

Points of View

A forum for sharing perspectives from across the Canadian Sheep Industry



CANADIAN SHEEP FEDERATION

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Question: Are sheep producers interested in production insurance?

Instead of tackling a myth this month, we thought we'd start a dialogue around sheep production insurance?

Production insurance isn't new to agriculture. It's an integral part of the crop industry, but it's fairly unique to the livestock sector. CSF introduced the Bluetongue (BT) Insurance Program for Sheep in 2007. It offers producers compensation for losses due to BT. The CSF has an opportunity to work with the Private Sector Risk Management Program of Agriculture and Agri-Food Canada on another insurance program for sheep producers. The question is – are producers interested and willing to pay for production insurance?

In our April issue of Points of View, we featured an interview with Deborah Whale, a board member on the Ontario Livestock and Poultry Council and an advocate for production insurance. In her opinion, "It is extremely important for livestock/poultry producers to be able to insure their operations against major threats to their viability." Whale also added "There is no government on earth that can afford to assume the costs of ongoing disease outbreaks in its livestock industry. Equally, there is no producer who wishes to be exposed to the potential for a disease to wipe out his/her livelihood. Therefore, the best solution is to develop affordable commercial insurance products, similar to what has been done in the crop industry."

- Do you agree with this viewpoint expressed by Deborah Whale?
- Are you interested in production insurance for your flock?
- What would you be willing to pay money to be insured for? What would you want to be covered? Price? Production diseases (C. Ovis, abortion)? Predation? Mortality? Weather? Reportable diseases?
- What type of insurance would help you sleep better at night?

We haven't yet received any contributions on this topic, but we know there is a lot of opinion out there. Fortunately, there's more time to get in the dialogue. Write to me directly or via pointsofview@cansheep.ca and we'll share your thoughts in the next issue.

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P.S. Turn to pages 5-6 to read about price insurance – an initiative by the American Sheep Industry Association. Find out how it works and how sheep producers south of the border have responded to the program.

Letters to the Editor

Comments in relation to Expansion (September Points of View)

John Buchanan

Victoria

" New tags, bluetongue insurance, scrapie programs and on-farm food safety are not on my radar as important to my sheep farm."

I am currently not looking at expansion. To do so I would need to hire help, have a stabilized slaughter facility and more pasture. To hire help I need to generate at least \$15 an hour on the farm; I haven't done that yet. To earn \$15 an hour on sheep in Victoria, I need to sell outside of the open market. I need to have grass at about \$2 per head per month nine months of the year and market seasonally to keep my costs down. It costs at least \$20 per month for feed here to maintain a ewe without grass. It is probably double that for a lactating ewe. We also need to have the ability to get our lambs slaughtered when the lambs are ready, which has been a significant problem in the last several years. New tags, bluetongue insurance, scrapie programs and on-farm food safety are not on my radar as important to my sheep farm. Workload; returns to labour; pasture quality; fertilizer costs; drought risk; where are we going to be able to get them slaughtered and or cut next year?; can I embark on a private marketing effort in the face of previous problems?; how can I supplement a worker's farm wages with higher-paid wages in the community in order to attract a competent man?; can I access more pasture with fences good enough to resist escapes and entrance by dogs and in areas where the cougar risk isn't too high? These are the sorts of issues that occupy my mind.

Jim Purdy & Marge Goudie

Labrador

I like POV, thanks for making it available. We live in Happy Valley-Goose Bay, a small town (and Canadian Forces Base) in central Labrador. We have 104 acres, 25 cleared, just east of Happy Valley. We have no sheep (yet) only hens. I had a small flock of sheep years ago in Nova Scotia. Our plan is to get a few Dorsets this coming summer, maybe 10 or 12. Here in Labrador it would be necessary to house sheep from early December to mid-April, at least. The snow is so deep.

Predators: No coyotes, yet. I think the wolves take care of that problem. Moose walk over our fences now, so they probably will continue to do so. No other ungulates. The bears will be a problem...there are lots of them. According to their tracks, the electric fence seems to work keeping them away from the hen/farmyard. Hopefully it will work on the wolves, too. Both Marge and I are hunters.

Our main sheep problem will be finding the sheep we want, within a reasonable distance. We are a long way from 'anywhere!' Secondly, there is no government-inspected slaughter facility, only a caribou butcher shop here. The lack of a slaughter house, for any livestock, definitely limits our market to only friends and relatives who 'dare' to chance it. So we will only have a few animals.

On the plus side; we lease our land from the Crown (less than \$2 an acre per year) and there are subsidies to help with the land clearing and machinery purchases. Our land is sandy loam on the delta of the Grand (Churchill) River, flat and no rocks.

Anyway this is our situation here and our reason(s) for lack of expansion of the Canadian sheep flock. :)

Letters to the Editor continued

Comments in relation to Ian Moilliet Case Study (September Points of View)

Ben Watts
Australia

"We have exactly the same issue here in Australia – people who don't understand the fundamentals of their business and are missing the opportunity to ramp up their business to full speed."

Great issue of POV! I love the point where it is raised that sheep producers need to analyze the profitability of the sheep production business outside of any other income source. If one wants to farm sheep, one should understand their profit point in relation to scale and sale price.

We have exactly the same issue here in Australia – people who don't understand the fundamentals of their business and are missing the opportunity to ramp up their business to full speed.

That is not to say that scale is the only key. Today I'm out with clients; one has 600 ewes and the other 5,000. Each runs their operation on their own with contractors for shearing, etc. And both are returning around the same RCI (return on capital invested).

Regards,
Ben Watts
BRALCA merinos

Lorna Wall
Wall 2 Wall Sheep Ranch, Manitoba

Moilliet strongly believes that the sheep industry needs to take a real hard look at what it costs to actually run a sheep farm that supports a family without any outside income. He argues that the cost of living and the cost of farming need to be added into the equation to see if the numbers work. Taking the time to calculate all associated costs will give the industry some true figures on what it takes to set up a successful and profitable operation. If that can be accomplished, then farms can be set up in a way that allows for flocks to expand. "Producers will have a farming plan that provides enough money to raise their family and their flock," says Moilliet.

Thank you Ian for expressing what I've been trying to get across for some time. I have repeatedly discussed this with many levels of government and industry members/representatives. All too often I see shepherds who have to carry too great a burden to properly care for their livestock, which can and does cause production loss or accountability loss (mismatched ewe/lamb pairs making record keeping for genetics or production inaccurate). This month a long-time producer in the Interlake of Manitoba was here with his wife to purchase their rams for this breeding season and she stated emphatically that when her income (teacher) had to pay for the farm as well as for the family they decided that he had to go out to work as well. They had been running a fairly profitable sheep ranch until BSE hit and have never really been able to bounce back.

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Letters to the Editor continued

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The other thing I have heard is that many shepherds are having more difficulty with previously containable sheep ailments such as foot rot. From two very different parts of the province in this month alone I've heard of two producers battling outbreaks that just seem to keep coming back. Weather is most likely a major factor in these cases, but inability to afford proper medication or limitations on time caused by off-farm jobs are also contributing factors.

I agree wholeheartedly that the cost of living has increased to the point that the return on our animals is not sufficient to pay for our living as well as their needs.

One lamb should pay for the ewe (raising her lambs) for the year and one lamb should support the family. With the cost of hay going up 3.5-5¢ per lb before trucking, and feed rising from \$135/ton (Sept 7/07) to \$167.50/ton (May 9/08) to \$172.5/ton (Jan 6/09) for pelleted screenings, and lamb prices fluctuating at the Winnipeg Auction from \$1.00-1.30/lb (Sept 7/07) to \$1.37-1.55/lb (May 9/08) to \$1.10 -1.21/lb (Dec 19/08).

Grain has increased by \$37.50 a ton but the return on that lamb has not changed... it still averages at \$1.15/lb. So how can this work? We have not even figured in the cost of gas for transportation to market, running feeding or bedding tractors, electricity and building materials (even for repairs, not new buildings). So maintaining the level of flock care is going to decrease just from sheer pressure on the shepherd.

A Look at Price Insurance South of the Border

Production insurance, although common in other agricultural sectors, has traditionally not played a large role in the Canadian sheep industry. Until recently, livestock insurance programs haven't even been an option for sheep producers. The Canadian Sheep Federation took a first step in 2007 with the introduction of the Bluetongue (BT) insurance program, giving producers an unprecedented form of risk management. The CSF has the opportunity to build on the BT insurance program but there's a lot to consider. To gain some insight on the topic of price insurance, the CSF spoke with Burdell Johnson, Past President of the American Sheep Industry Association (ASI). Johnson was involved in the development of the ASI's Livestock Risk Protection-Lamb, a successful pilot project in the U.S. that provides price insurance for American sheep producers.

Livestock Risk Protection: Lamb

Livestock Risk Protection-Lamb, or LRP-Lamb, is an insurance policy that provides U.S. sheep producers and feeders with the opportunity to insure the lambs they own against an unexpected decline in price. Four years in the making, the program was officially launched as a pilot project in 2007. Here's how it works: an economic model is used to predict the expected price of lamb on a weekly basis and compensation is paid to producers if the actual price turns out to be less than the predicted price. This means insured producers are guaranteed a floor price for every animal sold. Producers can choose to insure their lambs at 13, 20, 26 or 39 weeks to best suit their own production and feeding systems. And coverage is available in different percentages ranging from 80-95 percent (in five percent increments).

“Now, with market protection producers can lock in at any price and be guaranteed a fair payment.”

Administered by the United States Department of Agriculture, LRP-Lamb is currently available in 28 states. Any sheep producer living in a state where LRP-Lamb is offered is eligible to purchase insurance. Price differs depending on the type and length of contract obtained, but producers can get insurance for as little as \$1.50/lamb. Johnson says the system is in fact quite simple. “Producers pay a premium upon buying a contract and that's all they have to do. When the contract expires, if there's a claim they get paid. There's no deductible for producers to pay and with one phone call they can get a cheque,” he says.

A Need for Price Insurance

Prior to LRP-Lamb, the American sheep industry didn't have any type of price protection or insurance programs available to producers. Other agricultural sectors like crops, cattle and hogs were all offering producers protection insurance but the sheep industry was not. Johnson says there was a definite need for some type of insurance program and after many years of communicating and planning, LRP-Lamb was born. "For the first time ever, sheep producers were offered some market protection on their animals," he says. And with this protection comes a sense of security. "There was a lot more risk before and producers were forced to take whatever the market dealt them," Johnson says. "Now, with market protection producers can lock in at any price and be guaranteed a fair payment." This makes the industry stronger and encourages producers to raise more lambs.

A Management Tool for the Industry

"LRP-Lamb offers another management tool that producers can use to run their farms and make their businesses stronger"

After two years up and running, Johnson says U.S. sheep producers seem to be responding positively to LRP-Lamb. "It's going pretty well and there appears to be a lot of interest on behalf of producers in the industry," he says, adding that those that get a cheque in the end are satisfied with their investment in the program. But it's not a way to get rich Johnson warns. "Like any other type of insurance, you don't collect on it every month. LRP-Lamb offers another management tool that producers can use to run their farms and make their businesses stronger," says Johnson.

Protection insurance won't solve all of your problems either, Johnson adds, but for him there is no doubt that it is a worthy investment, one that is beneficial to producers and the industry. "Producers are always going to be at risk even if they have insurance, but what it does is it lessens that risk by a significant degree." Johnson encourages all producers to seriously consider purchasing protection insurance on their farm if it is available in their area. "In this day and age, you have to look at all of the options," he says.

Your feedback is essential!

This forum will only be successful if everyone weighs in with their own perspectives from their place in the industry. Tell us:

- What you think about "Points of View"
- If you had a strong reaction – either good or bad – to the first feature editorial
- If you want to contribute to an upcoming issue
- If you have a topic you'd like to see addressed
- If you have a story that would make a good case study for others to learn from

What's in it for you? Most people don't often get a chance to have their opinion heard. This is yours. Use it to help make an impact on the future of our business. [Send your comments, suggestions and questions to pointsofview@cansheep.ca](mailto:pointsofview@cansheep.ca) or call CSF at 519-824-6018 or 1-888-684-7739.

In the next issue...

Special coverage of the National Predation Roundtable

The next issue will bring you special coverage of the National Predation Roundtable, which will be held on November 9th at the CSF Annual General Meeting in Toronto, Ontario.

We've talked about predation in previous editions of Points of View and the serious threat it poses to the continued livelihood of many Canadian sheep producers and to the industry's growth. As a way to address this issue, the CSF secured funding to host a national roundtable for key stakeholders to discuss what tools are currently available to producers, what tools should be available, the expansion of the list of predators covered by Provincial Acts, and to identify potential research specific to predation. The next issue of Points of View will include details of these discussions.

In the meantime, keep the dialogue going – let us know what you think of this issue.

Send your comments to pointsofview@cansheep.ca, or contact Jennifer MacTavish directly at 1-888-684-7739 or jennifer@cansheep.ca.