

FARM INCOME STABILIZATION INSURANCE PROGRAM

Milk-Fed 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 1.174 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: based on the higher of these two prices: the price established by the pricing committee at the Fédération des producteurs de bovins du Québec (FPBQ) and the average of the reference prices published by the United States Department of Agriculture (USDA).

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 that feeds 776.8 milk-fed calves and sold at an average hot carcass weight of 122.11 kg without the hide.

Cultivate an area of 25 hectares.

The annual production volume marketed is 94,859 kg (hot carcass weight without the hide).

The operation produces 2.28 animals per year.

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 a minimum of 70 insurable milk-fed calves every insurance year. This minimum must be respected even if the producer participates in the program or terminates its participation during the insurance year.
- ♦ Insure all insurable milk-fed calves that the participant owns.
- ♦ Participate in the program for the product Milk-Fed 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 milk-fed calves using numbered tags intended for bovine production, recognized under the Regulation respecting the identification and traceability of certain animals. Animals must wear these tags until they are slaughtered. At no time may participants remove the tag of an animal already identified.

The participant must declare the calves thus identified within a period not exceeding 21 days from the date of entry of the calves into the livestock operation. Failure to comply with the expiry date will entail a reduction in calculating the compensation, at a rate of 2% of the number of insurable calves concerned per day late up to 40%. The reduction may not be greater than 20% of the annual eligible volume or \$5,000.

However, the participant's default leads to the payment, as administrative fees, of an amount equal to the share of the contribution that would have been due on the entire annual insurable volume.

Milk-fed calves intended for slaughter must be marketed under the supervision and direction of the Fédération des producteurs de bovins du Québec, in accordance with the Règlement sur la production et la mise en marché des veaux de lait.

EVALUATION PROCEDURES FOR INSURABLE VOLUME

Insurable milk-fed calves: dairy-type calves fed principally on milk replacer, raised inside a livestock building and intended to be slaughtered as beef-type calves at a hot carcass weight without the hide of at least 64 kg (141 lb) and at the most 161 kg (355 lb), and that will start being raised in Québec 72 hours, at the most, after the departure from the birth place.

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.

The insurable volume is based on the number of milk-fed calves identified with a tag and slaughtered in a slaughterhouse holding a slaughter permit.

In the event La Financière agricole cannot use or does not receive the slaughter data provided for in the above paragraph, the participant must send the information or proof required to normalize his file later than October 31, following the end of the insurance year concerned.

Milk-fed calves products not meeting the standards established by the Règlement sur la production et sur la mise en marché des veaux de lait, are not insurable.

The period between the date of entry into the livestock operation and the slaughter date must be between 85 and 170 days. The period includes the days spent in all production sites in Québec.

The participant must inform La Financière agricole if a calf wearing an ear tag ceases to be fed principally with replacer milk.

In the event that the total insurable volumes of all participants for the insurance year in question exceeds the collective insurable limit of 159,000 milk-fed calves, 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 insurable units of all participants for the year in question.

The number of calves slaughtered outside Québec during an insurance year cannot exceed 15% of the total number of insurable calves sold by participants during this same year. In cases where the limit is exceeded, the calves exceeding this percentage will be attributed to participants for whom some or all of their calves were slaughtered outside Québec, on a pro rata basis of their insurable calves slaughtered outside Québec. Participants will lose their right to any compensation for the excess calves. No contribution is required for these calves, but participants must pay, as an administrative fee, an amount equal to the contribution that would have been due for these animals 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 2,330 milk-fed calves, 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 2,330 milk-fed calves is subject to the terms described in the above paragraph, but on all the insured units for the product Milk-Fed Calves.

Starting on July 1, 2015, the modulation of the premium (50% participant – 50% government) planned for large-scale businesses will be applied to participants whose insurable interest has not been demonstrated, that is, those who receive the equivalent of a lump-sum payment per calf produced. This provision will be applied based on the adjustments that will be made to the production method of Québec milk-fed 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 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.

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.