

FARM INCOME STABILIZATION INSURANCE PROGRAM

Cow Calves – 2015

GENERAL PRINCIPLES

Compensation: Program intervention when the selling price is lower than the stabilized income.

Compensation = Stabilized income - Average selling price

The payment of compensation is limited to the maximum total of all products covered for each fiscal period. Should that amount be exceeded, a reduction in compensation will be applied to all the products.

Insurance year: January 1 to December 31.

Stabilized income: production cost including 90% of the wages of 0.966 operator-owner. It excludes earnings on equity, farm insurance contributions and contributions for other risk management programs.

Production cost: that of a specialized farm type whose parameters and expenses are indexed annually.

Selling price: average of the prices obtained at specialized auctions for cow calves weighting between 136.1 kg (300 lb) and 499 kg (1,100 lb), regardless of non-standard and or off-types. La Financière agricole determines the average selling price using a statistical survey conducted among operations making sales through specialized auctions.

Link between Farm Income Stabilization Insurance (ASRA) Program and AgriStability, AgriInvest and Agri-Québec:

- Compensation payments made in the framework of the ASRA program take into account payments granted under the AgriStability and AgriInvest programs or under any government risk management program involving farm income;
- ASRA compensation payments for those who do not participate in AgriStability are reduced by 40%;
- The eligibility under Agri-Québec for products covered or associated with ASRA was suspended in 2014.

FARM TYPE

Farm with 115 beef cows and 216 hectares of crops.

The annual marketed production volume is 27,734 kg in 2010.

The average weight of calves at sale is 304.1 kg (670 lb).

ELIGIBILITY

- ♦ Be domiciled in Québec.
- ♦ Be the owner of the animals that were raised in Québec, and have the insurable interest, i.e. assume the risks related to lower market prices or higher production costs.
- ♦ Marketed calves must have been born in Québec and be the offspring of the female breeders owned by the participant at the time of calving.
- ♦ Cumulate a minimum of 2,092 kilograms of calves sold on a live basis annually. This minimum must be respected even if the producer participates in the program or terminates its participation during the insurance year.
- ♦ Insure all insurable female breeders and calves that the participant owns.
- ♦ Participate in the Program for the product Cow Calves for a period of five years

- ♦ No enrolment deadline. However, the date that marks the beginning of the enrolment period corresponds to the date that all documents required for registration are received.

CROSS COMPLIANCE MEASURES

When the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques (MDDELCC) transmits information to La Financière agricole establishing that the participant did not submit, for a given year, a compliant phosphorus report, as stipulated in the Règlement sur les exploitations agricoles (REA), the consequences are as follows. All compensation to which the participant is entitled under the program is reduced by 25% for all of the participant's insured products, for the insurance year targeted by the defaulting report, without a decrease in contribution. This reduction is limited to a maximum of \$50,000 for all payable compensation.

However, if the participant defaults a second consecutive year, he/she will be denied the right to all compensation for this second insurance year, on all of the insured products.

The provisions related to the phosphorus report concern all the raising or spreading sites owned, leased or on which the operation custom produces. It targets all the operation's productions, whether or not they are covered by a program at La Financière agricole.

For more information on the requirements related to the phosphorus report, participants should consult an agrologist or the regional office of the MDDELCC.

CONDITIONS FOR PARTICIPATION

The participant must identify, by the deadlines, his animals using numbered tags intended for bovine production, recognized under the Regulation respecting the identification and traceability of certain animals. At no time may participants remove the tag of an animal already identified.

The participant must provide Agri-Traçabilité Québec inc. (ATQ) with the required traceability information for all of the insured animals at the moment of their birth, purchase or death.

Exit Declaration

The participant must report to the ATQ, after the sale of an animal to a buyer not recognized as an actual weight source by Financière agricole, the tag number of each animal identified, according to conditions and deadlines similar to those prescribed by the Regulation respecting the identification and traceability of certain animals, the sex, exit date, site number where the animal is from and, when the information is known, the contact information of the operation that will continue raising the animal and the destination site number.

If a participant fails to comply with these conditions, he will have to pay, as an administrative fee, an amount equal to the contribution that would have been due for the animals involved.

EVALUATION PROCEDURES FOR INSURABLE VOLUME

Insurable Animals

La Financière agricole determines the insurable volume based on:

- ♦ the number of kilograms of calves sold;
 - the actual weight available on a live weight basis;

- when the actual weight is not available, the estimated weight calculated on the basis of 0.9 kg a day starting on the animal's date of birth multiplied by the calf's age at the time of the sale, to which is added 42 kg to take into account the birth weight. The estimated weight cannot exceed 204.1 kg (450 lb).

- ♦ the number of beef-type female breeders in inventory, 22 months old or over.

When calculating compensation advances, the insurable volume (production estimate) of kilograms of calves sold is established by using the births reported to the ATQ and the actual sales of the year in question.

Female breeders are females of at least 22 months of age and that must have been owned by the farming operation for at least six months prior to being subject to a transaction. Only the period during which the female breeders are kept in Québec will be taken into account.

Only the information relating to the actual weight of calves obtained from a source recognized by La Financière agricole and agreed upon by the ATQ is considered to determine insurable volume; otherwise, the weight is estimated according to the parameters of the Program.

The allowable weight for a calf that is sold may not exceed 340.2 kg (750 lb) and only calves whose sales weight is at least 204.1 kg (450 lb) are included.

A calf may be considered sold only once and associated with a single participant. In addition, an animal may not be considered both on the basis of kilograms of calves sold and as a female breeder in inventory for a same participant.

Any kilograms of calf associated with an animal born on the participant's farm that was sold and bought back for breeding purposes by the participant, or purchased by an operation that has ties with that participant, are not eligible.

Animals slaughtered for contract in a transitory or local slaughterhouse, those marketed on a live basis directly to consumers and those carcass entirely condemned are not insurable.

In the event that the total insurable volume of all participants for the insurance year in question exceeds the collective insurable limit of 234,000 female breeders in inventory, established on the basis of the data held by the ATQ, the unit compensation and the year's unit contribution will be adjusted by applying a ratio resulting from the division of the collective insurable limit by the total number of female breeders of all participants for the year in question.

Inventory

The insurable volume is determined after the permanent identification information has been gathered in the participant's file at ATQ.

La Financière agricole may, at any time, conduct a verification of the insurable volume. All the information gathered during such a verification will be used over any other information received by ATQ.

When La Financière agricole notes, after verification, that the number of insurable units evaluated based on information from the ATQ is different from the units held or marketed by the farming business, the insurance will cover the insurable units resulting from this verification. The participant must pay, as an administrative fee, an amount equal to the share of the contribution due on the defaults observed.

GENERAL

Financing of the Premium

One third of the premium comes from the participants and two thirds of the premium comes from La Financière agricole.

For participants whose insurable volume exceeds 351 female breeders or 95,935 kg of calves sold, 50% of the premium comes from participants and 50% from La Financière agricole for the volumes exceeding those thresholds.

Any new participant affiliated with an operation that, as of November 11, 2009, had an insurable volume exceeding 351 female breeders or 95,935 kg of calves is subject to the terms described in the above paragraph, but on all the insured units for the product Cow Calves.

Participant Contribution

The share of the premium coming from participants, or the required contribution, is deducted from the first compensation advance for the year. If need be, any remaining contribution is deducted from a later payment or recovered, at the latest, prior to the final payment for the insurance year in question. For a new participant, however, half of the estimated contribution is due upon enrolment.

Reduction in Contribution

Any farm operator qualifying a participant for an establishment grant under the Financial Support Program for Aspiring Farmers at La Financière agricole du Québec, makes it possible for the participant to benefit from a 25% reduction in his or her contributions, up to \$50,000 annually for all insured product. The reduction applies for two consecutive years.

To be entitled to the reduction, the participant must remain eligible for the establishment grant for the full period of the insurance year in question. From the time the establishment grant is confirmed, the participant has two years in which to apply for the reduction in contribution.

Administrative Fee

The participant must pay annual administrative fees for each insured product or category of product in accordance with the "*Règlement sur les frais exigibles par La Financière agricole du Québec*".

These fees may be indexed annually.

Breakdown of Compensation

The compensation calculated for the farm type will be broken down as follows:

- ♦ Three quarters of the compensation on the number of eligible kilograms of calf sold;
- ♦ One quarter of the compensation on the number of eligible female breeders.

Compensation

The final compensation is paid no later than April 30 following the end of the insurance year.

La Financière agricole might pay compensation advances throughout the insurance year.

Entitlement to compensation is conditional on the payment by the participant of any contribution due according to the Plan conjoint des producteurs de bovins du Québec. La Financière agricole may deduct, from compensation payments it makes, the contributions due by participants to their joint plan.

APPLICATION FOR REVIEW

Any request for a review of a final decision rendered regarding a participant's insurance file must be made in writing, explaining the motives behind the request, and sent to the Service Centre in charge of the participant's file or delivered in person to a representative of La Financière agricole within ninety days from the date of the decision in question. However, program conditions and parameters or program premises, the results of collective appraisals for crop insurance losses and exclusion from programs for motives provided for in the programs may not be subject to a request for a review.

This summary, in effect for the 2015 insurance year, in no way takes precedence over the provisions of the program of the regulation in effect or of any policy of La Financière agricole.