Sixth Report on the *Farm Income Protection Act*

Agriculture and Agri-Food Canada,

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Sixth Report on the Farm Income Protection Act.

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LIST OF ACRONYMS

AAFC – Agriculture and Agri-Food Canada

ACB – Administrative Capacity Building

ADRP – Agricultural Disaster Relief Program

ANS – Allowable Net Sales

BRM – Business Risk Management

CAP – Canadian Agricultural Partnership

CAIS – Canadian Agricultural Income Stabilization

CANSIM – Canadian Socio-Economic Information Management System (Statistics Canada)

EIA – Environmental Impact Assessment

FPT – Federal-ProvincialTerritorial

FIPA – *Farm Income Protection Act*

GF – *Growing Forward*

GF2 – *Growing Forward 2*

HILLRP – Hog Industry Loan Loss Reserve Program

HFTP – Hog Farm Transition Program

LPI – Livestock Price Insurance

MFA – Multilateral Framework Agreement

NISA – Net Income Stabilization Account

NPAC – National Programs Advisory Committee

NPF – Next Policy Framework

OAG – Office of the Auditor General

OAE – Office of Audit and Evaluation of Agriculture and Agri-Food Canada

OECD – Organisation for Economic Co-operation and Development

PI – Production Insurance

PM – Program Margin

R&D – Research and Development

RM – Reference Margin

RML – Reference Margin Limit

WCP – Wildlife Compensation Programs

WTO – World Trade Organization

EXECUTIVE SUMMARY

A review of the operations of *Farm Income Protection Act* (FIPA) is completed every five years. The current review, the Report on the *Farm Income Protection Act* – Sixth Report to Parliament 2017-2021 (hereafter, the Sixth Review), focuses on examining AgriInsurance, AgriStability, AgriInvest and AgriRecovery which have operated under FIPA during this time. The period encompassed by this review falls over the last years of the federal-provincial-territorial (FPT) multi-lateral agreement *Growing Forward 2* (GF2) (2013-2017) and continues through the design and implementation of programs under the *Canadian Agricultural Partnership* (CAP) (2018-2022).

The Report is divided into four sections with the following objectives:

- It provides an overview of business risk management (BRM) programs authorized under the Act, including program parameter changes made during the Sixth Review period.
- It summarizes the results and findings of studies, evaluations and audits conducted during the review period.
- It provides a summary of Environmental Impact Assessments (EIAs) completed during the review period and the type of impacts that BRM programs may have.
- It provides "a review of the operation of the Act", by assessing how programs authorized under the Act meet the principles set out in the Act, Section 4(2).

Program changes implemented during CAP were in response to findings and recommendations of the various studies, evaluations, and audits that fell under the review period, as well as input from Agriculture and Agri-Food Canada's provincial and territorial partners and producer groups in the sector. Key findings and recommendations included that governments identify ways to encourage the development of complementary risk management tools and explore ways the BRM suite could be modified to improve program equity, timeliness and predictability.

Programs implemented during the Sixth Review period were compatible with the principles set out in Subsection 4(2) of FIPA. The BRM suite of programs has supported CAP strategic outcomes by helping farmers manage risks due to severe market volatility and disaster situations. EIAs consistently found BRM programs to have minimal negative impacts on the environment. The report concludes that FIPA continues to be an effective legislative framework for assisting Canada's farmers in managing risk.

INTRODUCTION

The *Farm Income Protection Act* (FIPA) authorizes "agreements between the Government of Canada and the provinces to provide for the protection of income of producers of agricultural products" and allows "the Government of Canada to take additional measures for that purpose."[1] To this end, the Act provides the legislative framework for federal-provincial-territorial (FPT) multi-lateral agreements regarding the business and income-related risks facing Canadian agricultural producers. Agricultural programs over this period, and particularly BRM programs AgriInsurance, AgriStability, AgriInvest and AgriRecovery, have helped farmers to manage various types of risk, ranging from financial risk to insurance strategies, disaster recovery, and other forms of support.

Since the inception of FIPA, the administration of programs has fallen under the purview of the Department of Agriculture and Agri-Food Canada (hereafter "the Department" or AAFC). The current review examines the programming enabled under FIPA for the period 2017-2021. The period covered by this report begins after the implementation of programs in the FPT multi-lateral agreement GF2 (2013-2017) and continues through the design and introduction of programs under CAP (2018-2022).

The Sixth Review evaluates the performance of programs relative to the requirements outlined in FIPA.[2] A review of programs authorized under the Act has taken place every five years since the coming into force of the Act in 1991. Section 20 of the Act requires that a 'review of the operations of this Act shall be completed (a) on any day before April 1, 1996, and (b) on the expiration of every fifth year after that day.' The current FIPA report also meets the reporting requirement of the CAP agreement for a comprehensive review of the AgriStability and AgriInvest programs (Annex A Clause 12.1).

Economic conditions during the Sixth Review Period (2017-2021) have been generally positive for agricultural producers. After falling in 2018 and 2019 relative to 2017, net cash income reached a record high in 2020 despite the COVID-19 pandemic, driven by strong farm cash receipt growth that was broad-based across provinces.[3] Higher crop receipts drove the overall gain in 2020 market receipts, while livestock revenues eased due to challenges related to COVID-19, including temporary closures of processing facilities. However, 2021 has been a very challenging year in Western Canada and parts of Western Ontario as a significant drought severely impacted crop production and led to extraordinary costs to feed, water and maintain livestock herds. In British Columbia, record-breaking floods in late 2021 affecting its southern regions have had further devastating impacts on producers and will require a significant rebuilding effort in the coming years.

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[1] *Farm Income Protection Act*, Revised Statutes of Canada, 1991, S.C. 1991 c.2. Retrieved October 20, 2021 from http://laws-lois.justice.gc.ca/eng/acts/F-3.3/FullText.html

[2] The first review was completed in 1996 and tabled in Parliament on March 3, 1997. The second, third, fourth and fifth reviews were completed in 2001, 2006, 2011 and 2016, respectively, and were tabled in Parliament.

[3] Statistics Canada 2020 Farm Income Release https://www150.statcan.gc.ca/n1/daily-quotidien/210526/dq210526b-eng.htm . AAFC 2020-2021 Farm Income Forecast https://agriculture.canada.ca/en/canadas-agriculture-sectors/sector-overviews-data-and-reports/farm-income-forecast-results-2020-and-2021

The Sixth Review is structured into four sections as set out in the Executive Summary. The first section describes in detail the BRM programs authorized under FIPA, including program changes made under GF2 and CAP. The second section summarizes the results and findings of studies, evaluations and audits conducted during the review period. The third section summarizes the results of EIAs undertaken during the period, as required by the Act. The fourth and final section summarizes the extent to which current BRM programs adhere to Section 4 (2) of the Act "Statement of Principles" (Annex A).

I. BUSINESS RISK MANAGEMENT PROGRAMS

In the 1980s, there was growing concern that Canada's agricultural support programs, which relied on ad hoc programming, were distorting market signals, provided inequitable support regionally and between commodities and were at risk of countervail trade action. Under the World Trade Organization (WTO) rules, another country could charge countervail duties on subsidized imports that are found to be hurting their domestic producers. FIPA's implementation in 1991 provided a legislative framework to authorize a suite of business risk management (BRM) programs guided by a set of principles designed to address these concerns. This led to a shift of support away from commodity-specific, regional support towards nationally consistent, whole-farm income stabilization.

The current suite of programs were introduced under Growing Forward (GF) (2008-2012). AgriInsurance helped to stabilize a producer's income by minimizing the impacts of production losses caused by severe but uncontrollable natural hazards. AgriStability was introduced as a margin-based program that provided income support for larger income losses, with payments based on current year margin declines compared to an average historical margin. AgriInvest was introduced to provide timely, predictable assistance for smaller income declines or to make on-farm investments to mitigate risks. AgriRecovery was also implemented to increase the capacity of the BRM suite by providing a consistent framework for the development of FPT initiatives in response to severe disaster events. Over the course of GF, the BRM suite was seen as too comprehensive, covering normal risks that should be managed by producers and perhaps impeding adaptation.

Growing Forward 2 (GF2) (2013-2017) saw FPT governments agree to maintain the same fundamental set of programs as GF, while the policy focus shifted further towards targeting support for more severe events, recognizing a role for producers to self-manage normal risks. The AgriRisk Initiatives program (AgriRisk) was also introduced to support research and development, as well as the development and administration of new risk management tools for use in the agriculture sector to complement the BRM suite.

Under the Canadian Agricultural Partnership (CAP) (2018-2022) FPT governments agreed to continue the GF2 policy direction, where the BRM program suite helps producers manage significant risks that threaten farm viability and are beyond the producer's capacity to manage. Producers are expected to proactively manage normal risks through the use of other risk-management tools suited to their needs. Changes were introduced to the AgriInvest and AgriStabilty programs to ensure more equitable support for producers, while AgriInsurance, AgriRecovery and AgriRisk were maintained. New data sharing clauses were also included requiring provinces to share with AAFC producer-level program data to support increased public accountability, audit, evaluation and reporting.

In the detailed program descriptions that follow, an analysis of program parameters and how they changed from GF2 to CAP is provided. Each description summarizes the intent and vision of the programs, followed by the specific program-level changes made in CAP. Changes to BRM programs made under CAP took into consideration the recommendations of evaluations, assessments and studies of BRM programs that were completed during the Sixth Review period and are summarized in Section II.

AgriInsurance

AgriInsurance provides insurance against production losses caused by natural hazards (*i.e.*, weather, pests and disease). The program has been available to producers in various forms for over 70 years and has been known as Crop Insurance and Production Insurance. It is an actuarially sound insurance program using premiums to fund producer indemnity payments, with federal and provincial governments covering a share of the premium costs to ensure that coverage is affordable for farmers. The insurance plans are designed to cover production and productive asset losses, as well as loss of product quality resulting from natural perils. Producers select the agricultural product they wish to insure, the type of insurance plan, the coverage level, and the insurable value from the options available in their province. When production falls below their insured coverage level, producers' can submit a claim to be compensated.

The federal government also provides a reinsurance arrangement (deficit financing) to provinces, in addition to ensuring that provincial plans respect program requirements, and cost-sharing premiums and administration. The federal reinsurance arrangements ensure that producers receive their indemnity payments even if premiums collected in the provincial insurance funds are insufficient to make the payments. Any deficit financing provided is reimbursed over time, from the premiums collected under the program. Five provinces chose to participate in this arrangement (Alberta, Saskatchewan, Manitoba, New Brunswick and Nova Scotia).

The federal and provincial governments share 60 percent of premium costs (36 percent federal, 24 percent provincial), while producers contribute the remaining 40 percent. Program administrative costs are shared 60:40 between the federal and provincial governments, and plans are developed and delivered by each province to meet the needs of producers within their jurisdiction. A major advantage of the AgriInsurance program is the timeliness of distributing benefits, since payments can be made immediately after a yield or quality loss is determined for an insured producer in a given year.

To support AgriInsurance, FIPA also allows for the development of the Canada Production Insurance Regulation that sets the various conditions and standards to ensure the insurance plans are actuarially sound and financially self-sustaining. In addition, these regulations provide Wildlife Compensation provisions to compensate producers for damages to crops and livestock caused by wildlife. Wildlife Compensation Programs (WCP) are separate from AgriInsurance, and are cost-shared by federal and provincial governments. These WCP programs are not structured as insurance, since producers do not pay a premium.

AgriInsurance in *Growing Forward 2* (GF2) and *the Canadian Agricultural Partnership* (CAP)

Under the past two frameworks, AgriInsurance has largely continued to operate in its historical form as both producers and governments continued to view AgriInsurance as being an efficient and effective risk management tool. Under GF2, an emphasis was placed on refining and expanding the program to cover more commodities and specified perils in order to better meet the sector's risk management needs.

Continuing with program expansion under CAP, provinces were given increased flexibility to offer new insurance products to existing programs where producers would contribute 100% of the premium cost. This producer-paid-only feature was created to help improve provincial program participation and meet producers' demand for increased coverage. To date, Manitoba is the only province that has taken advantage of this flexibility.

In addition to the program expansion, new CAP clauses were added to improve language on AAFC's oversight functions and support of regular program evaluation. For example, criteria were refined to reduce language ambiguity in the development of insurance plans which allows for insurance coverage without insuring all acres of production for a commodity under one insurance contract. New data sharing clauses were included requiring provinces to share with AAFC producer-level AgriInsurance program data to support increased public accountability, audit, evaluation and reporting. AAFC oversight and reporting requirements were strengthened to ensure provincial decisions to purchase private reinsurance are compliant with the agreement objectives. Participating provinces are now required to share their purchase strategy and the costs of their private reinsurance with AAFC. Finally, new WCP clauses were added to reduce wildlife generated production losses by using existing and new mitigation and prevention strategies.

AgriInvest

AgriInvest is a self-managed producer savings account where a portion of producer contributions are matched by governments. It can assist producers in managing income declines and allows for investments that help to mitigate risks.

Withdrawals are made at the discretion of producers to meet their cash flow needs with the expectation that funds will be withdrawn in exceptional years when their farm business income declines and/or when funds are required for investment. Funds resulting from government contributions and interest must be withdrawn first and are taxable as income in the year in which the withdrawal is made. This structure is intended to encourage savings, while ensuring tax is paid on the government contributions. Government contributions and program administration costs are cost-shared on a 60:40 basis between the federal government and the provinces and territories.

AgriInvest in *Growing Forward 2* (GF2)

Under GF2, producers had flexibility in managing deposits and funds in their AgriInvest accounts. GF2 guidelines allowed producers to deposit a greater share of their Allowable Net Sales (ANS), defined as revenue from eligible agricultural commodities less purchases of eligible agricultural commodities, into their AgriInvest accounts without a matching government contribution. Under GF2, up to 100 per cent of their ANS could be deposited per year, compared to a balance limit of 25 per cent of average ANS for a program year and the two preceding program years under GF. Producers were also permitted to have account balances of up to 400 per cent of their average ANS. These changes were made to encourage further saving by producers. Government contributions for AgriInvest under GF2 fell to 1 percent of a producer's ANS, down from 1.5 percent under GF. The limit on matching government contributions in GF2 was set at $15,000, corresponding to an ANS of $1.5 million, down from the $22,500 matching government contribution limit under GF.

AgriInvest in *the Canadian Agricultural Partnership* (CAP)

Under CAP, the maximum ANS for matchable government contribution decreased to $1 million, resulting in the government matched contributions limit declining to $10,000 per year, with cost savings reallocated to other strategic initiatives. Producers can still make deposits of up to 100 per cent of their ANS and hold account balances of up to 400 per cent of ANS. Under CAP, the minimum deposit amount was also increased to $250, resulting in the minimum ANS to receive matching contributions set at $25,000. Before CAP, the minimum deposit was $75. This change was made to improve administrative efficiency.

AgriStability

AgriStability is a whole-farm program that provides support when producers experience margin declines caused by circumstances such as low prices, rising input costs, or production declines. AgriStability requires producers to enroll early in their production year and supply detailed financial information once the year is completed. To improve the timeliness of AgriStability payments, which can only be calculated after the income tax return for the program year is filed, producers may apply to their program administrator for an Interim Payment equal to 50 per cent of the value of their estimated final payment. There is another mechanism where producers can receive advance payments through the Targeted Advance Payments (TAPs), which can be issued to groups of producers facing exceptional circumstances or unusual events, subject to approval of FPT governments. These payments are also typically 50 percent of the value of their estimated final payment, but can be up to 75 percent if agreed to by FPT officials. Government contributions and program administration costs are cost-shared on a 60:40 basis between the federal government and the provinces and territories.

AgriStability in *Growing Forward 2* (GF2)

Under GF2, program parameters were harmonized to focus government support on covering severe market volatility and disasters, and to recognize producers' responsibility for managing normal business risks. The reference margin coverage level was set at 70 percent, rather than 85 percent. Compensation for margin losses was harmonized at 70 per cent of the decline of the producer's Program Margin relative to their Reference Margin. This replaced the tiered system of compensation that existed prior to GF2.

In the lead-up to GF2, it was also observed that Reference Margins, and therefore program coverage, were increasing due to positive market returns. As a result, a Reference Margin Limit (RML) was introduced under GF2 that limited the Reference Margin to the lesser of the calculated historical margin, or the average allowable expenses in those same years. Through these changes, governments sought to avoid making payments on a producer's lost profit.

AgriStability in the *Canadian Agricultural Partnership* (CAP)

While AgriStability continues to provide critical income support to producers across the country, changes were made under CAP to address program concerns and encourage greater participation.

To provide a more equitable level of support for producers with lower allowable expenses, a limit on the RML was applied beginning in 2018 whereby the reference magin could not decline by more than 30%. Then on March 25, 2021, FPT Ministers of Agriculture agreed to fully remove the RML introduced under GF2, retroactive to the 2020 program year.

To encourage greater participation and limit demands for ad hoc support, the CAP framework included a bilateral late participation mechanism to allow provinces and territories to request late participation when a widespread market event or disaster occurred and a gap in participation was present. For producers who enrolled under the late participation option, triggered payments are reduced by twenty percent. Late participation was invoked in four provinces in 2018 and again in 2021 for wildfires and adverse weather conditions, which allowed producers not already enrolled to benefit from the program at a time of real need.

To improve administration efficiency and help fund higher AgriStability payments following the removal of the RML, a minimum payment threshold of $250 was established under CAP. Payments below this level were also not expected to have had a meaningful impact on a producers' risk management strategy. To encourage the use of private insurance tools, private insurance payments were treated as non-allowable income in the program margin calculation starting in the 2020 program year.

Additionally, a pilot project was established for producers in several provinces where Canada delivers AgriStability. Producers farming in Manitoba, New Brunswick, or Newfoundland and Labrador who file taxes on a cash basis were permitted to take part in a cash reference margin pilot for the 2020 and 2021 program years. For producers agreeing to participate in the pilot, their reference margin would be based on the cash income and expenses they report for income tax purposes with no accrual adjustments. The pilot was designed to assess whether reducing the amount of historical information a producer needs to provide would make it easier for new and returning participants to participate in the program. The results of the pilot are being considered by FPT officials in discussions on the next policy framework (NPF).

The Department and the provinces continue to explore ways the AgriStability program could be improved to address issues of complexity, timeliness and predictability.

AgriRecovery

AgriRecovery is a disaster relief framework (the "AgriRecovery Framework") which provides a process to enable federal, provincial and territorial governments to respond when a disaster impacts agricultural producers. AgriRecovery provides a framework for programs operated under the authority of Section 12 of FIPA.

The objective of the AgriRecovery Framework is to facilitate the development of initiatives designed to help producers with the extraordinary cost of activities necessary to resume business operations as quickly as possible after a disaster and/or the extraordinary costs associated with short-term actions necessary to minimize and contain the impacts of the disaster on producers.

AgriRecovery is not intended to cover production, revenue or income losses resulting from a disaster, or replace the need for multi-year strategies required to assist industries to adjust to the long term realities of a disaster. Other BRM programs are available to assist producers with production and income losses and AgriRecovery initiatives focus on assisting with the extraordinary costs to recover from a disaster and are not intended to duplicate support available through other programs.

AgriRecovery works as follows:

- A province or territory decides if an event is one that may meet the criteria for an AgriRecovery response and, if so, contacts Agriculture and Agri-Food Canada to initiate a joint assessment process.

- A joint assessment is undertaken to examine the disaster event and its impacts based on predefined criteria, including: recurrence, abnormality, presence of significant negative impacts and extraordinary costs, collective experience and capacity to manage the disaster through existing BRM programs, or other programs already available. The responses to these questions are used to determine whether the event warrants an AgriRecovery initiative.
- The findings of the assessment are the basis on which governments decide whether or not an AgriRecovery initiative is required, and will assist governments in the design of any support measures.

Initiatives are typically delivered by the province or territory, and are cost-shared on a 60:40 federal: provincial/territorial basis.

AgriRecovery in *Growing Forward 2* (GF2)

There were four major changes to the AgriRecovery Framework during the GF2 period. First, more comprehensive definitions of key concepts in the AgriRecovery Framework were developed to ensure that initiatives were focused on the extraordinary costs of recovery and that they were in response to events that were beyond producers' capacity to manage. Second, governments implemented a two-stage assessment process under GF2, with a Preliminary Assessment phase, and if the criteria were met, a more comprehensive Formal Assessment phase is initiated. Third, there were stricter limits on the role of the framework in recurring disasters to encourage the development of responses to such recurrent events through AgriStability, AgriInvest and AgriInsurance, or the private sector. Fourth, changes were made to the performance framework to improve the timeliness of AgriRecovery initiatives.

AgriRecovery in *the Canadian Agricultural Partnership* (CAP)

The AgriRecovery Framework under CAP continued to operate under the form adopted in GF2 with a few minor refinements. First, to ensure adequate data is collected and reported to address the AgriRecovery Framework's performance targets, the Department worked with the provinces to identify a set of performance indicators to report on the initiatives performance, which could be adapted based on the nature of the event. The Department also worked with the provinces to update the FPT Disaster Relief Framework.[4] The Framework explicitly outlines the disasters that qualify for assistance under AgriRecovery and the scope of AgriRecovery financial assistance. Also included in the Framework are principles of disaster assessment and design initiatives, and a six-step process for FPT governments to jointly respond to disaster events. This approach applies a consistent, pre-defined process when a disaster occurs to assist producers to manage and recover from catastrophic risks and extraordinary costs, while minimizing the risk of unwarranted, ad hoc assistance when disasters occur.

Livestock Price Insurance (LPI)

The GF2 framework agreement included a commitment to encourage the development and implementation of new risk management tools for agricultural producers. To this end, Livestock Price Insurance (LPI) was developed as a pilot initiative for cattle and hog producers in Western Canada under the AgriRisk Initiatives. LPI was originally launched in Alberta as a provincial-only program and subsequently evolved through collaboration between federal and provincial governments to cover all of

[4] https://agriculture.canada.ca/en/agricultural-programs-and-services/agrirecovery/guide-agrirecovery

Western Canada. In 2013–2014, the Department finalized the necessary multilateral agreements to support the pilot program, resulting in the launch of LPI in spring 2014. Under CAP, LPI funding was renewed under AgriRisk.

The purpose of LPI is to provide protection against unforeseen price declines in the livestock sector in four provinces: British Columbia, Alberta, Saskatchewan and Manitoba. Coverage is forward looking (i.e., based on expected market prices) and policies are eventually settled based on current cash market prices in Western Canada, not the market price individual producers ultimately receive for their livestock sale. Coverage is also available for a range of time periods, allowing producers to tailor their insurance coverage to the needs of their operations.

As of December 2021, the cumulative number of policies sold since LPI's implementation was close to 38,000 and the total liability of policies to date was $8.1 billion. Premiums are actuarially sound, and producers pay the full cost of the premium when purchasing insurance. The administration of LPI is cost-shared on a 60:40 basis between the federal government and provinces.

The financial insurance liability of LPI rests with the provinces, with private reinsurance used to partially manage the liability. However, the Department also provides a deficit financing mechanism to support the provincial insurance funds, should the indemnities exceed the premiums collected under the program. This mechanism is provided under the revenue insurance provision of FIPA (Section 4(1)(c)).

BRM Program Payments from GF2 to CAP

BRM program data included in this report is based on the BRM Performance Indicator annual reports prepared by AAFC and provincial program administrations. The performance indicators draw on many information sources and there is a typical time lag in the farm-level data collection across all sources. The 2018 and 2019 BRM Performance Indicators, the first two years under CAP, are preliminary but are included in this report as any revisions will be minor and will not impact the conclusions made in this report.

In comparing the transition from GF2 to CAP, the level of BRM payments to producers have been similar so far, averaging $1.68 billion under the first two years of CAP (2018-19) versus $1.64 billion under GF2 (Table 1.0). The driver of the higher payments thus far under CAP versus GF2 payments is AgriStability. Year-to-year fluctuations in AgriStability primarily reflect changes in output prices, input costs and production. However, another factor is policy changes under CAP. In 2018, the late participation provision of AgriStability (i.e., allowing producers to enroll in the program after the application deadline) was invoked by several provinces due to production issues. In the same year, the reference margin limit (RML) was also adjusted to allow AgriStability to better respond when producers are facing margin declines.

While funding under CAP is similar to levels under GF2, it has declined relative to the GF period, where average annual payments were over $2 billion per year. This reflects a combination of strong economic performance and reduced coverage under the AgriStability and AgriInvest programs under CAP.

AgriInsurance continues to account for the majority of BRM payments (over 60 per cent). AgriInsurance payments reflect government cost share of premiums for insured crop production, which remains fairly stable year-to-year but can change based on coverage chosen and commodities grown. Similarly, AgriInvest is also fairly stable year-to-year as it is based on a producer's ANS. The decline in AgriInvest payments thus far under CAP reflects the reduction in the maximum matchable government contribution. In contrast, payments made under AgriStability and AgriRecovery are demand driven and subject to year-to-year fluctuations. For example in 2016 AgriStability payments nearly doubled from their 2015 level.

Table 1.0: Federal and Provincial Payments by Program ($, millions)

	AgriStability	AgriInvest	AgriInsurance	AgriRecovery	Annual Total
Growing Forward 2					
2013	312	265	1,189	1	1,767
2014	297	267	942	4	1,511
2015	259	279	924	2	1,464
2016	507	287	1,102	9	1,905
2017	239	292	1,015	21	1,560
Canadian Agricultural Partnership					
2018	443	257	1,012	1	1,713
2019	357	250	1,029	16	1,652

Source: AAFC and provincial program administrations. Note: AgriInsurance payments reflect FPT cost share of premiums.

Throughout the review period, participation has remained strong and relatively stable for AgriInvest and AgriInsurance in terms of their share of market revenue (Table 2.0). While AgriInvest participation remains high overall, small farms have had lower participation. Despite changes to limit the scope of the program and continued messaging regarding the intended use of AgriInvest, participants' reasons for making withdrawals from their accounts varies. Total fund balances continue to rise, to reach over $2.56 billion in 2020-2021. Account balances vary significantly between individuals, commodities, and regions based on farm size, structure, and individual deposit/withdrawal decisions.

In contrast to AgriInvest and AgriInsurance, participation issues persist for AgriStability. Participation issues in AgriStability were a key focus of CAP and will remain an issue of governments for the NPF.

Table 2.0: Share of Market Revenue Covered by BRM Program

	AgriInvest	AgriStability	AgriInsurance
Growing Forward 2			
2013	89%	62%	76%
2014	88%	59%	76%
2015	95%	59%	73%
2016	93%	56%	74%
2017	97%	57%	69%
Canadian Agricultural Partnership			
2018	99%	57%	73%

Source: AAFC and provincial program administrations. Note: AgriStability and AgriInvest is program participants' farm market revenues (or sales) as a percent of all farm market revenues (or sales). In the case of AgriInsurance it is the value of insured production compared to total value of all agricultural products (excluding forage). 2019 participation data still being collected.

Under GF2, AgriRecovery Initiatives were put in place during the Sixth FIPA Review period to help Alberta and Saskatchewan livestock producers manage the discovery of Bovine Tuberculosis (2017), Quebec crop and horticulture producers affected by an extreme hail event (2017) and British Columbia producers recover from wildfires (2018).

Thus far under CAP, funding for AgriRecovery initiatives has increased significantly in response to the impacts of COVID-19 and the recent droughts and wildfires:

- $5 million to provide financial assistance to help agricultural producers affected by wildfires (2018);
- $1 million was required to help affected producers with extraordinary costs incurred to mitigate the impacts of the Bovine Tuberculosis outbreak (2019);
- $15.6 million to help affected Prince Edward Island potato and horticulture producers with extraordinary costs incurred to mitigate the impacts of excess moisture and cold temperatures (2019);
- $1 million to provide financial support to British Columbia livestock producers whose operations were impacted by excess moisture and flooding (2019);
- $90.6 million to cattle and hog producers who incurred extraordinary costs for feed and maintenance, and herd management due to COVID-19 in Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Prince Edward Island (2020);
- $825 million in assistance to producers in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario who incurred extraordinary costs due to the drought and wildfires to ensure breeding livestock are fed and watered, and producers are able to maintain their breeding livestock (2021).

II. SUMMARY OF STUDIES, EVALUATIONS, AND AUDITS

Numerous evaluations, assessments and studies of BRM programs were completed during the Sixth Review period. This section summarizes the conclusions and recommendations of those reports, as well as the responses of the Department and FPT partners. The findings and recommendations are discussed sequentially by program type and appear in chronological order within each section. Many of the recommendations identified in these studies, audits and evaluations ultimately influenced the programming changes that were made when moving from GF2 to CAP.

1. General Studies of the BRM Suite of Programs

Business Risk Management (BRM) Review, External Panel of Experts

In July 2017, FPT Ministers agreed to undertake a review of BRM programs to assess their effectiveness and impact on growth and innovation. An expert panel consisting of producers, academics and other experts was established to provide feedback and guidance on the review. The panel presented its recommendations to Ministers in July 2018.[5]

The expert panel's recommendations included that governments consider encouraging the development of complementary risk management tools to the BRM suite while ensuring existing BRM programs do not

[5] https://www.canada.ca/en/agriculture-agri-food/news/2018/07/summary-of-items-from-the-2018-annual-meeting-of-federal-provincial-and-territorial-fpt-ministers-of-agriculture.html

crowd out current private insurance programs. The panel also recommended governments explore ways the AgriStability program could be modified to improve program equity, timeliness, predictability and reduce complexity. In response to these recommendations, Ministers directed officials to identify ways the AgriStability program could be simplified and made more equitable, analyze how AgriStability treats private insurance payments, and find solutions that will also encourage the development and use of complementary risk management tools.[6]

Business Risk Management (BRM) Producer Survey

As part of the FPT performance framework for the BRM programs, occasional surveys are conducted to gather information on business risks faced by farm operators, as well as their use and satisfaction with the BRM programs. Statistics Canada's Farm Financial Survey (FFS) included questions on AgriInvest, AgriStability and AgriInsurance for 2019.

Respondents to the FFS identified weather, commodity prices and input costs as the most important risks they face.[7] Of the producers surveyed, 82 per cent identified AgriInvest as an important risk management tool, compared to 75 percent for AgriInsurance and 66 percent for AgriStability. Overall, 75 percent of producers (represented by the weighted average of the three individual programs) consider the BRM suite of programs as an important risk management tool.

The most commonly raised reasons for not participating in AgriStability were program complexity, unpredictability of payments and use of other programs and tools to manage risk. High premiums costs and the use of other programs and tools were cited for not using AgriInsurance, while the most common reasons to not participate in AgriInvest included insufficient funds and limited program benefits.

Overall, the FFS found 59 percent of producers surveyed used some form of private risk management tool, with private insurance and production or marketing contracts being the most common.

Strengthening Agricultural Resilience in the Face of Multiple Risks, International Report of the OECD[8]

The Organisation for Economic Co-operation and Development (OECD) published a report in 2020 emphasizing the importance of risk management strategies based on a proactive, resilience approach. Resilience is critical given producers are facing new sources of risk due to climate change, unanticipated policy changes and the knock-on economic impacts of external shocks like the global pandemic. In the report, resilience is defined as the ability to absorb the impact of an adverse event, the ability to adapt in response to risk and to transform with the intent of eliminating the risk altogether. Under the OECD's

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[6] https://www.canada.ca/en/agriculture-agri-food/news/2019/07/summary-of-items-from-the-2019-annual-meeting-of-federal-provincial-and-territorial-fpt-ministers-of-agriculture.html

[7] Important defined as a survey participant responding very important, important or somewhat important. No response or not applicable response were excluded from the calculation.

[8] https://www.oecd-ilibrary.org/agriculture-and-food/strengthening-agricultural-resilience-in-the-face-of-multiple-risks_2250453e-en

framework, normal risks are the responsibility of producers, with government having a role to play in rarer, catastrophic risk events.

Contained within the report is a case study of Canada entitled: “Resilience to natural disasters in Canada”, where the OECD notes Canada’s agricultural policy frameworks have increasingly shifted from ad hoc assistance towards investments in science, research and innovation initiatives that aim to help producers adjust their operations to better confront catastrophic risks. The OECD also notes the BRM suite has been refined to assist producers in coping with adverse events through statutory programs such as AgriInsurance and the development of the AgriRecovery Framework[9] that applies a consistent, pre-defined process when a disaster occurs to assist producers to manage and recover from catastrophic events and extraordinary costs.

While the OECD’s overall assessment found the BRM suite evolving to a more proactive policy framework, the OECD suggested modifications to the BRM suite to encourage greater on-farm resilience. This included improved linkages between BRM programs and a farm’s production practices that incentivize longer-term environmental sustainability that could help reduce the impact of future natural disasters. In addition, the OECD notes Canada’s risk management framework is comprehensive, arguing some programs extend beyond the catastrophic risk layer, with the potential for multiple programs compensating a producer’s loss from an adverse event, which could crowd out on-farm resilience and risk management strategies as well as private sector tools. To avoid crowding out, the OECD argues there is a need to continue to evaluate the BRM suite and to critically assess appropriate thresholds that trigger support under AgriStability and AgriInsurance.

Design Principles for Agricultural Risk Management Policies, International Report of the OECD[10]

Another OECD report written in 2021 provides suggested design principles for agriculture risk management tools to ensure government support aids producer resilience while not providing disincentives for producers to invest in risk-reducing measures and private market tools. The report highlights the importance of a holistic approach to risk management to ensure complementarity between tools, with government support best focused in covering administrative costs and catastrophic risk.

The report found that it is common across OECD countries that disaster relief often overlaps with subsidised agricultural insurance in the catastrophic risk layer with ad hoc assistance continuing even after insurance programs are well established. The OECD highlights the importance of defining a consistent scope of policy tools, particularly in the ad hoc disaster recovery space, before disaster events occur. Second, while matched savings accounts can help producers smooth income variability, they are often insufficient for managing catastrophic events and have a minor role to play in farm risk management.

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[9] https://agriculture.canada.ca/en/agricultural-programs-and-services/agrirecovery/guide-agrirecovery

[10] https://www.oecd-ilibrary.org/agriculture-and-food/design-principles-for-agricultural-risk-management-policies_1048819f-en

2. AgriStability, AgriInvest and AgriInsurance Evaluation

Office of Audit and Evaluation (OAE) Evaluation of AgriStability, AgriInvest, AgriInsurance and the Wildlife Compensation Program[11]

In 2017, as part of its Five-Year Evaluation Plan, the Office of Audit and Evaluation (OAE) undertook an evaluation to examine the relevance and performance of the FPT BRM programs AgriStability, AgriInvest, AgriInsurance and the Wildlife Compensation Program under GF2 to help inform program development under CAP.

Overall, the OAE found that despite strong performance and favourable market conditions during the GF2 period, BRM programming continued to be important in helping producers manage a variety of risks and that AgriInsurance, AgriInvest and AgriStability are aligned with federal roles and responsibilities legislated under FIPA.

AgriStability and AgriInvest

AgriStability payments were found to be effective in mitigating the financial impacts of large short-term income losses. However, the OAE highlighted declining participation as a concern, with the issues of timeliness and predictability of payments impacting participation, along with favourable market conditions and program changes shifting AgriStability from an income support to disaster support program. The OAE also noted that implementation of the RML, as a measure to reduce payments during profitable years in GF2, led to the unintended consequence of some producers being disproportionately affected by large reductions in payments. A concern raised by the OAE was that the decrease in AgriStability participation and coverage could expose the industry to greater risk of significant losses and increase the potential demand for ad hoc support in the future.

In terms of administrative costs, the OAE highlighted they have not declined along with reduced AgriStability participation and payments, reflecting the administrative complexity of the individualized nature of the program. The OAE argued any significant efficiency gains of the AgriStability program would require significant redesign to reduce the administrative cost and complexity.

AgriInvest was judged to be a beneficial tool as it gives producers flexibility to manage financial risks but according to the OAE, a drawback of AgriInvest is that program guidelines do not stipulate that producers experiencing an income loss must withdraw funds from their AgriInvest account, limiting its use as an income loss tool. Finally, while the OAE deemed that the program administration is efficient, the high proportion of AgriInvest participants making small contributions leads to high administrative costs for limited program benefits.

Recommendations for AAFC to work with provinces included:

- Seek ways to reduce AgriStability complexity and administrative costs;

[11] https://agriculture.canada.ca/en/about-our-department/transparency-and-corporate-reporting/evaluation-agristability-agriinvest-agriinsurance-and-wildlife-compensation-program

- Monitor AgriStability participation and ensure it provides meaningful coverage to reduce demand for ad hoc programming;
- Clarify AgriInvest objectives and linkages with BRM suite to support flexibility in risk management while strengthening AgriInvest linkages to BRM principles; and,
- Increase the minimum AgriInvest contribution or producers share in administration costs to justify the administrative expenses.

AgriInsurance and Wildlife Compensation Program

The OAE noted that AgriInsurance under GF2 was very effective in mitigating the financial impact of production losses for producers of eligible commodities. Participation remained high during the GF2 period and producers are satisfied with the program's timeliness, responsiveness and predictability.

While the OAE noted AgriInsurance provides disaster level support in line with GF2 priorities and BRM principles, there is also evidence that some AgriInsurance products cover normal business risk. In these instances, transferring greater responsibility to producers would better align AgriInsurance with GF2 strategic priorities and the appropriate role of BRM programming. The OAE also highlighted the rising cost of AgriInsurance premiums paid by federal and provincial governments, which nearly doubled from 2007-2008 to 2014-2015 due to rising commodity prices, a shift to high-value crops and more insured acres.

The OAE argued the Wildlife Compensation Program was found to be effective in providing financial assistance for production losses due to wildlife damage to crops and predation of livestock. However, the OAE viewed the program as only somewhat aligned with federal roles and responsibilities and less aligned with GF2 priorities and BRM principles and that the scope of the program had expanded beyond its original policy rationale and had no direct linkages to AgriInsurance. In contrast to AgriInsurance, producers do not pay premiums to participate.

Finally, the OAE raised concerns about rising administrative costs for AgriInsurance and the level of administrative costs in the Wildlife Compensation Program.

Recommendations for AAFC to work with provinces included:

- Examine options to better align AgriInsurance coverage levels with BRM principles to leave normal business risk to producers;
- Identify cost control mechanisms to prevent significant increases in AgriInsurance administrative costs. Refine performance measures used to assess administrative costs under AgriInsurance;
- Identify ways to achieve administrative efficiencies in the Wildlife Compensation Program; and
- Investigate feasibility of including wildlife damages as an insurable peril under AgriInsurance and restricting eligible wildlife to those species protected under federal legislation to better align with government mandates and responsibilities.

3. AgriRecovery Evaluation[12]

Office of Audit and Evaluation (OAE) Evaluation of Agricultural Disaster Relief Program[13]

The OAE conducted an evaluation of the Agricultural Disaster Relief Program (ADRP), the federal program used to implement AgriRecovery initiatives. The evaluation was completed in October 2016 as part of AAFC's five-year Departmental Evaluation Plan (2014-15 to 2018-19). The evaluation was intended to assess the relevance, effectiveness, efficiency and economy of the ADRP, according to the 2009 Treasury Board of Canada Secretariat Policy on Evaluation.

The evaluation found there is a need for AgriRecovery to address situations where other BRM, provincial/territorial, or private sector programs are not designed to cover the extraordinary costs included under the Framework to assist producers in recovering from disaster events. Further, the evaluation found that the AgriRecovery Framework meets this continued need more effectively and equitably than ad hoc programming.

The evaluation identified two main areas for improvement: first, the availability of data on producer satisfaction, and second, the timeliness of low-risk assessments and initiative implementation.

With respect to these issues, the OAE recommended that:

- The Department should work with the provinces and territories to ensure that adequate data is collected and reported to address the AgriRecovery Framework's performance targets and producer satisfaction.
- The Department should develop and implement a risk review template and other tools, as needed, to reduce the time taken to assess AgriRecovery initiatives of low risk or materiality.

III. ENVIRONMENTAL IMPACT ANALYSIS AND ASSESSMENT (EIA)

The *Farm Income Protection Act* requires periodic environmental assessments of BRM programs.[14] Since the coming into force of FIPA in 1991, EIAs have been carried out in 1993, 1998, 2002, 2007, 2010, 2013, 2016 and 2021. Environmental impacts are evaluated in reference to potential changes in

[12] The Agricultural Disaster Relief Program (ADRP) is the Federal Program under which disaster payments have been made since 2006. The AgriRecovery Framework, provided the opportunity for FPT consultations on disaster recovery, and was formalized in the GF framework agreement. The AgriRecovery Framework continued to be refined in GF2. As FPT governments gained experience with the Framework, improvements were made to the guidelines governing the framework processes. In moving from GF to GF2, the guidelines were amended to address industry concerns with respect to the consistent use of the framework. Specifically, greater clarity was added in terms of the Framework's focus on covering the extraordinary costs of recovery as well as some of the key criteria for identifying disasters, such as abnormal events, the ability to identify significant negative impacts, and producers' ability to absorb extraordinary costs (See p. 12 of this Review).

[13] https://agriculture.canada.ca/en/about-our-department/transparency-and-corporate-reporting/audits-and-evaluations/evaluation-agricultural-disaster-relief-program

[14] Section 5(2)(b) of *FIPA* stipulates that any agreement entered into must require periodic EIAs of the program.

production decisions and resource use resulting from the operation of BRM programs. The assessments used for this review include Environmental Assessments of AgriInvest, AgriStability and AgriInsurance in 2021 as well as the LPI program in 2021.

The 2021 EIA's of AgriInvest, AgriStability and AgriInsurance reviewed these programs under the CAP policy framework to date.[15] The AgriInvest assessment showed parallel results to those found in previous program iterations under GF and GF2, where no significant environmental effect associated with AgriInvest were identified and market conditions are the more influential factor in production decisions.

The environmental impacts of AgriStability and AgriInsurance are estimated on the basis of changes in production levels and resource use resulting from AgriStability's income stabilization effect, as well as indemnities provided by AgriInsurance to cover production losses. These impacts are simulated based on data compiled by the Department and an empirical model that specifies how a farmer's production level is affected with and without the programs. The results of the modelling suggest these programs have a very small impact on production levels and minimal direct impacts on a series of indicators, including: greenhouse gas emissions, wind erosion, water erosion, till erosion, habitat availability and residual soil nitrogen. The EIA therefore concluded that AgriStability and AgriInsurance have minimal direct impacts on the environment, when compared to the scenario where risk management programs were not available, consistent with previous reviews of the programs under past policy frameworks.

An EIA of LPI was also completed in 2021.[16] LPI was found to have neutral environmental effects, as LPI is designed to follow the established insurance principle of production neutrality. Consistent with the other BRM program assessments, market conditions are the more influential factor in production decisions that are more directly linked to environmental effects.

The fact that BRM programs were found to have minimal negative environmental impacts is consistent with the key design principle of BRM programs not unduly influencing production decisions. However, another key design principle of BRM programs is they also help mitigate a broad range of risks. The CAP Multilateral Framework AgriStability and AgriInvest Annex contains a clause whereby Provinces and Territories can choose to implement conditions for participation in AgriStability and AgriInvest, which could include activities under the theme "Environmental Sustainability and Climate Change", as set out in the detailed program guidelines. Similarly, the AgriInsurance Annex contains a clause whereby provinces have the flexibility to implement conditions where participation is contingent upon a producer undertaking one or more activities within themes developed at a FPT level. This could include environmental objectives agreed among governments.

Going forward, further opportunities for BRM programs to better support environmental sustainability goals are being explored, including to better recognize risks related to climate change and practices to mitigate them. Notably, all reviewed programs can play a significant role in supporting producers in response to climate change and weather-related events leading to production and income losses.

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[15] Agriculture and Agri-Food Canada, Environmental Impact Assessment of AgrInvest, AgriStability and AgriInsurance, December 2021.

[16] Agriculture and Agri-Food Canada, Environmental Impact Assessment of the Western Livestock Price Insurance Program, February 2021.

IV. ADHERENCE TO THE PRINCIPLES OF THE *FARM INCOME PROTECTION ACT*

The following section assesses the extent to which programs have adhered to the principles outlined in Section 4(2) of the *Farm Income Protection Act* "Statement of Principles."

A. Paragraph 4(2)(a) No undue influence on production and marketing decisions

Consistent with minimizing its influence on production decisions, the BRM suite under CAP focuses government support on severe market volatility events and disasters while producers are responsible for managing normal business risks.

For instance, under CAP, the whole-farm AgriStability program maintained the 30 per cent Program Margin decline relative to a producer's Reference Margin to trigger a payment implemented under GF2, reflecting AgriStability's role in covering severe losses. AgriStability is also designed to avoid masking longer-term market signals as prolonged periods of low returns lead to reduced Reference Margins and lower potential program payouts on future losses.

The AgriRecovery Framework under GF2 and CAP has been enhanced to apply a consistent, pre-defined evaluation process when a disaster occurs to assist producers solely with the extraordinary costs of recovering from disasters to resume business operations as quickly as possible. It is designed to ensure its compensation does not overlap with assistance available through the other BRM programs.

AgriInsurance also provides a consistent program response to assist crop producers in managing adverse production events. AgriInsurance is also integrated with AgriStability to minimize multiple programs covering the same risk, where AgriStability payments are adjusted for any indemnity payments received under AgriInsurance.

Overall the BRM suite's evolution over frameworks has increasingly limited its impact on the production and marketing decisions of producers.

B. Paragraph 4(2)(b) - Equitable protection and government contributions among agricultural commodities

A key focus of the BRM suite is to provide programs with equitable coverage across farm types and regions of the country. AgriInvest, AgriStability and AgriRecovery satisfy these objectives as whole-farm programs available across farm types and areas of Canada. In addition, under CAP, changes were made to address concerns with program equity under AgriStability by removing the RML to provide a more equitable level of support for producers with lower allowable expenses.

While AgriInsurance mostly provides coverage for crop production losses in all regions, a number of livestock mortality insurance products are currently in place, and additional products can be developed if there is a demand from the sector. The AgriRisk Program under CAP, while outside the BRM suite, also offers equitable support of the development of new agricultural risk management tools across regions and sectors.

C. Paragraph 4 (2)(c) - Encourage long-term social and economic sustainability of farm families and communities

The BRM suite under CAP contributes to the long-term sustainability of farms by exposing farmers to normal market fluctuations, which encourages innovation and adaptation. In addition, ensuring BRM programs do not crowd out private sector risk tools, the program suite promotes the development and adoption of complimentary risk tools that foster more resilient enterprises.

For instance, the BRM suite under CAP maintained the focus of government assistance on managing severe loss events while producers manage normal business risks. To encourage the development and adoption of complimentary private sector risk tools, private insurance payments are treated as non-allowable income under AgriStability starting in the 2020 program year, while AgriRisk funding was renewed under CAP aiming to support the development of new agricultural risk management tools.

This current focus of BRM programs exposes producers to market signals, encouraging producers to innovate in response to changing market conditions and explore alternative risk mitigation strategies. This in turn improves their long-term competitiveness and supports the long-term social and economic sustainability of farm families and communities.

D. Paragraph 4(2)(d) - Compatibility with Canada's international obligations

Canada's agricultural sector is heavily export oriented and maintaining access to our trading partners markets is critical to the success of Canadian producers. The World Trade Organization (WTO) Agreement on Agriculture (AoA) sets rules on the type and level of domestic support WTO members can provide to its producers. The design and modifications made to the BRM suite have been done carefully to ensure they comply with Canada's trade obligations under the WTO AoA and limit the likelihood of retaliatory action by our trading partners.

Since their introduction under GF, AgriInvest, AgriStability and AgriRecovery have been available to all farm types across the country, avoiding commodity-specific and price-support program designs that were the target of countervail under past frameworks. While AgriInsurance is available on a crop-by-crop basis, countervail risk is marginal since payments tend to flow when domestic production and exports are down, combined with the fact that our trading partners operate similar programs.

E. Paragraph 4(2)(e) - Encourage environmental and economic sustainability

BRM programs support the economic sustainability of Canada's agricultural producers through assistance in managing severe loss events, including extreme weather events, while providing producers the opportunity to adapt to changing market conditions, which in turn helps to promote their long-term competitiveness and sustainability. EIAs of the BRM suite under CAP found BRM programs had very small impacts on the environment compared to alternative scenarios where risk management programs were not available. Nonetheless, future opportunities for BRM programs to better support environmental sustainability goals are being explored as part of the next policy framework. The Department also continues to address environmental and economic sustainability issues across all Departmental activities, including the agricultural policy framework that has both BRM programs and Strategic Initiatives, through the Sustainable Development Strategy, as required by the *Federal Sustainable Development Act*.

OVERALL ASSESSMENT AND CONCLUSIONS

The *Farm Income Protection Act* continues to provide a critical legislative framework for agricultural programs. BRM programs, while having evolved significantly over policy frameworks, continue to provide an essential component of producer risk management strategies.

The Sixth Review period includes the end of GF2 and the implementation of CAP. The evaluations carried out during the Sixth Review period reflect positively on the BRM suite as a whole and found that BRM programming continued to be critical in helping producers proactively manage a variety of risks.

However, some criticisms were raised including enhancing the equity and efficiency of BRM programs, continuing to encourage the development and use of insurance and private-sector risk management tools by producers, and simplifying BRM programs to the maximum extent possible.

Low AgriStability participation continues to be highlighted and is a focus of discussion with provinces and producer groups. To encourage greater AgriStability participation, the RML was eliminated under CAP, improving program equity for producers with lower allowable expenses. In addition, despite the fact that participation in AgriStability was low, more than half of respondents in the Farm Financial Survey noted the importance of the BRM suite as a risk management tool, including AgriStability.

Overall, the Department found BRM programs respected the core principles set out in Subsection 4(2) of FIPA. FIPA continues to be a strong foundation to build programs to support Canadian producers. The BRM programs authorized under FIPA have successfully met their stated objectives, providing significant benefits to Canada's farming community.

Looking ahead, at their November 2021 annual meeting, FPT Ministers of Agriculture provided direction for the NPF through the release of the Guelph Statement.[17] The statement represents a consensus among Ministers to develop the next agricultural policy framework set to begin in April 2023.

[17] *The Guelph Statement,* Joint Federal, Provincial, Territorial Ministerial Statement, November 2021. Retrieved November 12, 2021 from: https://agriculture.canada.ca/en/about-our-department/key-departmental-initiatives/meetings-federal-provincial-and-territorial-ministers-agriculture/guelph-statement

ANNEX A

Excerpt of the Fourth Section of the *Farm Income Protection Act* [18]

4 – Agreements

Statement of principles

(2) In negotiating an agreement authorized under subsection (1), the Minister shall take into consideration the following principles in respect of any program to be established under the agreement:

(a) the program should not unduly influence the decisions of producers of agricultural products with respect to production or marketing, and should encourage adjustments with respect to production or marketing so as to improve the effectiveness of the responses of producers to market opportunities;

(b) the level of protection to be provided by, and the relative share of governmental contributions to be provided to, the program in relation to particular agricultural products or classes of agricultural products should be equitable and reasonably consistent with all other agreements, taking into account regional diversity;

(c) the program should encourage the long-term social and economic sustainability of farm families and communities;

(d) the program should be compatible with Canada's international obligations; and,

(e) the program should encourage long-term environmental and economic sustainability.

[18] *Farm Income Protection Act*, Revised Statutes of Canada, 1991, S.C. 1991 c.2. Retrieved October 22, 2021 from http://laws-lois.justice.gc.ca/eng/acts/F-3.3/FullText.html