

High Crop Prices and Mother Nature are Biggest Issues Facing Alberta Farmers This Spring

April 30 Crop Insurance Deadline

Alberta farmers have a lot on their minds as they wait for the snow to melt and prepare to seed their crops this spring. “Uncertainty around the high grain prices we’re seeing and Mother Nature are the two biggest issues facing producers this year,” says provincial crop market analyst Charlie Pearson.

“Crop prices are up significantly over last year – roughly 25-to-50 per cent higher, on average,” says Pearson, who tracks prices and market trends for Alberta Agriculture and Rural Development (ARD). “Prices jumped last fall and continued climbing through the winter. It’s a demand-led price rally where the world is consuming more than we’re producing. World grain supplies are extremely tight, and that fuels prices.”

The tight supplies and high prices are driven by a number of factors – a growing world economy, growth in Asia, and a U.S. ethanol policy that now accounts for 40 per cent of American corn production. “That pushes up prices on feed barley and other grains,” explains Pearson. He adds world inventories of high quality wheat are low due to flooding in Australia and Canada, and drought in Russia and Ukraine.

Will Prices Remain High?

It’s certainly looking like a year for optimism, says Pearson, but the question bothering many producers is whether crop prices will remain at these high levels between now and harvest. “Prices could climb higher, but there are several reasons why they could decline in the months ahead.”

Social instability in North Africa and the earthquake in Japan have already caused price volatility, he notes. “Weather is another major factor. If Mother Nature cooperates and we have bumper crops worldwide, prices will come down. On the other hand, lousy weather and poor crops will push prices higher.” The economy and the Canadian dollar are also wild cards, says Pearson. “We live in an insecure world. We don’t know what lies ahead.”

Despite the risks, farmers can still feel optimistic about the potential for profit this year, says Pearson. “I think the upside potential is greater than the downside. Producers just need to sit down and carefully plan how to manage the risks in front of them – both their price risk and their weather risk,” he says, pointing out the deadline to apply for crop insurance in Alberta is April 30.

Price Protection

If grain prices do drop, Pearson says a crop insurance rider called the Spring Price Endorsement (SPE) could prove to be valuable for farmers. The SPE, available only in Alberta, insures producers against price drops of 10-to-50 per cent between the spring and fall.



If prices climb higher – by 10-to-50 per cent – a built-in crop insurance feature called the Variable Price Benefit (VPB) automatically insures producers at those higher prices if their crops fail, explains James Wright, Risk Analyst with Agriculture Financial Services Corporation (AFSC), the provincial Crown Corporation that delivers crop insurance in Alberta. The VPB triggered on most crops when prices spiked suddenly last fall, he notes.

Weather Risk

“Of course, weather is always the greatest risk farmers face,” says Wright, “so the production guarantee that crop insurance provides will be very important again this year.” Across the Peace Region, extremely dry growing conditions over the past three years continue to cause concern for producers, he says. “They need lots of rain this year to rebuild their subsoil moisture, especially in the south and central parts of the Peace.”

In southern Alberta, it's the opposite problem as farmers once again worry about excess moisture and flooding. “It won't take much rain or snow this spring to cause serious seeding delays across the South and through parts of the Special Areas in the East,” warns Wright, who prepares Alberta's crop reports throughout the growing season. He adds the Lloydminster area and a few other pockets around the province also look quite wet this spring, and could run into seeding difficulties. “The rest of the province generally looks poised for a successful crop year,” he says, “although it's anybody's guess what the weather will bring.”

More Than \$200 Million Paid Out

About \$205 million was paid out across Alberta last year for crop insurance claims – more than \$72 million in the Peace Region where the dry conditions crippled crop yields, says Wright. Across the rest of the province, claims were paid for crop damage caused by hail, and for reduced yields and loss of quality due to the cool, wet summer. More than \$7 million was paid for Unseeded Acreage claims last spring when about 200,000 acres of flooded cropland was left unseeded.

To qualify for the Unseeded Acreage Benefit this year, Wright urges farmers to declare all acres they intend to seed – whether they plan to insure them or not – when completing their crop insurance forms. “Farmers sometimes think they should only declare the acres they plan to insure, but that's not the case.” It can be a costly mistake, he adds, because the Unseeded Acreage Benefit pays up to \$70/acre for land that can't be seeded, but undeclared acres don't qualify.

New Changes to Crop Insurance

New changes to crop insurance include an increase in the dollar coverage for field peas, says Wright. “It better reflects what the market is doing. It used to be very much a feed pea industry but now it's moving more toward human consumption, so the peas are worth more.” Wright says another change is the seeding deadline for lentils and faba beans, which is now May 25 instead of May 15. He says producers also have the option to auto-elect Straight Hail coverage with their crop insurance again this year to qualify for a 2 per cent discount on their hail premium. This option has only been available since last spring, says Wright.

Producers who have questions about crop insurance should contact their nearest AFSC office or the AFSC call centre at 1-877-899-AFSC (2372) before the April 30 deadline. Producers are also reminded that April 30 is the deadline to submit 2011 AgriStability enrolment fees without penalty. Wright notes that because these deadlines fall on a Saturday, crop insurance applications and AgriStability fees will also be accepted on Monday, May 2.