

will be introduced to remove the 10% penalty for producers who have opted out of the program and wish to rejoin.

In the 1986-87 crop year, \$1.398 billion in total stabilization payments was paid out, the largest payout issued since the program's inception; it represented a 62.7% increase over that of the year before, and left the stabilization fund with a \$1.5 billion deficit, down from a surplus of about \$1 billion in 1984. In December 1987, the federal government announced that \$750 million of that deficit would be written down. For future payments, the fund will borrow money from the federal government, as provided for under the provisions of the Act, and will repay the funds and assessed interest according to agreed-upon terms. The 1986-87 payout yielded \$13.55 in benefits for each \$1 levy a farmer had paid into the fund during the past three crop years; in the long run, the program is designed to return \$3 to producers for each dollar paid into the program. At present, over 85% of Prairie grain farmers participate in the program.

3. The Crop Insurance Act

Under the authority of the *Crop Insurance Act*, administered by Agriculture Canada, a federal-provincial cost-shared program has provided all-risk crop insurance since 1959. The program's objective is to stabilize farm income by minimizing the losses from crop failures due to unavoidable natural hazards. The Act currently covers 87 crops.

Agriculture Canada contributes financially to the federally-approved, provincially-administered crop insurance plans operating in all ten provinces. The Act allows either for federal loans to be made to provinces in years in which indemnities exceed the reserves available, or for the federal government to enter into a reinsurance agreement with a province to cover a portion of that province's liabilities for indemnity payments under a crop insurance scheme.

Two cost-sharing options exist:

- the federal government may contribute 25% of the total premiums and 50% of the provincial administrative costs, with the provincial government doing the same; or
- the federal government may contribute 50% of the total premiums, with the province absorbing all of its administrative costs.