



Canadian Agricultural Partnership: Business Risk Management Programs

Presentation to the Canadian Agricultural
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Presentation Summary

- **Overview of Business Risk Management (BRM) Programs under the Canadian Agricultural Partnership (CAP)**
- **BRM Program Review – progress and next steps**
- **BRM Program Performance Overview**

In July 2017, FPT Ministers of Agriculture endorsed the Canadian Agricultural Partnership (CAP)

In addition to a \$3 billion investment in Strategic Initiatives for the sector, producers will continue to have access to a robust suite of business risk management (BRM) programs:

AgriStability	provides whole farm support when producers experience a large margin decline
AgriInvest	offers cash flow to help producers manage income declines
AgriInsurance	offers insurance against natural hazards to reduce the financial impact of production losses (commonly known as crop insurance)
AgriRisk	supports the development of new risk management tools
AgriRecovery Framework	delivers disaster recovery relief following natural disaster events

Together, these programs can help manage significant risks that threaten the viability of a farm and are beyond a producer's capacity to manage.

Under Growing Forward 2, BRM Programs have provided over \$6.3 billion in support to producers to date (December 2017).

Industry input helped shape BRM changes under the Canadian Agricultural Partnership

- Industry confirmed widespread support for insurance products such as AgrilInsurance and the Western Livestock Price Insurance Program.
- AgrilInvest continues to play a role in producers' risk management plans, with approximately \$2.3 billion currently in producers' accounts.
- However, concerns were raised with AgriStability:
 - The program's ability to help the sector recover from a significant market downturn with only 33% of producers participating; and,
 - The Reference Margin Limit having a greater impact on sectors with low allowable expenses;
 - Suggestions were also made to restore AgriStability's payment trigger to 85%.

Changes to BRM programs respond to industry concerns, and ensure a more equitable level of support for all producers

Under CAP, some changes will be made to the AgriStability and AgriInvest programs to address industry's concerns, on a cost-neutral basis:

- Introducing a late participation mechanism for AgriStability, which can be triggered by a province or territory to ensure support is available in times of need
- Reducing the impact of the AgriStability Reference Margin Limit, offering a more equitable level of support for all producers
- Lowering maximum contributions under AgriInvest from \$15,000 to \$10,000, to reallocate funding to ensure more equitable support under AgriStability
- Establishing consistent minimum payments for AgriStability and AgriInvest of \$250, reducing payments that are not expected to have a meaningful impact on producers' risk management

The Western Livestock Price Insurance Program will also be renewed.

The payment trigger for AgriStability was not increased as the program is intended to respond to events that threaten the viability of the farm and not normal fluctuations in business.

Under CAP, FPT Ministers of Agriculture committed to undertaking a review of BRM programs

The objectives of the BRM review are to:

- Evaluate risk management policies and their impact on innovation and growth;
- Examine agricultural risks and BRM effectiveness, particularly as it relates to market risk, and ways to address timeliness, simplicity, and predictability; and
- Recommend options to Ministers, based on early findings of the review, to improve BRM programs that are consistent with policy objectives and principles and are cost-neutral.

Input from industry, stakeholders and experts is a critical part of the BRM Review

In December 2017, 11 members of an Expert Panel were announced, including producers, academics and global experts that:

- Cover a range of commodities and regions
- Provide a variety of expertise, including BRM programs, farm finances, innovation and trade

The mandate of the Panel includes:

- Providing guidance on the analytical plan and engagement strategy
- Validating the findings of the FPT Task Team
- Shaping recommendations for future directions of BRM

Broader industry engagement will also ensure an understanding of the nature of risk faced by the sector and effectiveness of current programs.

- This will include discussions with the National Program Advisory Committee (NPAC)

A thematic analytical plan is guiding the assessment and will inform recommendations to Ministers

FPT officials developed an analytical plan for the Review, with input from the Expert Panel, which covers five themes:

- Program objectives and principles
- Current and emerging risks
- Program effectiveness
- Effect on innovation and growth
- Comparative international analysis

Work will continue throughout the winter and spring 2018 toward developing recommendations:

- In July 2018, based on early findings of the Review, FPT Ministers will be presented with options to improve BRM programs that are consistent with policy objectives and principles, and are cost-neutral.

Net market income has continued to grow in recent years, but BRM programs continue to play a role

Producers' income (including BRM payments) has exceeded the five-year average since 2007:

Current year producers' net market income plus BRM program payments as a percent of the previous five years:*

2011	2012	2013	2014
152%	144%	132%	118%

Producers continue to see value in the BRM suite of programs:

Percentage of producers considering the Business Risk Management suite of programs as an effective tool to manage risks: 72%**

*Results are provided up to the 2014 program year, the latest year for which application processing is complete and data is available.

**Results are based on the 2016 BRM survey.

AgriStability assists individuals, but participation challenges continue

- AgriStability continues to be responsive, assisting producers facing margin declines, at the individual level, across all sectors:

Proportion of participants triggering payments returned to $\geq 55\%$ of the Reference Margin: 75%

At 70%, the payment trigger has allowed for over \$1.1 billion in payments between 2013-2016 (December 2017)

- However, some areas of concern remain in terms of participation:

Percent of producers participating in the program: 33%

Percent of sector market revenues covered by the program: 55%

**Results are based on the 2014 program year, the latest year for which application processing is complete and data is available.*

AgrilInvest is widely used but program outcomes are not as well understood

- AgrilInvest is popular among producers:

Percentage of producers participating in the program: 75%

- The program also provides considerable sector-level resources to draw on during a downturn:
 - Producers currently have access to over \$2.3 billion in account balances
 - An average account balance of nearly \$23,000
- However, AgrilInvest has never achieved the target for withdrawal of funds in situations where producers also triggered AgriStability payments (i.e., severe margin declines):

Percentage of AgrilInvest producers triggering AgriStability payments & making withdrawals from AgrilInvest account: 42%

**Results* are based on the 2014 program year, the latest year for which application processing is complete and data is available.

AgrilInsurance continues to be popular amongst crop producers

- Insurance is available for the major crops grown in Canada, and participation rates are stable:

Value of all eligible crop products (excluding forage): 76%

Value of agricultural products eligible for insurance compared to value of all agricultural products: 86%

- However, relevance of products for forage and pasture remain a concern.

Value of forage compared to total value: 17%

- AgrilInsurance accounts for two thirds of BRM support on average under Growing Forward 2

**Results are based on the 2015/16 program year, the latest year for which application processing is complete and data is available.*

Key Messages

Producers continue to have access to a robust suite of BRM programs.

BRM changes under CAP respond to industry concerns and provide a more equitable level of support for all producers.

The BRM Review will assess program effectiveness and impact on growth and innovation.

FPT Ministers of Agriculture will be presented with options in July 2018 for consideration based on early findings of the Review.

BRM Programs are currently performing well although there are some opportunities for improvement.

Questions?

More information can be found on Agriculture and Agri-Food Canada's website at www.agr.gc.ca or by calling the federal administration at 1-866-367-8506

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