

FARM INCOME STABILIZATION INSURANCE PROGRAM

Hogs – 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 1.48 operator-owner. It excludes earnings on equity, farm insurance contributions and contributions for other risk management programs.

Production cost: that of a farm type specializing in the production of hogs using a farrow-to-finish production method, whose parameters and expenses are indexed annually.

Selling price: average of the prices having prevailed in Québec for specialized businesses having similar characteristics to the model.

For the products Piglets and Hogs, compensation is calculated for the production of hogs marketed by the farrow-to-finish type farm. Compensation is then broken down with 35% allotted for the product Piglets and 65% for the product Hogs.

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 1,891 hogs, farrowing on average 3.0 times a year.

The annual production is 5,672 hogs sold.

The average weight of piglets entered for feeding is 26.4 kg (58 lb).

The average weight of hogs at slaughter is 100.2 kg (221 lb) on a carcass weight basis.

ELIGIBILITY

- ♦ Be domiciled in Québec.
- ♦ Be the owner of the animals that were fed in Québec, and have the insurable interest, i.e. assume the risks related to lower market prices or higher production costs.
- ♦ Cumulate annually an insurable minimum of:
 - 46,000 kg of hog sold (on a carcass weight basis) or;
 - 38,000 kg (on a carcass weight basis) when the participant is also insured for the product Piglets and respects the required minimum of 23 sows (including replacement females) for the insurance year in question.

This minimum must be respected even if the producer participates in the program or terminates its participation during the insurance year.

- ♦ Insure all insurable hogs that the participant owns.
- ♦ Participate in the program for the product Hogs 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

Hogs intended for slaughter must be marketed under the supervision and direction of the Éleveurs de porcs du Québec, in accordance with the Règlement sur la production et la mise en marché des porcs.

EVALUATION PROCEDURES FOR INSURABLE VOLUME

Insurable hog: hog sold as a slaughter hog.

To be insurable under the product Hogs, piglets entering into a feeding operation during the insurance year, or from January 1 to December 31, must be born in Québec.

The insurable volume is based on the number of kilograms (net carcass weight) of hog whose hot carcass weight is greater than or equal to 65 kg (143 lb) and that were slaughtered between January 1 and December 31 of the year. These data come from the marketing department of the Éleveurs de porcs du Québec.

Hogs for breeding are not insurable.

Similarly, hogs slaughtered for contract, hogs marketed on a live or carcass basis directly to consumers, and also hogs whose whole carcass is condemned, except if the buyer is responsible for the condemnation, are not insurable.

In the event that the number of hogs used to establish the insurable volumes of all participants for the insurance year in question exceeds the collective insurable limit of 7,600,000 hogs, 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 number of hogs used to establish the insurable volume of all participants for the year in question.

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 1,152,119 kg of hog sold (net carcass weight), 50% of the premium comes from participants and 50% from La Financière agricole for the volumes exceeding that threshold. However, the share of the premium associated to the accumulated deficit, as of March 31, 2010, will continue to be financed based on a 1/3 - 2/3 ratio.

Any new participant affiliated with an operation that, as of November 11, 2009, had an insurable volume exceeding 1,152,119 kg of hog sold (net carcass weight), is subject to the terms described in the above paragraph, but on all the insured units for the product Hogs.

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 products. 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.

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.

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.