AgriStability Program Changes

What to Expect for the 2013 Program Year

Canada

SCIC SASKATCHEWAN CROP INSURANCE CORPORATION

AgriStability *How it works and what is changing?*

AgriStability is a margin-based program which allows producers to protect their farm operations against large declines in farm income. A program payment is triggered when a producer's margin (allowable revenue less allowable expenses) in the program year drops below their average margin from previous years (reference margin). Governments will continue to provide a share of the lost income.

As a result of changes agreed to in the Growing Forward 2 framework agreement, the support offered through AgriStability for the 2013 program year will be lower than in previous years. The cost for producers to participate has also been lowered. AgriStability will still provide support in disaster situations.

Review your Business Risk Management Protection

Producers continue to have access to a comprehensive suite of business risk management programs:

- AgriStability
- AgriInsurance (Crop Insurance)
- AgriInvest
- AgriRecovery

Changes announced in Growing Forward 2 have impacted the support and coverage offered through this suite of programs. **For the 2013 program year, it is important producers review the protection they have and make adjustments to fit their risk protection needs.**

What is Growing Forward 2 and why is it impacting AgriStability?

On September 14, 2012, federal, provincial and territorial Ministers of Agriculture reached agreement on the five-year Growing Forward 2 policy framework, which will come into effect on April 1, 2013.

Growing Forward 2 is a renewed commitment to Canada's agriculture sector by the federal, provincial and territorial governments, to work together in building the productivity, profitability and competitiveness of our agricultural industry.

Growing Forward 2 focuses on three priorities for the agricultural sector: innovation, competitiveness, and market development. Governments continue to deliver a complete and effective suite of Business Risk Management programs through Growing Forward 2 to ensure farmers are protected against severe market volatility and disasters. The programs work together by providing protection for different types of losses. Producers are encouraged to review the coverage they have through these Business Risk Management programs.

AgriStability – Continues to be margin based providing assistance for larger income losses. Reforms were made to ensure AgriStability responds to disaster situations without providing benefits when operations are still profitable. Changes include 70 per cent margin coverage, harmonized compensation rates, limited reference margins and lower program fees.

Crop Insurance – Crop Insurance Coverage has not changed under Growing Forward 2. Producers continue to have protection for crop production losses related to natural perils.

AgriInvest – A producer and government funded savings account to address income declines, make investments or manage risk. Changed to provide matching funds from government at one per cent of allowable net sales.

AgriRecovery – Governments can use AgriRecovery programs to respond quickly to natural disasters and provide coverage that does not exist under other programs.

*All changes that have been agreed to under GF2 come into effect for the 2013 program year. Until then the existing program rules remain in effect for the 2011 and 2012 program years.

Access more information about the AgriStability Program changes for 2013 by:

- Going to www.saskcropinsurance.com/agristability
- Contacting the AgriStability Call Centre at 1-866-270-8450
- Visiting your local SCIC customer service office

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AgriStability Changes for 2013 Program

Triggering a Benefit · Compensation Rates · Reference Margins · Reduced Program Fees

Triggering a Benefit

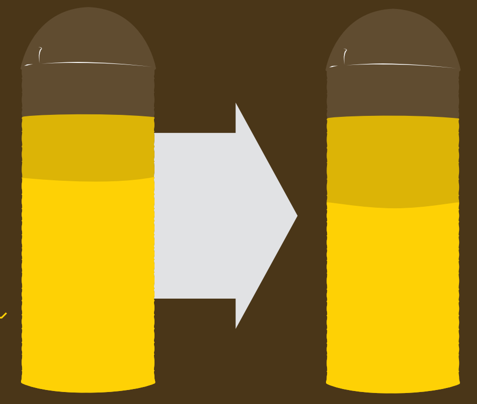
AgriStability will now provide assistance when a participant's margin falls below 70 per cent of their reference margin.

Previously participants received a benefit when their margin fell below 85 per cent of their reference margin or dropped more than 15 per cent. In 2013 your current year margin will need to be 30 per cent below your reference margin to access program benefits.

2012 Program

Decline required to be greater than

85%



2013 Program

Decline required to be greater than

70%

Compensation Rates

Under the previous agreement, payments were based on a tiered system providing different levels of government support depending on the degree of margin loss. **A producer's payment will be based on the same level of government support (70 per cent), regardless of the extent of margin loss, including negative margins.**

70¢ for every dollar in margin lost

Reduced Program Fees

AgriStability Program fees will be adjusted to reflect the reduced coverage. Fees will now be calculated based on a 70 per cent coverage level, not the 85 per cent level which is currently applied.

	Contribution Reference Margin	Fee Rate	Coverage Level	AgriStability Fee	Administrative Cost Share	Total AgriStability Fee
2012 Fee	$224,000.00	0.45%	85%	$856.80	$55.00	$911.80
2013 Fee	$224,000.00	0.45%	70%	$705.60	$55.00	$760.60

2013 Reference Margins Calculation

A participant's reference margin (support level under the program) will be **limited to the lower of their historical reference margin or allowable expenses.**

	Calculation Using Reference Margin	Calculation With Limited Reference Margin Using Allowable Expenses
Reference Margin	$150,000	$150,000
Allowable Expenses	$180,000	$100,000
Program Year Margin	$0	$0
Reference Margin for Payment Calculation	$150,000	$100,000
Payment Trigger Level (30% margin decline)	$105,000	$70,000
AgriStability Payment (70% of margin loss)	$73,500	$49,000