rabbit</td><td style="text-align: right;">0.005</td></tr> </tbody> </table> <p>To determine the number of animal units in a herd, simply multiply the number of heads in the herd by the equivalent animal unit defining the animals in the herd. This number is then multiplied by 5,300 kg and by the proportion of the insured crop that makes up the animal unit ration for one year:</p> <p style="text-align: center;"><i>Total feed requirement = Number of heads x Equivalent Animal Unit x 5,300 kg x Proportion of the ration's insured crops</i></p> <p>For example, a producer has 40 lactating cows, equivalent to 56 animal units (1.4 x 40), and 10 bred heifers, equivalent to 8 animal units (10 x 0.8). In all, the producer therefore has 64 animal units (AU). His herd is fed only one type of forage. Therefore, his feed requirement for one year will be:</p> <p style="text-align: center;"><i>Feed requirement = 64 UA x 5,300 kg/UA</i> <i>x 100% = 339,200 kg of hay or 339.2 tonnes</i></p>	Equivalent Animal Units		1 mature cow (dairy)	1.4	1 horse or 1 bison	1.2	1 mature cow (beef) or 1 bull	1.0	1 bred heifer (18 to 30 months)	0.8	1 female or male cow-calf (1 to 2 years)	0.6	1 female or male cow-calf (0 to 1 year)	0.2	1 slaughter steer	0.5	1 foal	0.4	1 sheep or 1 goat or 1 deer	0.2	1 sow or 1 fallow deer	0.1	1 hog	0.1	1 rabbit	0.005
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## Step 2 – Selecting a Unit Price

The unit price corresponds to the value attributed to a unit produced (\$/t). It is calculated by La Financière agricole du Québec using reliable sources (examples: Centre de référence en agriculture et agroalimentaire du Québec [CRAAQ], Centre d'études sur les coûts de production en agriculture [CECPA], Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec [MAPAQ]) and represents the costs incurred by the producer until harvest.

The participant must select a unit price option of either 100%, 80% or 60% of the unit price. For example, if the unit price for hay is \$157.00/t at 100% under conventional management, and the participant selects the 60% option, then the calculation of insurable value will be made using a price of \$94.20/t.

## Step 3 – Calculating the Insurable Value

To determine the insurable value, the number of insured units is multiplied by the unit price that was selected:

$$\text{Insurable Value} = \text{Number of Insured Units} \times \text{Unit Price}$$

Let's take the example of the producer insured on the basis of food requirements whose insured units are 339.2 tonnes. This producer selected the 60% of the unit price option at (\$94.20/t). Consequently, his insurable value will be

$$\text{Insurable value} = 339.2 \text{ tonnes} \times \$94.20/\text{t} = \$31,952.64$$

## Step 4 – Calculating the Insured Value

To determine the insured value, multiply the coverage option the participant selected (85%, 80%, 75% or 70%) by the insurable value:

$$\text{Insured Value} = \text{Coverage Option} \times \text{Insurable Value}$$

Again, let's take the example of the producer insured on the basis of food requirements whose insured units are 339.2 tonnes. This producer has selected the option of insuring 70% of his insurable value. His insured value will therefore be

$$\text{Insured value} = 70\% \times \$31,952.64 = \$22,366.84$$

