

RESOLUTION 3-24
CREATION OF LIVESTOCK PRODUCTION INSURANCE

WHEREAS: livestock operations, especially cow calf operations, fall through the cracks on certain business risk management programs like AgriStability and Wildlife Predator Compensation Program; and

WHEREAS: the current business risk management programs do not address in year losses and do not protect from extraordinary losses that occur from extenuating circumstances or abnormal cost of doing business losses; and

WHEREAS: AFSC offers Crop Production Insurance which caps production losses, but does not provide a similar option for Livestock.

THEREFORE BE IT RESOLVED
THAT ALBERTA’S AGRICULTURAL SERVICE BOARDS REQUEST

That the Minister of Agriculture and Irrigation work with AFSC and consult stakeholder groups in the livestock sector to develop a new Livestock Production Insurance Program or other suitable program.

SPONSORED BY: County of Northern Lights

MOVED BY: _____

SECONDED BY: _____

CARRIED: _____

DEFEATED: _____

STATUS: Provincial

DEPARTMENT: Alberta Agriculture and Irrigation

BACKGROUND INFORMATION

“You never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete” - Buckminster Fuller

Summary Points:

- No production loss insurance exists in the livestock sector like in crops.
- AgriStability uptake has been horrible and simply does not work in sectors like cow calf operations.
- Gross margin insurance like AgriStability does not necessarily catch lost income from production losses and does not capture in year losses.
- A new program beyond AgriStability, Livestock Price Insurance, and Wildlife Predator Compensation Program is needed to capture in year production and revenue losses.
- It is our opinion, a new program mimicking the Crop Production Insurance Program from AFSC could be adapted to fit the Livestock Sector and would allow producers, who chose, to insure their production risk by paying an insurance premium.
- Crop Insurance allows a farmer to insure price and weight per acre for production loss. Why can't a rancher insure price and weight per animal for production losses as well?
- This is a complex issue and if you do not fully understand we are asking for your vote to at least have the issue presented and get people collaborating on a new tool for livestock producers.

A producer ranches a 215 cow calf operation and usually expects to market ~200 live calves come fall. This year with the neighboring fires that same producers had more pneumonia/disease issues and predation due to neighboring fires crowding predators in. In a normal year that producer loses 5-7% of the calf crop from disease, abortions, still births, other losses and maybe 1-3 calves from predators. This year the producer lost his normal 5-7%, plus battled pneumonia and other disease arising from the fires/smoke adding to another 3-5 deaths and an additional 20-30 missing/dead calves from increased predators. They may find 5-10 calves to attempt compensation under the Wildlife Predator Compensation Program with less than 50% of them being paid out confirmed or probable. They may find a few others they doctor and save. Now after weaning, feeding and shipping the total death loss on a year like this could be as high as 25% of the 2023 calf crop, much above the standard 5-10% avg.

In a normal year AgriStability **may** catch that production loss, but in 2023 projected calf prices are projected well over \$4.00/lbs for 500 weight calves vs \$2.00/lbs a year ago. In a normal year this is something to be very happy about, but because of the higher price the gross margin in 2023 will be higher than previous years, but there will be no compensation for the loss in production and the extra value the producer would have received to pay past debts, future growth and expansion is gone. That producer is out a potential \$4.00/lbs x 25% of 215 potential calves x 500 lbs April born calves weaned in October equals a potential loss of \$107,500.00 with next to zero way to insure that in year loss. That \$107,500.00 will never be accounted for, never invested for growth and never saved for the next downturn. It would be beneficial to have a way to insure this potential production revenue loss. Increased predator attacks are just one brief example of extraordinary production and revenue losses that can be felt by a livestock producer. Others include, but are not limited to, disease, adverse extreme weather, price collapse and inflation. Other scenarios will exist across other species of livestock, this is but one example.

Cow Calf producers have next to no way to insure for production losses and in year revenue losses. Livestock Production Insurance similar to Crop Production Insurance could provide that ability. Crop Production Insurance basically insures weight and price per acre for insured losses that never get to market, why can't we insure animal production for price and weight per animal that never get to market?

We know Livestock and Crops are different, but we are asking for Alberta Agriculture and Irrigation to collaborate with AFSC and other stakeholders to explore creating a simple, effective way to insure Livestock Production analogous to Crop Production to allow producers to insure, keeping that investment on their operations. If there is any question to whether or not this is necessary, on your drive home look at the difference in the level of investment in farms vs ranches across the country. We are not asking for special treatment, just the same options to insure production loss.

Another option would be to look at the Livestock Indemnity Program operated by the USDA, it provides benefits to eligible livestock owners or contract growers for livestock deaths in excess of normal mortality caused by eligible loss conditions, including eligible adverse weather, eligible disease and attacks by animals reintroduced into the wild by the federal government or protected by federal law, including wolves and avian predators. In addition, LIP provides assistance to eligible livestock owners that must sell livestock at a reduced price because of an injury from an eligible loss condition.

AgriStability payments usually occur 6-24 months or longer after the shortfall occurs and do little to address in year losses providing cash flow and financial support when needed, resulting in increased culling and sale of assets to meet cashflow shortfalls. Even with the changes to AgriStability re-uptake has been dismal, it is time to think of new ideas.

Why Choose AgriStability?

- Whole farm protection – AgriStability protects your farm income based on all of your commodities.
- Unique coverage – Your coverage is based on your own farm history.
- Payments in times of financial distress – Provides assistance to producers who experience margin declines greater than 30 per cent due to production loss, adverse market conditions and increased costs.

- Access to other credit options and programs – AgriStability can give you access to credit options such as the Advance Payments Program (APP), which provides cash advances through various farm commodity organizations.
- Affordable coverage – AgriStability is a low-cost risk management program available to all producers.

AgriStability is designed to help producers protect their farming operations from income decline. Program participants cannot receive full AgriStability payments until the program year is complete. However, by applying for an interim advance you may receive a portion of the estimated benefit early.

Scenario 2023-2024:

- <https://afsc.ca/income-stabilization/agristability/>
- <https://afsc.ca/crop-insurance/>
- https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/FactSheets/2023/FSA_LIP_LivestockIndemnityProgram_Factsheet_2023.pdf