HOUSE OF COMMONS
CANADA

PROGRAM REVIEW

Report of the Standing Committee on Agriculture and Agri-Food

Larry Miller, MP
Chair

MARCH 2011

40th PARLIAMENT, 3rd SESSION

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THE STANDING COMMITTEE ON AGRICULTURE AND AGRI-FOOD

has the honour to present its

TENTH REPORT

Pursuant to its mandate under Standing Order 108(2), the Committee has studied the Program Review and has agreed to report the following:

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PROGRAM REVIEW

Introduction

During its study of young farmers and the future of farming, the Standing Committee on Agriculture and Agri-food (hereafter the Committee) stressed that the sector must be profitable in order to attract the next generation of farmers. The economic difficulties in the beef and pork sectors in recent years have served as an example of how lack of profitability affects agricultural producers. Uncertainty and market fluctuation (changes in demand, value of the Canadian dollar, Country of Origin Labelling in the United States, H1N1, bovine spongiform encephalopathy, regulations notably on the removal of specified risk material, etc.) and the rising cost of inputs, including the price of feed grain, have reduced profits for beef and pork producers in recent years. The federal-provincial/territorial governments do however help support the agriculture sector through their programs. Since 2003, these programs have been part of a five-year strategic framework signed by the provinces, territories and federal government. Concluded in July 2008 by the federal-provincial/territorial ministers of agriculture, Growing Forward is the second version of this federal-provincial/territorial framework.

The Committee believes it is essential to improve the programs created by Agriculture and Agri-food Canada (AAFC), including the Business Risk Management (BRM) programs, in order to improve support for the agriculture sector. The ability to endure the difficult circumstances facing certain industries, especially most recently the beef and pork industries, serve to gauge the effectiveness of these programs. As part of Growing Forward, AAFC created thirty or so different programs (BRM and non-BRM) designed to help the sector become more competitive, innovative, respectful of the environment and able to manage risks more proactively. These programs are delivered by AAFC, but sometimes also by the provinces or third parties. Since the Growing Forward framework agreement expires on March 31, 2013, our work will also help define the new series of programs for the next strategic framework.

The Committee held three public hearings in November 2010. The Committee met senior officials from AAFC and seven farmers from various regions of Canada who provided input from the various industries in the agriculture sector. This report begins with a description and objectives of the various programs discussed during the Committee's hearings. The second part identifies the limitations of these programs as described by the witnesses as well as the suggested improvements. The recommendations are provided in the third and final part.

1. Programs examined

During the public hearings, the witnesses focussed primarily on the BRM programs. These programs are intended to protect farmers against various kinds of losses (drop in income, natural disasters etc.) and give them access to funds. There are four BRM programs under "Growing Forward"—AgriStability, AgriInvest, AgriInsurance and AgriRecovery—as well as an exclusively federal program, the Advance Payments

Program (APP). This part describes the objectives of these programs and how those are achieved. Their limitations and proposed improvements will be discussed in the next part.

1.1 BRM programs under Growing Forward

The current BRM programs have evolved from those under the previous strategic framework on agriculture. They are not fundamentally different from their precursors but while improvements at the sector's request have been implemented, there is still room for more. These programs are offered throughout Canada and are 60% federally funded and 40% funded by the provinces and territories. Although often criticized as a one size fits all approach, these programs were created primarily to prevent devastating interregional competition which, as AAFC officials noted, prevailed before the first strategic framework and which saw certain groups of products or industries being heavily supported as compared to others.

AgriStability is a margin-based program providing income support when production margins drop by more than 15%. The reference margin is calculated using the Olympic average margin (average production margin for three of the last five years, removing the highest and lowest margins). When production margins drop by less than 15%, farmers can draw on their AgriInvest savings account to make up the difference. Farmers can deposit up to 1.5% of their annual allowable net sales, up to a maximum of $1.5 million, with a matching contribution from the government. In this sense, the program is very similar to the former Net Income Stabilization Account (NISA) which ended in 2002. Farmers indicated that NISA was a well regarded program and that its framework should be incorporated into future programs.

Most of the witnesses see the AgriStability program as the same as the former Canadian Agricultural Income Stabilization (CAIS) Program, but with a new name. Significant changes were made however at the sector's request in developing the Growing Forward framework:

> Fundamental changes were made to margin-based programming under the AgriStability program. These include: better methods of valuing inventories; improved interim payment mechanisms; the broader criteria for negative margin coverage to allow support for those facing back-to-back losses; targeted advances to get money out quickly when disasters occur; and as well, some administrative streamlining.[1]

AgriInsurance is essentially an insurance program managed by the provinces with premiums paid by the federal government, the provinces, and the producers. It provides insurance against production and asset losses due to natural disasters. Producers may

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1 Rita Moritz, Assistant Deputy Minister, Farm Financial Programs Branch, Department of Agriculture and Agri-Food, *Evidence*, Meeting No. 39, 40th Parliament, 3rd Session, Ottawa, November 25, 2010, 0900.

receive assistance by claiming a production loss during the year. AgriRecovery allows the federal and provincial governments to respond jointly to natural disasters not covered by AgriInsurance. AgriRecovery does not include cyclical factors such as price fluctuations, or long-term trends such as dropping prices. For natural disasters affecting just one province, the province must approach the federal government to seek assistance through AgriRecovery. The federal government evaluates how programs such as AgriStability and AgriInsurance can address the specific situation. If necessary, special measures for the specific situation are developed.

AAFC officials stated that these programs provide substantial assistance to the farming sector. Since 2007, Canadian farmers have received over $6.4 billion under this series of programs. AgriRecovery has provided assistance for more than 20 initiatives, including $450 million for the losses due to flooding in Alberta, Saskatchewan and Manitoba in 2010. Table 1 shows federal and provincial government contributions to farmers under these four BRM programs since 2007.

Table 1: Annual federal and provincial contributions for BRM programs (millions of dollars), as of January 6, 2011.

Program	2007	2008	2009	2010	Total (1)
AgriStability	696.3	721.3	576.1	35.0	2 028.7
AgriInvest (2)	845.8	263.3	120.1	N/A	1 229.2
AgriInsurance	582.3	812.9	815.2	790.9	3 001.3
AgriRecovery (3)	N/A	N/A	N/A	N/A	784.4

Source: Agriculture and Agri-food Canada

NB: (1) Figures have been rounded off so the sum may differ from the total indicated.

(2) For 2007, the figure includes AgriInvest contributions (federal and provincial) and AgriInvest Kickstart (federal only). The figures for 2010 are not available yet.

(3) For AgriRecovery, the data is by initiative and not by year.

The witnesses stated that transferring management of the programs to the regions improved their delivery a great deal. Departmental officials also reported that, with personnel in the field, farmers understand the details of the programs better.

From the farmers' perspective, the witnesses stated that, although the programs do not always work for all sectors and types of farms, they do provide planning and risk management tools. AgriStability and AgriInvest are generally effective for specialized enterprises going through economic cycles, including the grain and oilseed industry, as Stuart Person stated:

> These programs have significant advantages to producers and their ability to manage risk on today's farm from a grain farming perspective, and as a producer I use these programs to assist with risk management strategies on my farm every year. […] From my perspective, it does provide financial stability in times of volatile commodity markets and weather conditions. It provides a reduction in overall farm stress. It provides assistance with financing and cash flow planning. At the moment, it is encouraging farmers to make further investments and expansion in their grain farms. It does provide some assistance with succession planning and providing some stability in the profitability of the farm. For young and new farmers in a grain scenario, it is working at the moment in overall strengthening of our industry as a whole in terms of grain production in western Canada.[2]

A number of witnesses also pointed out that AgriInsurance is valuable for planning purposes since it is predictable and based on needs. All the witnesses agreed that AgriRecovery is an essential program that has proven indispensible in maintaining production capacity in affected regions, as Brian Gilroy, an apple farmer in a region hit by a tornado, noted in August 2009:[3]

> When I researched what had happened before, when an orchard had been hit by a tornado like this, basically the farmers went out of business. I'm pleased to report that because of the assistance that ODRAP crop insurance and AgriRecovery were able to provide, none of the farmers affected will go out of business because of this event.

1.2 Advance Payments Program

The APP is the final BRM program. It is an exclusively federal program created under the *Agricultural Marketing Programs Act* (the Act). It is a financial loan guarantee program run by participating producer organizations that gives producers easier access to credit through cash advances. In operation since 2006-2007, it combines the former spring cash advances program and the advance payments programs, which originated in the 1980s, into a single program. Since 2007, the government has advanced a total of $7.76 billion under the APP. Between 30,000 and 40,000 producers receive assistance under this program each year.

The rules of the APP are set out in the Act, but the government has some flexibility in responding to sectors in crisis. In the beef industry, for instance, the government changed the security requirements to provide an advance, delay repayment dates and reduce payment default penalties.

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2 Stuart Person, *Evidence*, Meeting No. 38, 40th Parliament, 3rd Session, Ottawa, November 23, 2010, 0905.

3 Brian Gilroy, Chair, Ontario Fruit and Vegetable Growers' Association, *Evidence*, Meeting No. 40, 40th Parliament, 3rd Session, Ottawa, November 30, 2010, 0855.

1.3 Non-BRM programs

In addition to BRM programs, Growing Forward includes programs relating to the environment, food quality and safety, and science and innovation. Although the witnesses did not speak about these programs very much, some stressed the need for research and innovation in order to remain competitive in the long term. In this regard, departmental officials touched on a few programs addressing this need, such as Developing Innovative Agri-Products, Canadian Agri-Science Clusters and Agri-Opportunities.

AgriFlexibility was also announced in the 2009 Budget, providing funding for new agricultural initiatives aimed at reducing costs, protecting soil, water and air quality, and marketing of new agri-food, organic or value added products. In launching the program, the government stated that AgriFlexibility would not be used to subsidize provincial risk management programs, although the industry had requested this.

According to the preliminary discussions on “Growing Forward 2” between the Department and the industry, non-BRM programs could become more important. During the initial industry consultation phase, the long-term challenges and opportunities for the sector were discussed. In short, with its arable land and water resources, Canada is in a strong position to meet the growing and changing demand for agricultural products. The challenge will be facing the competition from countries such as Russia and Brazil, while being more productive and innovative in production methods, products and business models.

2. Limitations and improvement of farm programs

While farmers recognize the benefits of these programs, they are also aware of limitations in their delivery. They would like to see improvements to these programs so they can more effectively meet their stated objectives.

2.1 Limitations of farm programs

2.1.1 Farm business risk management programs

Appearing before the Committee, the farmers identified a number of limitations relating primarily to AgriStability and the APP, and to a lesser extent to AgriInvest and AgriRecovery.

With regard to AgriStability, the witnesses commented on the way the reference margin is calculated, the “viability criterion” serving to cover the negative margin; and the exclusion of the production costs from the calculation of producer income support. They also testified on the increases of the maximum coverage.

The witnesses from the farming sector called for the method of calculating the reference margin to be reviewed. William Van Tassel[4] stated that, during an extended period of falling prices, farmers' reference margins decline, in turn reducing the amount of support they receive. Other witnesses agreed:

> You're looking at an Olympic average reference margin, the middle three of your five years. What happens when you have three or four bad years in a row, for example? Now your reference margin goes to nothing.[5]

AAFC has admitted that the current calculation of the reference margin is problematic for the long-term application of the program.

> The long-term margin decline is an issue, but the program is not intended to address long-term margin declines; it's intended to address short-term income volatility.[6]

The other issue with the reference margin is eligibility under the "viability criterion". Farmers with a negative production margin are reimbursed 60% of their negative margin, but only if they meet one of the following conditions:

1) If they have a positive reference margin, or

2) If they have a negative reference margin as long as two of the three production margins used to calculate the reference margin are positive.[7]

This last condition, commonly known as the "viability criterion," is difficult for farmers to meet if they have negative production margins for several consecutive years.

> You have to have two positive margins in there. I can see why they would do that, because if you are an inefficient farmer and year after year after year you are not making any money, you should be gone. But year after year after year we were in a negative margin position because the prices were so low and it was absolutely beyond our control.[8]

The farmers also criticized AgriStability's current coverage limits, both as regards the negative margin (60%) and the $3 million maximum compensation that a farmer may receive. With larger operations in various sectors of production, it was argued that the current maximum coverage is no longer sufficient.

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4 William Van Tassel, *Evidence*, Meeting No. 38, 40th Parliament, 3rd Session, Ottawa, November 23, 2010, 0850.

5 Stuart Person, *Evidence*, Meeting No. 38, 40th Parliament, 3rd Session, Ottawa, November 23, 2010, 0920.

6 Danny Foster, *Evidence*, Meeting No. 39, 40th Parliament, 3rd Session, Ottawa, November 25, 2010, 0955.

7 Agriculture and Agri-food Canada, *AgriStability Program Handbook 2009.*

8 Linda Oliver, *Evidence*, Meeting No. 40, 40th Parliament, 3rd Session, Ottawa, November 30, 2010, 0930.

> We have heard a lot about raising the cap for the AgriStability program, which is currently sitting at $3 million. […] that's one of the issues the industry has also asked us to look at for some of the larger livestock and horticulture operations. I'm glad to hear that now the grain operations are bumping up against that cap as well.[9]

The witnesses also questioned the flexibility of the APP. They argued that farmers will not be able to pay back all the advances received by the new payment deadlines the Minister announced on August 6, 2010.

> Our producers have told us they are willing to repay the loans. When we took the loans out under the advance payment program, we realized they were loans and we would have to pay them back. But we cannot realistically afford to do so within the current proposed timeframe.[10]

It is however important to bear in mind that the government has some flexibility regarding the modalities of payment or reimbursement of cash advances.

Other criticisms of the BRM programs were made, including processing times for applications under the AgriInvest program and the lack of consistency of coverage under the AgriRecovery program.

> AgriInvest processing as well was very slow in 2008. I'm sure you've heard this before, but some producers are just getting their notices for 2008 now. That's two years afterwards, which is just too slow.[11]

> We still haven't seen anything come out of AgriRecovery to deal with those non-economic issues we had in terms of H1N1 and circo. Yet when the grain farmers in western Canada had a need, the payments were out within 30 days.[12]

It must be noted that the processing time for applications also depends on how reactive the provinces are in approaching the federal government to seek assistance under AgriRecovery.

2.1.2 Non-BRM programs

With regard to non-BRM programs, the discussion pertained primarily to the AgriFlexibility program. The farmers complained that their recommendation to use this Program's funding for risk management purposes was not taken into consideration in the

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9 Danny Foster, *Evidence*, Meeting No. 39, 40th Parliament, 3rd Session, Ottawa, November 25, 2010, 0955.

10 Ernie Mutch, *Evidence*, Meeting No. 40, 40th Parliament, 3rd Session, Ottawa, November 30, 2010, 0850.

11 Stuart Person, *Evidence*, Meeting No. 38, 40th Parliament, 3rd Session, Ottawa, November 23, 2010, 0910.

12 Curtiss G. Littlejohn, *Evidence*, Meeting No. 38, 40th Parliament, 3rd Session, Ottawa, November 23, 2010, 0900.

development of the Program. In their view, their idea would have helped address specific and regional needs that are not addressed by the current national programs.

> [O]n behalf of farmers, the Canadian Federation of Agriculture was calling for risk management measures under the agriflexibility program. The original version of the agriflexibility program would have provided producers with customized assistance specific to their sector and region, factors that cannot be taken into account under national programs, which are applicable from coast to coast.[13]

AAFC pointed out that they chose not to follow through on this recommendation so that Canada's trading partners did not impose countervailing duties.

> The minister had indicated from the get-go that AgriFlex would not be used for subsidizing provincial risk management programs, for the reasons I've already laid out on countervail.[14]

After outlining these various limitations, the witnesses recommended improvements to the current programs. Some of them have already been submitted to the federal-provincial/territorial governments for consideration. Any changes to farm programs must be approved by all three levels of government (federal, provinces and territories).

2.2 Suggestions to improve farm programs

The suggestions presented to the Committee pertained primarily to the BRM programs. The farmers took a unified stance on certain suggestions but opinions varied on others. For the AgriStability program for instance, some witnesses suggested that the reference margin be 10 years.

> We have information all the way back to 2002, so why don't we just open it right up? Let's go with all the reference years and let's pick something that's going to give you what would be considered a normal profitable average, maybe a ten-year average, or you take your best six out of ten […].[15]

Other witnesses recommended however that producers have the choice between the Olympic average and the average of the last three years in determining their reference margin.[16] A third suggestion was that the Program be based on average production costs rather than production margins.

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13 William Van Tassel, *Evidence*, Meeting No. 38, 40th Parliament, 3rd Session, Ottawa, November 23, 2010, 0850.

14 Greg Meredith, *Evidence*, Meeting No. 39, 40th Parliament, 3rd Session, Ottawa, November 25, 2010, 1005.

15 Stuart Person, *Evidence*, Meeting No. 38, 40th Parliament, 3rd Session, Ottawa, November 23, 2010, 0920.

16 William Van Tassel, *Evidence*, Meeting No. 38, 40th Parliament, 3rd Session, Ottawa, November 23, 2010, 0850.

> Base them on COP. I think that's a good way of doing this.[17]

Margins are also problematic for young farmers who have to use the regional average, which includes less efficient farmers. To enhance the compensation level provided, it was suggested that these regional margins be based on the production margins of efficient farmers, who account for 50% of production.[18]

The witnesses unanimously called for the elimination of the "viability criterion" which in their view does not apply during long-term decline in market prices. They argued that eliminating this criterion would make the Program more functional. It was also recommended that coverage of negative margins be increased from 60% to 70%.

Mr. Person also suggested operational improvements to AgriStability. He suggested that audit requests be made for a shorter period of time so that farmers do not have to incur additional management costs. He also suggested that the Program consider the needs of specific groups such as the Hutterites. [19]

Another witness argued that the Program should reflect the diversification of certain agricultural operations. In his opinion, this diversification enhances the profitability of these operations.[20]

The witnesses also made suggestions regarding the AgriRecovery program. They would like the Program to provide consistent coverage and include the livestock sector. They maintained that the payments could have been more generous or provided more quickly in certain cases. AAFC pointed out however that the Program is not designed to compensate for lost revenue following a disaster but rather to help farmers move forward. In this regard, the Department stated that greater emphasis must be placed on conveying the Program's objectives to farmers so as to prevent this kind of misunderstanding.

With regard to AgriInsurance, the witnesses argued that the Program should insure the livestock and poultry sectors for losses due to death.

> Producers are especially grateful for the [AgriInsurance] program during years when Mother Nature is not so cooperative. It is the envy of producers in the cattle and poultry sectors. Although these industries are not as susceptible to yield fluctuations, they have long been calling for an insurance program modelled on the crop insurance program to help in those rare but devastating cases of livestock loss due to death. Such losses often

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17 Curtiss G. Littlejohn, *Evidence*, Meeting No. 38, 40th Parliament, 3rd Session, Ottawa, November 23, 2010, 0930.

18 Stuart Person, *Evidence*, Meeting No. 38, 40th Parliament, 3rd Session, Ottawa, November 23, 2010, 1000.

19 Ibid. (2010), Meeting No 38, 0905/0910.

20 Roger Bailey, *Evidence*, Meeting No. 38, 40th Parliament, 3rd Session, Ottawa, November 23, 2010, 0845.

> occur when a known or unknown disease suddenly destroys a barn, a herd or an entire farming operation. For years, this has been a topic of debate, and the time has come to put forward tangible solutions in terms of equipping the cattle and poultry sectors with a tailored production insurance program that is effective and efficient.[21]

> AgriInsurance I'm only going to touch on very briefly, because we've been talking about it since 2003. We still don't have production insurance, and I see no indication that the government is getting off its ass and doing it in the meantime. I'm sorry, but that's a real issue, guys, and you folks here need to get it out there for the beef guys and the hog guys.[22]

3. Recommendations

The Committee wishes to thank the witnesses who agreed to appear. The Committee is grateful to the witnesses for pointing out the Program limitations and especially for their suggestions to improve these programs. The Committee makes the following recommendations in light of these observations.

Recommendation 1:

Since the AgriStability program is the main farm income support program in Canada, the Committee recommends that Agriculture and Agri-Food Canada conduct a comparative analysis of the application of the following calculation methods: calculation of reference margins over ten years rather than five; calculation of reference margins using the greater of the Olympic average or the average of the last three years; using the average of the last five years and seven years to determine the reference margin; and calculating support based on average production costs. The Department would then report the results of this comparative analysis to the Committee as soon as possible.

Recommendation 2:

The Committee recommends that the Minister of Agriculture and Agri-Food with the agreement of the provincial and territorial ministers of

21 William Van Tassel, *Evidence*, Meeting No. 38, 40th Parliament, 3rd Session, Ottawa, November 23, 2010, 0850.

22 Curtiss G. Littlejohn, *Evidence*, Meeting No. 38, 40th Parliament, 3rd Session, Ottawa, November 23, 2010, 0900.

Agriculture revise the current "viability criterion" to reflect long-term price drops that negatively affect farmers' production margins[23].

Recommendation 3:

The Committee recommends that the Minister of Agriculture and Agri-Food with the agreement of the provincial and territorial ministers of Agriculture revise the calculation method used for regional averages to ensure that they meet the needs of new farmers.

Recommendation 4:

The Committee recommends that Agriculture and Agri-food Canada work with its territorial and provincial counterparts to improve processing times for the payment of compensation to farmers, especially for the AgriInvest, AgriRecovery, and AgriStability programs.

Recommendation 5:

The Committee recommends that the Minister of Agriculture and Agri-Food with the agreement of the provincial and territorial ministers of Agriculture revise the AgriInsurance program so that livestock farmers are insured against mortality due to animal diseases.

Recommendation 6:

In view of some farms' long-term financial difficulties, the Committee recommends that the Minister of Agriculture and Agri-Food extend the deadline for the repayment of the advances received in 2008-2009; and increase the maximum cash advance.

Recommendation 7:

Given the various levels of support given by provinces and territories, the Committee recommends that the Minister of Agriculture and Agri-Food and its provincial/territorial counterparts discuss the problem of

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23 The production margin is calculated by subtracting the total allowable expenses from the total allowable income. As market prices received by producers impact the total allowable income, a long-term price drop results in a total allowable income drop which entails a production margin drop.

trade distortion that may be caused by the discrepancies in farm programming between provinces/territories.

Recommendation 8:

Given recommendations made by producers' associations, the Committee recommends that the Minister of Agriculture and Agri-Food consider modifying the AgriFlexibility program in order to enable it to fund regional flexible programs including business risk management.

Conclusion

Although they cannot take the place of profitability in farming, farm programs play a major role in supporting farm production capacity in Canada. With annual government contributions of approximately $2 billion, the BRM programs provide useful planning and management tools and are offered uniformly across the country. As the federal-provincial/territorial governments begin their work to renew these programs as part of "Growing Forward 2", the Committee's hearings yielded suggestions to improve programs by providing better coverage for farmers and helping farmers address the challenges in the domestic and export markets.

APPENDIX A
LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
As an individual	2010/11/23	38
Curtiss G. Littlejohn, Producer		
Stuart Person, Farmer		
Kalwood Farms		
Roger Bailey, President		
Union des producteurs agricoles		
William Van Tassel, Representative		
Department of Agriculture and Agri-Food	2010/11/25	39
Jody Aylard, Director General, Finance and Renewal Programs Directorate, Farm Financial Programs Branch		
Danny Foster, Director General, Business Risk Management Program Development, Farm Financial Programs Branch		
Greg Meredith, Assistant Deputy Minister, Strategic Policy Branch		
Rita Moritz, Assistant Deputy Minister, Farm Financial Programs Branch		
As an individual	2010/11/30	40
Linda Oliver		
Ontario Fruit and Vegetable Growers' Association		
Brian Gilroy, Chair		
Prince Edward Island Federation of Agriculture		
Ernie Mutch, President		

APPENDIX B
LIST OF BRIEFS

Organizations and individuals
Fédération des producteurs bovins du Québec
Person, Stuart
Union des producteurs agricoles

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant Minutes of Proceedings (40th Parliament, 3rd Session: Meetings Nos. 38, 39, 40, 54 and 55) is tabled.

Respectfully submitted,

Larry Miller, MP
Chair

Program Review: Dissenting Report by Conservative Party of Canada Members of the Standing Committee of Agriculture and Agri-Food.

The Conservative Members on the Standing Committee of Agriculture and Agri-Food (SCAAF) are pleased to submit a dissenting opinion to the report *Program Review*. Although the Members feel that the Main Report was well balanced, they disagree with the proposed solutions outlined in the recommendations.

Before commencing with the dissenting report, Conservative Members would like to thank each of the witnesses that came before Committee to present evidence. The time and effort they dedicated to this study has provided all Committee Members and Parliamentarians with greater understanding and insight into the issues affecting agricultural programs.

1. Program Review: Growing Forward

The Conservative Government understands that in order for farmers to be successful, they need a Government that is committed to a competitive and profitable agricultural sector. That is why the Conservative Government implemented Growing Forward, an agreement with its provincial and territorial partners after consultation with more than 3,000 stakeholders in the summer of 2008.

Since its inception, Growing Forward has focused on improving the competitiveness of Canada's agriculture sector, while providing a proactive approach to managing risk. Its goal is to put the agricultural industry on solid footing and achieve long term support for farmers. Growing Forward's success has been a direct result of the Conservative Government working cooperatively with the provinces and territories. As a result, farmers and those throughout the agricultural sector, have been able to gain advantages at home and abroad; as well as, gain the ability to effectively react and adapt to changing market forces.

1.1 Business Risk Management

Since the Business Risk Management (BRM) programs were launched in 2007, $6.7 billion has flowed to the benefit of producers across Canada. Below is the list of BRM programs the Conservative Government has implemented as well as support that has been delievered to Canadian farmers.

AgriStability – The AgriStability program is based on annual financial and production records for the farm. The programs calculations can only be completed after the farm's fiscal period has ended, as it compares current year margins relative to historical margins. The historical margins are based on individual producer history.

To date, the program has paid out more than $2 billion to farmers across Canada, including $696 million in 2007, $721 million in 2008, $576 million in 2009 and $35 million to date in 2010 (as processing for 2010 has just begun).

AgriInvest - The AgriInvest program is designed to support farmers that have experienced a small income decline or to manage risk associated with new investments. Farmers are allowed to make annual deposits based on a percentage of the most recent year's Allowable Net Sales, and are allowed to withdraw funds at any time.

Since the program's inception, AgriInvest has provided over $1.3 billion to producers to help offset declining incomes due to low prices and rising input costs.

AgriInsurance - Individual production insurance plans are designed, delivered and administered by provincial governments to meet the demand of producers within the province while respecting federal and provincial guidelines. AgriInsurance requires historical production data in order to calculate a producer's premium and level of coverage.

So far, the program has delivered close to $3 billion in total government contributions to help protect producers against crop losses due to weather, pests and diseases.

AgriRecovery - The AgriRecovery disaster relief framework sets the process and guiding principles by which the federal government works with the provinces/territories and industry to develop programming options in response to small to mid-size natural disasters. The programming developed under AgriRecovery provides cost-shared (60:40 federal-provincial), timely and effective assistance to producers to mitigate the impacts of a disaster and allow affected producers to resume farm business operations as quickly as possible. AgriRecovery complements the other programs in the new BRM suite, as well as other disaster programs.

In total, federal and provincial governments have paid out more than $494 million to date through AgriRecovery initiatives to help producers deal with the impacts of different types of disasters across the country, such as drought and excess moisture/flooding, the discovery of Potato Cyst Nematode in potato fields in Quebec and Alberta, and the occurrence of Bovine Tuberculosis in British Columbia, among others.

Advance Payments Program – The Advance Payments Program is a federal guaranteed loan program that gives all eligible farmers easier access to credit through repayable cash advances on their marketable commodities. This improves cash flow throughout the production period, allowing producers to meet their short-term financial obligations while selling their products when markets are most favourable. Since 2008, our Government has provided producers with over $6.2 billion in advances under the Advance Payments Program to help producers meet their financial obligations and benefit from the best market conditions.

1.2 Non- Business Risk Management

AgriFlexibility – AgriFlexibility is a five-year (2009-2014) $500 million fund to facilitate the implementation of new initiatives, both federally and in partnership with provinces, territories and industry. It is designed to complement existing Growing Forward programs, and intended to improve competitiveness of the sector by funding non-BRM measures that:

- help reduce the cost of production or improve environmental sustainability for the sector (e.g. the AgriProcessing Initiative which fosters the adoption of innovative and new-to-company manufacturing technologies and processes and/or the introduction of new products for agri-processing projects);
- support value-chain innovation or sectoral adaptation; and
- address emerging market opportunities and challenges for the sector.

2. Program Review: Growing Forward 2

Although Growing Forward has provided much stability for farmers over the course of its implementation, the Conservative Government recognizes that program development is an on going process. That is why the Conservative Government is once again discussing with its provincial and territorial partners a new suite of programs that will better meet the new and evolving challenges that farmers will encounter.

In May 2010, a broad, multi-phased engagement process was initiated with a series of 15 national and regional engagement sessions that were attended by over 400 farm leaders including young farmers' organizations and other key value chain stakeholders. The purpose was to promote discussion on the current state of the sector, review emerging global and domestic trends, and present a vision of what the industry may look like in 2020.

Additionally, in conjunction with the provinces, the Federal Government has already started a multi-phased engagement process with the industry looking at the opportunities and challenges facing the sector, and special engagement sessions will be organized with young and beginning farmers.

Through these consultations the Conservative Government hopes to work cooperatively with all its partners in the agricultural industry to build on the successes of Growing Forward, which will be represented in Growing Forward 2.

Conservative Members are pleased to note that the federal Minister of Agriculture and Agri-Food, Gerry Ritz, along with his provincial and territorial counterparts have indicated during their recent Federal – Provincial - Territorial meetings that Growing Forward 2 will reflect a review of BRM programming. Following the February 11, 2011 Federal Provincial and Territorial meeting the ministers issued a statement regarding their priorities for Growing Forward 2 and BRM program renewal:

> Governments will continue to seek input from Canadians to help set priorities for the next policy framework, Growing Forward 2, which will drive the economy, help the industry maximize its resources, and reduce input costs. Ministers also agreed that young and beginning farmers will be key to the future of the sector and will be full partners in discussions on Growing Forward 2.
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> Over the past year, Governments have delivered considerable support to producers to help them better manage weather and market related difficulties. Ministers encouraged farmers and producers to make use of business risk management options, and Ministers recognize the need for continuing to work to make sure these options meet the needs of the farm gate. (http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2011&page=n110211)

3. Program Review: Recommendations

It is worth noting that this engagement with the provinces and territories is absolutely necessary before any changes are to occur. Under the Constitution, agriculture is a shared jurisdiction. In practice that means that the Federal Government contributes 60% of the costs for programming while the provinces and territories contribute 40%. Neither level of government can unilaterally make changes to BRM programming. Instead, a cooperative approach is taken and no changes are made until two-thirds of the provinces representing fifty percent of farm production and the federal government agree. The current BRM suite under Growing Forward is a direct result of this cooperative and consultative approach and any changes to the suite in Growing Forward 2 will need to be made cooperatively.

Unfortunately, many of the recommendations made in the main report are suggestions that do not respect the role of the provinces and the territories. Conservative MPs do not support recommendations that direct the federal government to dictate farm programming to the provinces without seeking cooperation.

Another aspect of the recommendations made in the main report is that some are likely not trade compliant. Canada is the fourth largest exporter of agricultural products in the world and export markets account for over 80% of farm cash receipts. With the exception of the supply managed sector, farmers from western grain growers to soy producers in Ontario to horticultural farmers in Atlantic Canada to livestock producers in every province enjoy the benefits of expanding market access through NAFTA and the WTO. However, these same farmers who are dependent on selling their products on the world stage have also seen borders shut to Canadian farmers when BRM programming moves from support to subsidy based programming.

As a signatory to the World Trade Organisation, federal, provincial and Territorial governments have designed programs like AgriStability to fit in the “green box” of farm support to the extent possible. One of the ways of doing this is to use the Olympic Average when calculating payments. If federal, provincial and Territorial governments moved to the ten year average as recommended by the committee, Canada would likely be in breach of its WTO commitments on domestic support and would be vulnerable to trade challenges from a wide range of trading partners.

The Risk Management Program in Ontario is another example of how BRM programming can put farmers’ futures at risk by shutting down the border. The province of Ontario implemented RMP as a pilot program for grains and oilseeds farmers. RMP payments are counted as an advance against the provincial potion of a producer Agristability payment. The Province and Ontario Federation of Agriculture have called upon the Federal Government to fund this program at the 60% level. However this program is commodity specific and creates significant countervail pressure on Canadian exports. Furthermore cost of production programs like RMP mask market signals and thereby distort farmers marketing ability. Additionally, the Federal Government is elected by the entire country and funding provided to Ontario would need to be provided to all provinces and territories. As no other provincial or territorial government have requested an RMP style program, the threshold of two-thirds of the provinces with fifty percent of production will not have been met.

Therefore, the Conservative Members do not agree with Recommendations 2, 3 and 6.

Conservative Members do agree with Recommendations 1, 4, 5 and 7.

What Conservative Members would like the federal, provincial and Territorial governments to focus on during Growing Forward 2 consultations would be producer driven insurance programs. This expansion of AgriInsurance would allow producers to select margin covers that meet their specific price needs while remaining trade compliant. Federal and provincial governments should work closely with industry and producer associations to implement and modify plans to best meet specific producer requirements, including expanding AgriInsurance plans to additional commodities and the livestock sector.

Industry-driven private sector insurance products have also been developed including Avian Influenza Policies for poultry producers in Ontario and British Columbia.

While AgriInsurance provides insurance against production losses, Conservative Members also recognize the importance to the sector of effectively managing price fluctuations, and the ability of insurance mechanisms to provide timely and predictable responses. Alberta's producer-funded cattle price insurance program is one model which may provide these benefits to producers while limiting trade risks to the sector. The Government recognizes the importance of the need for insurance tools for the livestock sector and the Government will continue to support the development of private sector tools.

Recommendation 1

That the Government of Canada work cooperatively with the provinces and territories in developing Growing Forward 2 and any changes to the BRM suite of programming.

Recommendation 2

That the Government of Canada not fund any BRM programs that can potentially put Canadian farmers in jeopardy through countervail or other trade actions.

Recommendation 3

That the Government of Canada approach its provincial and territorial counterparts during the negotiations for Growing Forward 2 to add a set of trade-compliant AgriInsurance price options like the Alberta Cattle Insurance Program.

Supplementary Opinion of the Bloc Québécois Program Review March 2011

Since 2009, the Bloc Québécois has been calling for a more indepth study of the business risk management programs. A number of farmers in Quebec and their representatives have identified various weaknesses in the programs under the latest Growing Forward Agricultural Policy Framework, charging that the framework does not provide an appropriate net. In our opinion, regular program reviews should be mandatory in order to address weaknesses as quickly as possible.

The Bloc Québécois has contributed to the drafting of the report and its recommendations and would like the government to follow through as soon as possible, in light of witness testimony stressing the urgent need for immediate changes and fine-tuning of the business risk management programs. We maintain that the federal government must not only consult but must also ACT.

Accordingly we support without any reservation the Union des producteurs agricoles (UPA) and the Canadian Federation of Agriculture (CFA) in demanding the following changes to the AgriStability program:

- **An annual choice between the Olympic average and the average of the last three years, with the highest being used as the reference margin.** (This option would provide payments to some farmers who would not receive it using the usual Olympic average calculation.)

- **Elimination of the viability criterion applied to negative margins.** (Under the current rule, farmers with negative reference margins in at least two of the three years received no protection).

- **Increase coverage of negative margins, from 60% to 70%.**

  (At present, the government covers 60% of the negative margin).

- **An option allowing farmers to receive reference margin coverage for the remaining 15%, or to participate in the AgriInvest program.**

In the 2008 election campaign, the Conservatives promised to create a true AgriFlexibility program, as proposed by the CFA, but they failed to follow through. Three years later and given the urgent demands from farmers and their organizations to establish a true AgriFlexibility program in order to address their specific sectoral and regional needs, the Bloc Québécois recommends that the AgriFlexibility program be amended to include risk management.

Finally, the Bloc Québécois questions whether the federal government intends withdraw to from risk management, leaving private insurers to step in. We have learned that the government was indeed considering this possibility while drawing up the new Agricultural Policy Framework. We wish to put the government and farmers on notice that we will be very vigilant about this.

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