

Table 4.16
Expected Payouts and Premiums under GRIP, Prairie Provinces,
1991 and 1992¹

Wheat, Barley and Canola	Expected Prices and Average Yields		High Prices and Average Yields		Expected Prices and Lower Yields	
	1991	1992	1991	1992	1991	1992
	(\$ Billion)					
Target Revenue	5.31	5.17	5.31	5.17	5.31	5.17
Actual Revenue	4.23	4.22	4.65	4.64	3.81	3.79
GRIP Payout	1.08	0.95	0.66	0.53	1.50	1.38
Less Premiums (Farmers' share)	0.43	0.41	0.43	0.41	0.43	0.41
Net Impact on Farm Income	0.65	0.54	0.23	0.12	1.08	0.97

¹ Based on 100 percent participation rate.

Source: Ashmead Economic Research Inc.

The targeted revenue is estimated at \$5.31 and \$5.17 billion for the 1991 and 1992 crop years respectively. The revenue is a function of the actual yields and the average actual prices for each of these years. The difference between the target revenue and the actual revenue, represents the potential GRIP payout. From this value, the premiums paid are deducted, to arrive at an estimated impact on prairie farmer net income.

The analysis shows that at current prices and with an average yield, GRIP payouts are expected in 1991 and 1992. After premiums, the net benefit will exceed one half billion in each year although declining in 1992. A ten percent higher than expected level of prices but with average yields, will bring the net benefit closer to a breakeven position, after premiums are considered. It can be seen that a ten percent fall in yields will have the most impact on GRIP payouts, and result in net benefits averaging \$1.0 billion annually for the two years.

Obviously other combinations of yields and prices produce an infinite number of program outcomes. It seems apparent, that at least in the short term, GRIP will provide revenue protection. It is assumed in this analysis that all grain farmers on the prairies register in the GRIP. If a fixed proportion, say 70 percent participated in the program, the payouts would be adjusted by the same proportion.