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• (1530)

[English]

The Chair (Mr. Pat Finnigan (Miramichi—Grand Lake, Lib.)): Welcome everyone.

Pursuant to Standing Order 108, we are studying the business risk management program. We have witnesses with us today.

First, I would like to take a minute to talk about our next meeting on Thursday, when we will have the supplementary estimates with the minister. For your information, because of the motion that was passed in the House yesterday, we're not able to go back. These estimates are deemed to have been adopted. There is no use voting on them on Thursday because we cannot go back and move them in the House.

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): We tried to get extra days.

The Chair: Without further ado, let's go to our invited guests. From the Canadian Federation of Agriculture, we have Chris van den Heuvel, second vice-president. Thank you for being here.

We also have from Catalyst LLP, Candace Roberts, manager, by video conference from Calgary, Alberta. Welcome to our committee.

We also have, from Farm Management Canada, Mr. Mathieu Lipari, program manager. Bienvenu, M. Lipari.

There is up to 10 minutes for opening statements. You can start, Mr. van den Heuvel.

Mr. Chris van den Heuvel (Second Vice-President, Canadian Federation of Agriculture): Thank you very much, Mr. Chairman and committee members, for the opportunity to appear before you to speak on the state of Canada's business risk management programs.

Ensuring an effective BRM program is critical to our membership, and we welcome this very timely discussion on what is an increasingly urgent issue for farmers from across Canada.

As mentioned, my name is Chris van den Heuvel. I'm a beef and dairy farmer from Cape Breton, Nova Scotia, and I'm second vice-president of the Canadian Federation of Agriculture. I'm joined here today by CFA's assistant executive director, Scott Ross.

CFA is Canada's largest general farm organization, representing 200,000 farm families from across Canada. Through a unified voice at the national level, we work to ensure the continued development of a viable and vibrant agricultural industry in Canada. As you all

know, Canada's agricultural industry is primed for immense growth, as identified by the advisory council on economic growth in 2017 and reinforced in the 2018 report from the agri-food economic strategy table, which has set ambitious growth targets for our sector.

Canada's agri-food industry already contributes \$143 billion to Canada's GDP. However, this economic activity, the viability of many Canadian family farms, and the sector's overall potential for growth are challenged by a number of immediate risks confronting our family farms across Canada.

For context and to emphasize the urgency of this matter for Canadian farmers, I believe that it's worth highlighting that Canadian farmers saw their realized net income decline by 45.1% in 2018. Meanwhile, we have seen government supports to Canadian farmers drop nearly 50% between 2008 and 2018, declining to only 3.6% of farm income. At the same time, this past year nearly 40% of total farm income in the United States is expected to have come from government supports, with recent estimates finding that EU farmers receive 38% of their total income from public supports as well.

This directly affects Canadian farmers' ability to compete in international markets, leaving us farmers at a distinct competitive disadvantage. Compounding this challenge—following difficult financial years for Canadian farmers, and the headwinds they face when competing in global markets—is that these same farmers now face a wide array of risks beyond their control, risks that continue to increase. Farmers must deal with increasing market and trade risks due to trade disruptions and non-tariff trade barriers to key markets. Examples of this include disruptions to the trade of canola and soybeans with China, pulses with India, and durham wheat with Italy. The rail strike last November and the recent rail blockades have resulted in lost sales and increased costs for farmers.

There are more extreme climate-related events, with this past year seeing farm harvests negatively affected across Canada due to everything from floods to hurricane winds, to heavy rains, to early snowfall. Finally, there has been a rapid increase in costs while farm receipts are effectively stagnating. This was exacerbated by additional climate-related costs due to fuel use for heating barns and grain drying, including the added expenses arising both directly and indirectly from Canada's carbon-pricing regime.

The current BRM suite, which was created to help farmers manage risks beyond their control, is failing farmers as these risks increase and program coverage does not keep pace. The financial challenges facing producers—largely the result of matters beyond their control—are increasingly urgent, yet repeated calls for urgent BRM enhancements continue to face delays.

Canada's AgriStability program is a core pillar of Canada's BRM suite, representing the only tool currently available to all farmers to manage both production and market risks. However, participation has declined precipitously since cuts were made to the program in 2013, reducing the level of support available to farmers who are facing losses. The most recent 2017 statistics indicate that only 31% of eligible producers are in the AgriStability program, and while these numbers did follow a number of years of relatively strong farm incomes, ongoing engagement with our members does not suggest that the recent significant challenges have seen any meaningful increase in participation.

We continue to hear from farmers across Canada that AgriStability no longer provides meaningful support capable of responding to the plethora of challenges affecting farmers, and this is borne out by industry analysis undertaken by the Agricultural Producers Association of Saskatchewan. We have some data in this regard that we would be happy to share with the group. This analysis found that, even if canola prices were to drop precipitously, the vast majority of grain farmers would see little or no support provided, leaving them without meaningful or predictable support to manage these risks that are beyond our control.

• (1535)

Saying that, we are not advocating that farmers opt out of AgriStability based on this analysis, as we believe that farmers must work with their financial advisers to make informed risk management decisions and take advantage of any supports that are available to them. However, it's been nearly three years since the announcement of the BRM review, and we have seen little progress towards meaningful program reforms that address farmers' fundamental concerns with the AgriStability program.

The changes announced in December are modest in nature and fail to address the primary concerns voiced by Canadian farmers. In fact, it's important to highlight that the benefits of any improved treatment of private sector insurance are largely longer term in nature, as current offerings are neither widely available nor suitable for many producers in Canada based on cost and the nature of products available at this point in time.

Despite continued optimism about the prospects of private insurance in this space, we have yet to see the private sector develop cost-effective programs that adequately address the continued deficiencies in Canada's BRM suite. Timeliness, simplicity and pre-

dictability are all important, but without adequate support levels, any improvements to these areas will not respond or result in increased participation.

This is why CFA and industry associations across Canada, through the AGgrowth Coalition, continue to highlight that the cost neutrality mandate of the BRM review process is undermining its potential efficacy in addressing farmers' needs. If any significant changes are to be decided upon in July, we have heard that these would be implemented in 2021, and the continued challenges in AgriStability timeliness would suggest that any improvements would not be seen by producers until at least 2022 if not 2023. These timelines fail to respond to the urgent financial challenges facing farmers, and continued reviews and tweaks only further threaten to delay the provision of meaningful support for farmers.

We believe there is a straightforward solution to this issue that could be implemented immediately if supported by FPT governments, and it involves four key actions. Number one, AgriStability coverage should be immediately adjusted to cover losses starting at 85% of historical reference margins with no reference margin limits. Number two, there should be prioritization of the discussions on production insurance for livestock and horticultural crops that are not currently covered by AgriInsurance. Number three, discussions on BRM programming options should be meaningful and focused on program effectiveness rather than funding levels. Number four is the establishment of an industry-government technical working group that would allow farm groups to actively participate in BRM data and impact analysis. To date, engagement has been largely ad hoc and doesn't allow producer associations with the access to data needed to adequately assess or engage in the development of proposed program changes.

Without urgent action, farmers across Canada face immense uncertainty and financial pressures as they approach a new cropping season that threaten to undermine the viability of their businesses and the continued success of Canadian agricultural production.

These enhancements require additional funding from FPT governments, and commitments to consider additional support are critical to moving this review from discussion and minor tweaks to meaningful reforms. Even if urgently adopted, support through AgriStability is still at least two years away, and for those commodities affected by the ongoing U.S.-China trade war, we believe an immediate trade war mitigation fund is also needed to bridge that gap. Some work has been done on this front out of Saskatchewan, and, as mentioned, we would be happy to table that as well.

We also support the continual review of BRM programs to address other elements of the suite, such as increasing AgriInvest matching contribution limits, addressing taxation barriers that continue to limit withdrawal of AgriInvest funds for proactive investment and programming to respond to phytosanitary crises. However, without urgent implementation of the most significant changes I referenced above, we will continue to see producers frustrated and increasingly disenfranchised with the BRM suite and AgriStability in particular.

As a country uniquely positioned to capitalize on the growing demand for sustainably produced agricultural products both domestically and abroad, the cost of inaction not only hurts farm families across Canada but the prosperity of all Canadians.

Thank you.

● (1540)

The Chair: Thank you, Mr. van den Heuvel.

I apologize to Mr. Ross for failing to recognize him. He is the assistant executive director, who is also here with the federation.

Mr. Lipari.

Mr. Mathieu Lipari (Program Manager, Farm Management Canada): Mr. Chairman and honourable members, thank you for inviting Farm Management Canada to speak before you today.

I am Mathieu Lipari, program manager at Farm Management Canada, leading our risk management initiatives. Our executive director, Heather Watson, is sorry she cannot be here today. She is hosting the first cohort of our new national farm leadership program.

The farm financial crisis of the 1980s caused governments and industry stakeholder groups to contemplate how to best prepare the agricultural industry to better manage against risk and uncertainty. They turned to investing in farm business management. Farm Management Canada was established in 1992 to coordinate farm business management programs and training across Canada to equip farmers with the resources, tools and information to prevent the fallout from the 1980s from happening again and to position Canada's farmers for sustainable growth and competitiveness. We continue to serve that mandate today.

We are very pleased that the standing committee is opening up discussion on business risk management programs, or BRM programs.

The term "business risk management" has been adopted by government as the term of choice to represent support programs. While

this is raising the profile of risk management in agriculture, it has inadvertently led to limiting our understanding of risk management and the tools available to help manage risk. The OECD has cautioned Canada that government policies "should take a holistic approach to risk management, and avoid focusing on a single source of risk", noting that "in many cases, the public farm support programs have crowded out other ways to manage risk."

Unfortunately, this is exactly what is happening and what we're trying to correct through our programming.

When first announced, the Canadian agricultural partnership framework identified six priority areas: markets and trade; science, research and innovation; risk management; environmental sustainability and climate change; value-added agriculture and agri-food processing; and public trust.

We expressed concern for the lack of explicit attention to farm business management and capacity building as a priority. Farm business management and skills development fall under markets and trade, and risk management is reserved for the BRM programs, perpetuating the idea that BRM programs are the only risk management option.

As the CAP program has come into effect, we have observed decreasing support for farm business management—and, by extension, risk management—from many of the provinces and territories. This decline is expected to continue.

We started realizing that we have a different understanding of risk management in 2013, when we attended a risk management conference in Ottawa and the only risk management strategy being talked about was insurance. This led us to research the different types of risk faced by farmers and possible risk management strategies.

We produced a publication called the "Comprehensive Guide to Managing Risk in Agriculture" in 2014. Our aim was simple: to show Canada's agricultural industry the risks we face and how we could start to manage these risks by taking a comprehensive approach.

Risk management is about taking a proactive approach to build the underlying capacity to weather any storm and to seize opportunities, positioning the farm for continued success. It is in this way that farm business management is a fundamental component of risk management. The BRM programs are just one way that farmers can manage certain risks. Farmers should be optimizing their use of these programs while also optimizing the other risk management tools available to them, such as planning, working with advisers, putting standard operating procedures in place, etc.

Top farmers focus their efforts on putting measures in place to manage the risks they can mitigate directly, measures such as having a solid business strategy, knowing how to work with family, finding ways of recruiting and keeping good labour, ensuring good cash flow and liquidity, and the list goes on.

In 2016, with the support of AAFC's AgriRisk initiatives program, the comprehensive guide was turned into an online risk identification, assessment and planning tool called AgriShield, which identifies more than 500 best management practices to help farmers mitigate risk.

Under CAP, we have been able to secure additional funds to launch the Roots to Success project. It's important to note that it wasn't easy to secure funds under the risk management funding program, which seems to remain designed for insurance program development.

During the FPT ministers' meeting in July 2018, increasing risk management education was recommended. We worked with AAFC to open the discussion to risk management in general by hosting a national focus group involving key stakeholders. The core messages from this meeting included building confidence and supporting mental health through strategic planning, continuous education, working more collaboratively with others, involvement in industry associations and embracing technology as key steps to improving a producer's capacity to manage their risk, going beyond the BRM programs.

Our Roots to Success project is aimed at improving risk management through education and training that promotes a comprehensive approach to managing risk under the AgriShield platform. A national round table has been set up to steer the project and achieve a more comprehensive approach to managing risk for Canada's agricultural sector.

- (1545)

The BRM review work of the standing committee, along with Canada's agricultural policy framework, offers an incredible opportunity to promote farm business management as Canada's best risk management strategy. We hope that government and industry will invite us to be part of the BRM review, so that we can encourage farmers to adopt a comprehensive approach to managing risk.

A comprehensive approach provides a systematic means for farmers to manage that which is in their control, use the appropriate tools to manage that which is outside of their control, and invest in what works. Our process for making informed business decisions is now more critical than ever. The time has come to take a comprehensive approach to managing risk in agriculture.

We look forward to reading the committee's report on this topic. We're happy to keep you informed of our progress and report back to the committee as often as you like.

Thank you, Mr. Chairman, members and guests.

The Chair: Thank you, Monsieur Lipari.

Now, by video conference, we have Ms. Candace Roberts.

You have up to 10 minutes. Go ahead.

Ms. Candace Roberts (Manager, Catalyst LLP): Mr. Chairman, members and guests, my name is Candace Roberts. I'm a chartered professional accountant at Catalyst in Calgary. I work with many primary agricultural producers.

In addition, I'm a fourth generation farmer in east-central Alberta. I am also in the 2019-20 AdvancingAg Future Leaders program with Alberta Wheat and Alberta Barley.

Farmers face many challenges, many of which are beyond their control at the farm level, including weather, trade, getting products to market—particularly the last number of months with the rail strike and then blockades—and global commodity prices, which are affected by supply and demand. In addition, consumer perception is impacting our farmers.

Other factors that can be controlled and are impacting farmers are transitioning to the next generation, managing debt, rising input costs and land values, and the mental health of our farmers, among other challenges.

It's important that we have business risk management tools in place to support our farmers who feed our nation. Farmers need increased levels of support. These programs need to be able to provide benefit or future benefit to operations, or a perception of benefit. The programs need to be improved so that they are bankable and predictable. Calculation needs to be transparent and easily understood by our producers.

Supports must be timely. We need to reduce the lag time between the disaster and the financial support. We need to be responsive to producers' needs and reduce the administrative burden of our producers. Is there a better, simpler way of administering the programs and supporting our farmers?

The business risk management programs should consider the various farm types and take into consideration grain and livestock, or a variation, etc. The stage of a farmer's farming career should also be looked at when considering these business risk management programs.

Thank you for the opportunity to speak today.

• (1550)

The Chair: Thank you very much, Ms. Roberts.

Now we'll move to our question portion.

Mr. Barlow, you have six minutes.

Mr. John Barlow (Foothills, CPC): Thank you very much, Mr. Chair.

Thank you to all of our witnesses for taking the time to be here today and for giving us your insight on the ground about why some of these programs may or may not be working.

I'll go first to Chris. I know you talked about it a bit in depth. We changed the AgriRecovery program from 85% to 70%. I think the landscape for agriculture was very different at that point. We made that change because the program had become almost a source of profit for some producers, rather than stability, which is what the program was intended for. At that time, we did not have the trade disruptions we have now. We did not have a carbon tax. We had reliable transportation to get our commodities to market, for the most part.

Chris, I don't want to say "demand", but was a lot of that ask to get back to 85% precipitated by the change in the landscape that agriculture is facing right now? Certainly we have seen that in the last six months alone with a very difficult harvest, the CN strike, the illegal blockades and a carbon tax. When you add all of those things onto agriculture, one can certainly see why the need to revisit AgriStability is so imperative.

Is that change in landscape a big reason this has become such a priority for the CFA?

Mr. Chris van den Heuvel: Yes, absolutely, I couldn't agree more. When those changes, the cuts to the programs, were put in place it was at a point in time when income levels were relatively stable and, as an industry, we were in a good place.

As you mentioned, those introductions were put in as cost-saving measures, and we're certainly not advocating for support from a profitability perspective. We understand why some of those changes have been put in place, but the landscape has changed tremendously. This is becoming an increasingly global market-place. Well, it's not "increasingly": We are there. We're not competing with our neighbours anymore; we're competing with farmers from around the globe. When you tack on domestic policies such as the carbon tax and domestic issues, the rail strikes and whatnot that impact us, and you look at some of the trade wars and some of the international events that are happening, you see that they have a severe, detrimental effect on our ability to move our industry forward and to grow our businesses.

Absolutely, I couldn't agree more, the landscape is a key issue, which is why these programs must have some sense of timeliness and must be able to change and be flexible. That's key.

What worked 10 years ago doesn't work now. Whatever we develop going forward, we have to make sure it's flexible to meet the demands for anything that we can see coming down the pipeline in the foreseeable future.

Mr. John Barlow: Thanks, Chris. I appreciate that.

Candace, you spoke in your presentation as well about the difficulty with AgriStability in terms of its bankability, accessibility and timeliness. I thought it was interesting that Chris gave the statistic that only 31% of eligible producers are actually subscribing to AgriStability.

In your career, or your profession as a chartered accountant, what are some of the issues you see with the ability to navigate the existing suite of BRM programs that may be scaring some of these producers away? I'm assuming that some accountants may be saying, "Don't bother because the likelihood of your actually being able to get a payout is slim."

What are some of the issues, from that chartered accountant perspective, that our producers are facing when it comes to BRM programs?

• (1555)

Ms. Candace Roberts: Yes, I would agree with your comment. A lot of producers have opted out of the program because they didn't see the benefits and it was costing them more to do the paperwork than it was worth. It wasn't worth it, plus the paperwork is very time-consuming and it just hasn't been worth it for some producers. Obviously, in the last number of years, we've had the changing landscape in agriculture and many challenges, especially in 2019 with the harvest from hell, trade disputes, rail blockades and stuff. It has been challenging.

What we often see with the producers who have participated in AgriStability is that because there is such a lag between when the disaster happens and when they receive a potential payout, it's just not effective for the producers.

Mr. John Barlow: With that in mind, Candace, I think the frustrating part of this is that a lot of some of these issues that you have listed are self-inflicted by government policy or government errors that could have been resolved by now. But my concern is that even if we were able to change this to 85%, which the government could have tried to do long before now, I don't know if there would be a big increase in subscriptions if, again, it's not timely and it doesn't address the crises we are facing right now.

Chris, I want to get your opinion, if you don't mind expanding a little further. You said that cost neutrality was undermining the process of a BRM review that was promised more than three years ago. Can you explain what your concern is about that cost neutrality and what is holding up this process?

The Chair: You have 15 seconds.

Mr. Chris van den Heuvel: I have 15 second. Okay.

We're asked to develop a program that moves the industry forward, and as soon as we put constraints in place ahead of time, how can we effectively develop a program that makes sense?

It should be the opposite. We should be developing a program and then figuring out how we can make it work, thinking about the constraints that are now in place, and then working backwards.

The Chair: Thank you.

We have Mr. Tim Louis for six minutes.

Mr. Tim Louis (Kitchener—Conestoga, Lib.): Thank you all for being here.

I can't tell you how extremely helpful this has been; I appreciate it.

Besides your coming today to visit, it's productive for us if any of the stakeholders come to visit our office. I know that Mary Robinson is coming to our office, and those sit-downs, those one-on-ones, become even more productive than this, which happens fast. I'm typing as furiously as possible; it's amazing. Please keep those one-on-ones coming, because that gets us to a deeper conversation. It means a lot to us, so I appreciate that.

Mr. van de Heuvel, I enjoy it if there's an issue, something of concern, and people bring solutions. You brought some solutions so quickly, I didn't even have a chance to write them all down as quickly as I could. You talked about the AgriStability cutback in 2013 to 70%, and I've heard this from many stakeholders—I'm sure we all have—about bringing it back up to 85%, which we are willing to listen to, obviously. You mentioned no reference limits. Can you expand on that?

Mr. Chris van den Heuvel: When the program cuts were put in place...we're now at a position where we're actually at 70% of 70%. These reference margin limits were introduced by the government purely as a cost-saving measure from a budgetary perspective. That goes to the root of one of the key issues that rendered this program ineffective for farmers. APAS, the Agricultural Producers Association of Saskatchewan, has done a deep dive into what it would take for their farmers to see a payout from AgriStability, and because of the reference margin limits that were put in place, it is far below the cost of production. How is that program effective in helping guarantee and mitigate risk when, as everybody is saying, the payout is simply not worth the paperwork? These cost-saving measures get to the root of the issue.

• (1600)

Mr. Tim Louis: Do you have more specific solutions? Is it just removing those limits?

Mr. Chris van den Heuvel: Maybe I'll defer to Scott to talk in a little more detail.

Mr. Scott Ross (Assistant Executive Director, Canadian Federation of Agriculture): I think at the time of their introduction as part of the cuts in 2013, the reference margin limit was introduced to address some of what John had referenced earlier about paying into profitability, this notion that the margins had got to a point where a proxy was needed to see whether the program was paying farmers in profit or responding to loss, and so this was introduced. At the time, we raised concerns about the mechanism used.

To date, our position has very much been that we are willing to look at how we can ensure that the program doesn't pay farmers who are in profitable situations. We think that's a meaningful intent, certainly, but the mechanism itself is a very rough proxy. I could get into the mechanics of it, but it's a pretty deep dive. We have seen a model out of Quebec that uses a net income test that we think warrants some further consideration as an alternative to that.

While we do advocate for the removal of the reference margin limit, we're certainly open to the concept of ensuring that a program doesn't pay farmers in profitable situations.

Mr. Tim Louis: Helping the people who need help, that does make sense.

This probably reinforces my point about sitting down one-on-one to have these conversations, which are very helpful.

You also mentioned a technical working group, and you said that the data itself would help. Can you expand on that? What kind of data would be helpful to you? How can we help get that to you?

Mr. Chris van den Heuvel: That gets back to Mr. Barlow's question that we were talking about before. For us to understand the constraints being put in place, we need to have a look at the data. We need to have an underlying understanding of the reasons for it and how we can make it better. We're being asked to put forth suggestions for a program in place, but we don't necessarily understand what's really going on at that lower level and why those constraints are indeed constraints from their perspective, other than the simple blanket statement that it's a cost-saving measure. We think that by having access to the underlying data for the programs, industry and government could sit down together to be able to do a deep dive into this to help us understand and get to that point. Maybe the answer is not there. We don't know, but until we have a look at it, we can't say for sure.

Mr. Tim Louis: Understood. I appreciate that.

Mr. Lipari—I'm trying to mix up the questions here—the funding that's supplied for AgriStability would be sixty-forty federal-provincial, is that correct?

Basically, their support is coming from the federal level, and it's also coming from the provincial level. Are you seeing co-operation in all forums, working with the provinces?

Mr. Mathieu Lipari: Do you mean about the AgriStability program?

Mr. Tim Louis: Yes.

Mr. Mathieu Lipari: Okay.

Mr. Tim Louis: Sorry. I just switched gears.

Mr. Mathieu Lipari: I'm afraid I can't really answer that question, because I don't deal specifically with the other provinces in that respect. We do have a provincial committee that deals with all the PT members from across Canada. As to whether the funding model is working, we haven't heard any negative comments on that point.

Mr. Tim Louis: Okay. I appreciate that.

Ms. Roberts, you're an accountant and you're on the ground, so you're in a perfect position to comment on some of the simple solutions that might be helpful as far as paperwork is concerned and how we can streamline that process. Is there some sort of concrete information that would help?

Ms. Candace Roberts: We need to work—

The Chair: We're actually out of time. Maybe we can pick it up with another question.

A voice: It's an important question.

The Chair: It's an important question for sure.

[*Translation*]

Mr. Perron, you have the floor for six minutes.

Mr. Yves Perron (Berthier—Maskinongé, BQ): Thank you, Mr. Chair.

Good afternoon to all the witnesses. Thank you very much for making yourselves available.

I am going to echo Mr. Louis' comment and say that it's always a good idea to make contacts and get information.

I will make my colleague happy and pick up his question again, because I am very interested in it.

Ms. Roberts, you are an accountant. You talked about the administrative burden, the paperwork. You also said that help is needed quickly. Have you identified any real changes we could make to the risk management programs to make things better?

[*English*]

Ms. Candace Roberts: Yes. In my opinion, lots of things can be done to improve the program. First of all, there's lots and lots of paperwork. We need to make the paperwork similar to and work more in conjunction with the income tax. Also, we need to simplify the calculations. We need to have the forms spitting out calculations for the producers instantly rather than waiting for them to be processed, which can take months.

In my experience and from what I've seen, because of the time delay in the program, farmers can be back in the good years by the time the payout ever happens. They're not getting the money when they need it and when they're going through the rough times. We need to work on speeding up this process so that when disaster happens—for instance, this fall, when people couldn't get product to market because of the rail strike and were having cash flow issues—they're able to get the money. We need programs that get money to the producers right away to help sustain their farming operations.

• (1605)

[*Translation*]

Mr. Yves Perron: Thank you for making specific recommendations.

To complement the insurance programs, do you think it would be appropriate to create a government emergency support fund that would be accessible at all times to provide ad hoc assistance to farmers? Among other things, this fund could be used to mitigate

the effects of diplomatic tensions or with events like the rail crisis. How do you feel about that?

[*English*]

Ms. Candace Roberts: I agree. It would definitely complement. It would get money in the hands of producers when they were going through tough times or there were crises of weather, trade, getting products to market and so on. It would definitely supplement the other programs.

[*Translation*]

Mr. Yves Perron: Thank you very much.

Mr. van den Heuvel, you spoke at length about restoring the coverage threshold to 85%. Will the 85% threshold truly meet the needs? Basically, the recommendation comes because you want to restore the program to what it was prior to 2014. Is that correct? If not, is it based on studies you have done on the program's efficiency? Is it either of those two reasons?

[*English*]

Mr. Chris van den Heuvel: Yes, undoubtedly. The return to 85% is what we would consider a short- to mid-term mitigation step in ensuring that our suite of programs is making sense. Is it the final answer of what the BRM suite is going to look like? We're not sure. However, as Ms. Roberts alluded to before, farmers need support now. They need it to be timely. They need the help now. That's one way that we foresee getting help to the farmers who need it immediately as we go about the longer-term action of looking at the BRM suite and figuring out what it means in the next framework and in the frameworks going forward.

Again, I don't know if it's going to be the final answer, but it would certainly be a huge help to producers who are facing shortfalls. We have grain farmers facing a 10,000-railcar delivery backlog now because of rail strikes and blockades and recent issues. Those farmers do not get paid until that product gets to market. We need programs in place that are timely, that are effective, and that help meet their needs.

[*Translation*]

Mr. Yves Perron: Thank you.

I know that you would like to create a permanent working group to analyze the repercussions, which we will look at in the study. Did you feel that the government was open to this? When you were consulted, did you make any recommendations to the government? Do you feel that it would be possible?

[*English*]

Mr. Chris van den Heuvel: Yes, it is definitely possible. We've asked in the past for some more detail.

For example, I sit on the national program advisory committee, which is a government-led committee reporting back to industry on the BRM programming, and we've asked for an increased level of access to data around that table. It has been frustrating. The process has been slow. The turnaround has been slow, and a lot of times when we ask for data, we get some, but we don't get quite what we need.

It just goes to the point that in order for us to understand how we can develop a program to move forward, we need to have access to that underlying data so we can make informed decisions. That's really what it's all about: industry and government working together to be able to make informed decisions. When all of that information is being held on one side of the table, it makes it very difficult from our perspective.

• (1610)

The Chair: Thank you, Mr. van den Heuvel.

Monsieur Perron, thank you.

Mr. MacGregor, you have six minutes.

Mr. Alistair MacGregor (Cowichan—Malahat—Langford, NDP): Thank you, Chair; and thank you to the witnesses.

Mr. van den Heuvel, I really appreciated your testimony and I do like it that you came prepared with a series of recommendations.

Can you please clarify what your second recommendation was? I was also writing my notes and I trailed off there.

Mr. Chris van den Heuvel: That was the prioritization on production insurance for livestock and horticultural crops.

Currently, the insurance programs that are in place don't cover the whole suite of products that we as an industry grow and produce, so we would like to see that enhanced to the point where livestock and other horticultural products are covered. Right now, they are not.

Mr. Alistair MacGregor: Thank you.

My next focus is specifically on climate change and risk management.

We know that even if we were to stop pumping carbon into the atmosphere now, we've still set off a ball that's rolling. Therefore, the adverse weather effects are going to keep coming our way. We know from testimony at this committee that farmers are the first ones to say that they're on the front lines of this.

When you're talking about business risk management, as Mr. Lipari said, it can be quite a comprehensive approach. I'm interested in whether the CFA has any comments or recommendations on ways we can proactively manage risk in the face of climate change. Are there ways that the federal government can help farmers adapt to climate change? Do we need to put more money into studying different farming techniques or better crops that can manage these adverse weather effects? Do you have any comments on that and whether that might be an acceptable form of risk management as well?

Mr. Chris van den Heuvel: I would agree, for sure, that any R and D that goes into those types of issues that help us move forward in these increasingly changing times would certainly be welcome.

With regard to recognition of what farmers and the agricultural industry do from a climate change perspective, there is a lot of information out there right now that shows that the agricultural industry is in fact a carbon sink for that. Recognition for the work that

we do and have been doing in the past, such as different tillage methods, and so on and so forth, would be key.

I guess payment for ecological goods and services is how we would refer to that. It's definitely one way to help mitigate our risk moving forward, so we would certainly appreciate any movement in that area.

Mr. Alistair MacGregor: You also mentioned how the private sector is not stepping up with meaningful alternatives. Are they afraid to venture into it because they see too much risk? Do you know why that is?

Mr. Chris van den Heuvel: That's a good question.

Scott, do you want to respond?

Mr. Scott Ross: We have seen a couple of tools developed, GARS being one, that are available in certain provinces in Canada.

One of the challenges is that for any insurance product, every province is regulated separately, so they need to get regulatory approval to operate in every single province. Thus, even where there are some services available, it takes time to make that widely available. Similarly, they have designed a product that works for certain crop types and is not available to all forms of production, which is again one of the issues.

However, to your question, systemic risk is a big issue in agriculture. Usually when there's a situation, it's not one farm that's affected, but the entire region and that entire area. That tends to drive the cost up exorbitantly. Therefore, what we've seen in the past is farmers typically suggesting that the products just aren't cost-effective, and certainly it's tied to that systemic risk issue.

Mr. Alistair MacGregor: Thank you for that.

Mr. Lipari, you made mention of the fact that you would like to see a comprehensive approach to this. It's about capacity building, planning and making sure that farmers have that solid kind of a business plan. Ultimately, we wanted to do this study first because we want to produce a report and recommendations in advance of the federal, provincial, territorial meeting happening in July.

Those were some very general things that you mentioned. Are there any specific recommendations you would like to see in our report directly to the minister?

Mr. Mathieu Lipari: Generally speaking, we always promote capacity building in business management. That's not a popular topic, but the reason we were put together in the first place was that producers were not prepared from a business standpoint and were having to face some very difficult situations in the past, in the 1980s. That's why we came about. Definitely, there's a whole suite of different options that we can explore and help to build on, some of which are very straightforward actions that can be taken directly from farm to farm.

• (1615)

Mr. Alistair MacGregor: Would you be willing to submit those to the committee as a document?

Mr. Mathieu Lipari: Certainly.

Mr. Alistair MacGregor: That would be helpful to us.

As a final question for the Canadian Federation of Agriculture, when you look at the abundant risks from the high cost of international trading, the market, climate change, what are all of these doing to young farmers and their prospects of joining? Is it really discouraging a lot of them? I'd like to hear your comments on the real consequences of not having these programs up to snuff.

Mr. Chris van den Heuvel: Absolutely. The effect is not just on young farmers, but on the industry as a whole. When you look at the mental health of our farmers, you see that we're facing increasing stress levels. Farmers have to plant crops in the ground in a couple weeks time, but their bins are full from this past season. Where is that product going to go? CN has told us that it could potentially take weeks or months to get rid of that backlog. It's a huge stress level, and it needs to be addressed.

The Chair: Thank you.

Now it's Ms. Rood for up to five minutes.

Ms. Lianne Rood (Lambton—Kent—Middlesex, CPC): Thank you, Mr. Chair.

Thank you to the witnesses for being here today. You've given us some great information.

Chris, I have a couple questions for you. I know you mentioned that one of your priorities was improving the programs for horticulture and livestock farmers. Can you touch a bit on what is or isn't covered now, what you'd like to see going forward, and why that's one of your priorities?

Mr. Chris van den Heuvel: Our industry is multi-commodity. When you have a suite of programs targeting certain commodities within that, it makes it difficult for the rest of the commodities to compete in their marketplace. Livestock simply isn't covered at all. Horticultural crops that aren't covered are subject to the exact same stresses—whether it's weather, trade disruptions or whatever—as the commodities that are covered.

We feel there's an intrinsic unfairness in that, and we would like to see it expanded so that all commodities and sectors are covered.

Ms. Lianne Rood: In my riding and, I think, across Ontario, we're seeing a crisis with our beef producers, our cattle farmers, right now. We see a lack of processing. We've seen the rail blockades, which have caused issues. The carbon tax and trade disruptions are out there now. It's costing all of these producers money.

How would you like to see the programs, specifically when we're talking about livestock? How can we help them going forward with these programs, with changes?

Mr. Chris van den Heuvel: Starting the dialogue is key. We're at this point here right now. We appreciate the opportunity to have the dialogue. That's a key first step. That's one that we're certainly appreciative of. Successive reviews in the past haven't come to the root of the problem. The devil is going to be in the details. I don't think we're at a point right now where we can definitively say that this is what we would like to see. But that just gets back to the issues of having access to the data, to be able to make those informed decisions.

Ms. Lianne Rood: You're talking about grain farmers with their bins full, a crisis, and that it's a harvest from hell out west. The deadline for the advance payments programs has been extended. Obviously, that is something we want to have happen. How is that impacting the farmers with all the grain in the bins right now?

Mr. Chris van den Heuvel: Certainly, deferring the payments under the advance payments program has been a welcome relief for our farmers, but we continue to see that we can't borrow our way out this. This is not what we want to do. We want to have a suite of programs in place that are effective, timely and that make sense, so that we can have peace of mind, knowing when we go to sleep at night that, when we're at the point at which we need to pay our bills, we have avenues there for us.

Moving that particular portion of it forward is key and is welcome, but more work needs to be done.

Ms. Lianne Rood: Sure enough.

I'm going to switch gears here, because I know of an impact will be coming upon prairie farmers. You mentioned Saskatchewan's banning of strychnine for use with Richardson's ground squirrels, the gophers. I know it's a tool in the tool box for farmers, and I saw the impact back in 2007, when there was an over-abundance of the gophers and it came back into use.

Do you have any numbers on the potential financial impact on farmers out on the Prairies from not being able to use this tool?

• (1620)

Mr. Chris van den Heuvel: I can't address that myself. I don't know, Scott, whether you have anything to—

Mr. Scott Ross: We don't have any numbers on it currently. Certainly we've heard concern about it, and there will be a material impact, but we don't have any analysis of it to date.

Ms. Lianne Rood: Candace, I'm not sure whether you have any numbers or have heard from your farmers how this might affect them.

Ms. Candace Roberts: I don't have any numbers, but I can speak in general terms. The Richardson's ground squirrels are a problem, especially where I grew up in eastern Alberta. They take the crop away, and it's going to have a huge impact, especially if the Richardson's ground squirrel populations are up. It's definitely a concern at the farm level.

Ms. Lianne Rood: Thank you very much.

The Chair: Thank you, Ms. Rood.

Mr. Blois, you may take five minutes, please.

Mr. Kody Blois (Kings—Hants, Lib.): Thank you, Mr. Chair, and thank you to all the witnesses for their testimony.

I'm going to start with Ms. Roberts. Thank you for your witness testimony today. You talked about how you have a very close relationship with the farmers, particularly in western Canada.

We have heard a lot about the advance payments program. It was discussed last time at committee and, of course, some information was put forward about trying to extend the stay of default.

Have you heard from your farmers about some of the measures that have already been taken by the government? We've increased the loan limit up to \$1 million. The interest-free portion that used to be part of the advance payments program has gone from \$100,000 to \$400,000. There was a stay of default.

Have you heard from some of your farmers about any of the things that have happened under that program? We know there are challenges for farmers, but what kind of feedback are you getting in relation to these changes?

Ms. Candace Roberts: I haven't received a lot of feedback from the farmers per se, but I'm involved with the Alberta Wheat Commission through my leadership program. They're one of the commissions that offer the advance payments program, and I believe there has been more uptake of the program.

The complexity with the advance payments program is integrating it with debt from other lenders and having the other lenders be okay with doing so. If the other lender is okay with doing so, it provides options, but farmers have high debt levels. We always need to keep that in mind.

Mr. Kody Blois: Absolutely. We heard last time at this committee that the Minister of Agriculture can't actually contemplate the advance payments program until the APP administrator puts the request forward. We look forward to seeing the minister able to make a request on the merits of the application.

I want to turn to Mr. van den Heuvel.

It's great to see a fellow Nova Scotian here in the room. Certainly in my riding of Kings—Hants we know about the importance of agriculture.

You talked about the fact that we don't necessarily want to go back to the program of 10 years ago. You said what worked 10 years ago does not necessarily work now. We've heard a lot about going back to the 85%, after it was cut under the Harper government in 2013. What, beyond that...? There are some provinces that have an 85% reference margin. Quebec has one now. British Columbia has 80%. It hasn't really resulted in a major uptick.

Can you speak to that? Again, obviously, it would be important to get it back to 85%. We know that; we've heard it. But what about the fact that there hasn't been an uptick in other provinces that have done the exact measures that are being recommended by some of our witnesses?

Mr. Chris van den Heuvel: I go back to the point that returning to the 85% is a short-term measure that will hopefully provide some relief to our farmers. Is it going to be the ultimate answer to the problem we're facing? It probably is not. Again, we have to do a deep dive into the issues and the programs to come up with a program that makes sense.

Yes, some provinces have done top-ups, and those are appreciated, but not all provinces are in the situation to be able to do them. We need the federal government to take some leadership on this to come up with some programming to help mitigate—

Mr. Kody Blois: Talking about the provinces, and obviously there is a sixty-forty cost share between the federal and provincial governments, you mentioned that not all provinces are created equal. From your vantage point on CFA, where are the provinces in terms of being able to contribute their share toward the 85%, because certainly the feedback I've heard is that there are different viewpoints across the provinces? Can you just speak on that very quickly, because I have about two minutes and I just want to get a few more questions in?

Mr. Chris van den Heuvel: Yes, there are certain provinces that you mentioned. Quebec and B.C. just made the announcement where they're doing some top-ups. The unfortunate reality is that provinces have some fiscal issues before them as well and they are not all in the position to be able to make that commitment.

Again, it just goes back to the dialogue and having everybody at the table to do an in-depth analysis from both industry and government perspectives.

• (1625)

Mr. Kody Blois: I want to take you quickly to your second recommendation that has been mentioned. Just quickly, do you have an estimate on what that would cost government to implement?

If you don't have it today, I would appreciate it from the committee level.

Mr. Scott Ross: It would just depend on the nature of the tools ultimately developed, so we wouldn't at this time be able to provide an estimate of the cost.

Mr. Kody Blois: Based on your recommendations that you'd be putting forth, I think that would be helpful for the committee.

The other piece is that you talked about crops that are not necessarily covered from the horticultural.... I have about 30 seconds. Can you explain which crops aren't covered and which ones you'd certainly be referencing in your remarks?

Mr. Chris van den Heuvel: It's a lot of the horticultural crops that you see growing in your own riding.

I don't know if you have any details around the specifics on....

Mr. Scott Ross: I think in horticulture there is just an immense diversity of production, as you know, and I think with any product that has challenges on price discovery, it becomes difficult to make insurance products, and that's been part of the challenge. Greenhouse operations are another example of an aspect of the industry that doesn't have adequate production insurance, and that's certainly an area we'd like to see some attention devoted to.

The Chair: Thank you, Mr. Ross.

Thank you, Mr. Blois.

Unfortunately, that's all the time we have for our first panel.

I want to thank everyone from the Canadian Federation of Agriculture, Mr. Chris van den Heuvel and also Mr. Scott Ross; and also from Farm Management of Canada, Monsieur Lipari; and also joining us by video conference, Ms. Candace Roberts. Thank you so much for taking the time to help us in our study.

We'll break for a few minutes to get a new panel in, and we'll come back again after

- (1625) _____ (Pause) _____
- (1635)

The Chair: We're okay for our second hour of study on business risk management. We have from Keystone Agricultural Producers, by video conference, Ms. Patty Rosher.

Can you hear us, Ms. Rosher?

Mrs. Patty Rosher (General Manager, Keystone Agricultural Producers): Yes, I can.

The Chair: Welcome to our committee.

Also, from the National Farmers Union, here in person, we have Ms. Katie Ward, president.

Ms. Katie Ward (President, National Farmers Union): Thank you.

The Chair: Thanks for being with us today to talk about business risk management programs.

[*Translation*]

By videoconference, we will also hear from vice-president Martin Caron and coordinator David Tougas, both from the Union des producteurs agricoles.

Thank you for being here, everyone, and welcome to our meeting on the study of business risk management programs.

Each witness will have the floor for 10 minutes to deliver their opening remarks.

[*English*]

From the Keystone Agricultural Producers, Ms. Patty Rosher, do you want to get going with a 10-minute opening statement?

Mrs. Patty Rosher: Yes. Thank you.

My name is Patty Rosher. I'm the general manager of Keystone Ag Producers.

KAP is the voice of Manitoba farmers on public policy issues. We work with governments, industry and stakeholders to ensure that primary agriculture in Manitoba remains profitable, sustainable and globally competitive.

I would like to begin my remarks by thanking the House of Commons Standing Committee on Agriculture and Agri-Food for initiating a study on business risk management and inviting us to participate. We appreciate the attention of the committee to this topic, which is important for our members, and we appreciate your recognition of the need for broad consultation.

In her December mandate letter, Minister Bibeau was asked to draw lessons from evidence-based research. KAP places great importance on evidence-based advocacy and is increasing its investment in research to support it. We recently issued a request for expressions of interest on four research topics. One of them was business risk management. In particular, we asked, what is the potential to augment AgriInsurance and AgriInvest to provide the kind of farm income risk management that is intended by AgriStability? We're very much interested in the answer to those questions because it may be time for a fresh look at business risk management, particularly as our members have not had the opportunity to consider those questions. We encourage the standing committee to commission research and to share those findings with farmers and farm advocacy groups.

The ground is shifting for farmers, and I know you're going to hear this many times, but they are facing an increasingly protectionist international trade environment. Net income has started to trend downward while farm expenses continue to increase. The expectations placed on primary producers from climate change and environmental interests continue to increase, and the industry must navigate a significant turnover of assets and operations to the next generation.

This past year, farmers, especially in Manitoba, faced almost every kind of risk there is, from production risk due to adverse weather and disease pressures to market risk from trade disruptions. Even though this causes great and sometimes unmanageable fluctuations in revenue for producers, costs continue to march upward. Manitoba Agriculture crop production cost guidelines show that operating, fixed and labour costs this spring will be \$418 an acre to plant canola. Of that, \$143 is just for the seed, seed treatment and fertilizer that goes in at the beginning of the spring, before anybody knows what kind of growing season it is going to be. Wheat will require an investment of \$380 per acre, soybeans \$368 and corn \$533. Just for those crops alone, which represent 70% of our seeded acres, Manitoba farmers will be investing \$3.4 billion this year. That investment represents revenue for agriculture input suppliers, equipment dealers and municipalities, and really keeps the provincial agriculture industry and our economy going. The experience this year highlights the types of risks that farmers face, and those risks have increased as production costs have increased. When we talk about business risk management, this is the kind of magnitude of risk that primary producers are taking on.

AgriStability was once thought to work very well, but increasing numbers of farmers say it is essentially useless to them and participation has been decreasing, leaving more and more farmers exposed to margin declines. KAP, through the AGgrowth Coalition, has long been lobbying for a reformed AgriStability, because of issues with its complexity, timeliness, predictability and overall effectiveness. We have talked about long-term reforms that are needed, including going back to an 85% coverage level; removing the reference margin, which was part of the most recent announcement; adding production insurance for those commodities that lack access to those programs; and a commitment to a technical working group that would enable producer groups like ours to participate more directly in analysis and development of potential BRM solutions.

• (1640)

On the AgriInvest side, in August 2015 along with the CFA, we conducted a survey specifically about AgriInvest on how farmers were using the program and whether they found it a useful financial tool. The majority of farmers using AgriInvest were using it as intended to overcome small variations in income, but they stated that the matching contribution was not enough to adequately fill the gap left by AgriStability. The allocated dollars were out of touch with the current financial needs of farm operations.

In 2017, our members passed a resolution that we lobby the Government of Manitoba and the Government of Canada to increase AgriInvest matchable deposits to 3% and to allow up to 2% additional contributions that were non-matchable and tax-deductible.

KAP has been working very hard this year to ensure that the priorities of young farmers are reflected in our policy. Young farmers have unique challenges with access to land and capital. We know about that. We talk about it a lot. There can also be unique challenges with access to business risk management programs.

We would like to share with you comments brought forward by one of our young farmers because I think he said it better than I could, as follows:

When a young producer first applies for crop insurance it can be difficult to get their own contract because they don't own any physical assets. In our case, my brother applied for crop insurance twice before he was granted a contract. We ended up juggling his acres into mine and my dad's operation. If I didn't have canola and he did, I would insure it, or if dad didn't have any of the canola acres dad would insure [my brother's] stuff. Because he didn't have a crop insurance number he couldn't enroll into Agri-Invest, Agri-Stability and I had to enter his acres into my Agri-whatever and try to carve it off down the road. It was a nuisance.

I'd like to head this off in the future because a lot of young farmers start farming without any assets making qualifying for crop insurance a bit of a pain to get into. Our rep was great and helped my brother get his crop insurance number eventually, but it made for a couple of years where [he] was very reliant on my dad and myself.

Here, I reiterate that we appreciate the attention of the committee to this topic, which is an important one for our members. We appreciate your recognition of the need for broad consultation.

However, not all consultations this year have seemed genuine. In fact, quite a bit of our advocacy work has been to speak up where consultations were inadequate. The seed royalty discussion is a case in point. Industry-wide consultations on value creation in the cereal grain sector began in the fall of 2018, but started with a focus on two potential models. KAP and its partners weren't satisfied with

farmer involvement, so we issued our own survey and are still seeking that business case that defines the needed return on investment.

The uncertainty about the consultation on the Canada Grain Act is making farmers very nervous, although I understand some information has been shared at the grains round table meeting. When I started in this role a year ago, this was one of the top issues. There still does not seem to be any movement on it.

We look forward to the standing committee's review of BRMs because of the transparency that is embedded in your processes. We have also said that the discussions on improvements to current BRMs have been hamstrung by constraints in the the current provincial-federal funding envelope. Let's not make the same mistake and start this discussion by standing in place. We ask that consideration be given to enable real improvements that reflect current income risk levels. Indeed, farmers cannot afford to be cost-neutral year after year as they make their decisions.

Our goal is not to increase government payments to the farming sector. Rather, government best fit where farmers are not able to adequately cover their risk to make the investments necessary for agriculture to achieve the economic development goals that have been set.

Thank you.

• (1645)

The Chair: Thank you, Ms. Rosher.

Now, in person, we have Katie Ward from the National Farmers Union for up to 10 minutes.

Ms. Katie Ward: Thank you, Mr. Chair, for the opportunity to speak today on behalf of the National Farmers Union.

The National Farmers Union is a direct membership organization made up of Canadian farm families who seek to ensure the dignity and security of income for farm families while enhancing the land and rural communities for future generations.

I'll start by stating what is perhaps obvious: that all farmers want to make a good living by farming. We do not seek government handouts. In fact, when you look up "self-reliance" in the dictionary, you'll probably find a picture of a Canadian farmer.

Business risk management programs are the backstops necessary to enable farmers to continue farming in the face of unexpected bad harvests, low prices or other unexpected events. We note that when we lose farmers to one or two bad seasons, we lose not only their production but the skills and knowledge these farmers hold.

We must have a robust food system that can deliver both production and fair incomes in Canada in the face of such huge shocks to the system as COVID-19 and increasingly erratic weather. A well-functioning BRM program can be part of ensuring this strong food system.

In the past decades, Canadian farmers have lost the majority of their security and income. The chart in your handout entitled "Tackling the Farm Income Crisis" shows incomes, without government support, at the top of the graph. The lower green line is the amount farmers keep after paying for expenses. The dark blue area, the difference between farmers' gross revenues and net incomes, is the money paid out for farm inputs.

Although farm incomes have gone up, farm expenses have gone up faster. The result is that total realized net farm income in Canada is hovering very close to zero. This divergence between the revenue and expense lines has many causes, including deregulation, decreasing farmer market power in relation to both our suppliers and our buyers, cuts to supply management, and leaving important decisions in the hands of corporations without adequate consultation with farmers.

It might be obvious, but I'll state it clearly: This lack of net income leaves the vast majority of Canadian farmers increasingly vulnerable to market fluctuations, weather-related yield reductions, and rising input costs. We are in need of BRMs that work effectively for Canadian farms.

I have a number of brief requests for your consideration.

First, BRM program expenditures were slashed during the transition from Growing Forward 1 to Growing Forward 2 when eligibility criteria were narrowed. An important start for this government, to support farmers and rebuild national unity, would be to reinstate BRM programs to previously supported levels, prior to the 2013 implementation of Growing Forward 2.

The drop in funding for BRM programs post-2012 mostly had to do with capping AgriStability at the lower of the reference margin or eligible expenses and changing the margin drop trigger from 15% to 30%. Therefore, to make an AgriStability claim, you had to have both a precipitous drop in total farm income and high input costs. This would only be available, as a practical matter, to farms that were highly specialized, with high production costs and highly exposed to volatile export markets, such as the hog sector, and it wouldn't make any sense to enrol if you were a low input farmer with diversified production in a stable market, such as mixed farms selling into domestic markets. Thus, from 2011 to 2015, the participation rate dropped from nearly half of Canadian farmers to less than one-third.

We recommend that AgriStability return to the 15% reference margin trigger and eliminate the eligible expenses cap. We could also continue to ask, as we have in the past, that total payout to an individual farm be capped, we're suggesting in the amount

of \$750,000; and that all subsidiaries of a large farm enterprise be counted as part of the larger farm for purposes of the payout cap.

Secondly, crop insurance is calculated to address historical risk levels and patterns. The climate crisis is increasing risk and farmers are bearing the brunt of early snows, hailstorms, increasing wind speeds and drought. They will not be able to do so for long with the income fragility shown in the chart I've already referenced.

Given that farmers are the source of what may be the most important national asset of the 21st century, food, BRM programs need to recognize the increasing risk posed by climate change and must enhance farmers' financial capability to weather these changes.

There is still a high uptake for AgriInsurance, or crop insurance, and there are increasing dollars spent on it. We actually oppose options that would offload that risk management tool onto various private insurance schemes. We would like to have crop insurance expanded so it serves a wider range of farm types and sizes.

It is difficult to assess risk for diversified farms because there are more variables. At the same time, we need to increase on-farm diversity to have the resilience to deal with climate change.

● (1650)

If crop insurance is privatized, it will make it even more difficult for small and diversified farms to get insurance, because they are a less profitable customer for insurance companies. There is a legitimate role for our cost-shared federal-provincial farmer system to help farmers cope with crop production risk.

Third, we hear from many young farmers that they are not signing up for the BRM programs because the paperwork required is overly complicated and onerous, especially during the start-up phase of their business when they may be the most vulnerable.

Please facilitate access to BRM programs as much as possible so that farmers of all levels of experience can reap the rewards during their time of crisis. Because many new entrants focus on domestic markets, we feel that it is worthwhile to recommend that you consider encouraging the development of domestic markets and import substitution so that our farmers will be less exposed to volatile export prices, currency exchange rate fluctuations and unstable export market access. Policies that would support an agriculture economy focused on stability and adequate farm income would help keep the cost of BRM programs down.

Lastly, I must mention the importance of the Canadian Grain Commission in protecting grain farmer interests. The CGC is the watchdog that ensures fairness and prevents more powerful grain and railway companies from taking advantage of farmers by paying less for their grain via weights, grades and dockage. It also ensures that our export products are high quality and can command a high price from export customers.

Keeping the mandate of the CGC to act in the best interests of farmers and ensuring that the CGC has the funds and capacity to enforce the regulations will help keep farmers' incomes to levels where they do not have to call upon BRM programs to survive.

Thank you for your time and consideration today.

I look forward to any questions.

The Chair: Thank you very much, Ms. Ward.

[*Translation*]

We now go to the representatives of the Union des producteurs agricoles.

Gentlemen, you have 10 minutes.

Mr. Martin Caron (First Vice-President, Union des producteurs agricoles): Good afternoon. Mr. Chair and committee members, thank you for inviting the Union des producteurs agricoles, or UPA, to comment on the business risk management programs as part of the committee's work in this area. I have a two-part brief.

First of all, I'm going to tell you how we have seen business risk management programs evolve over time since the first agricultural policy framework came into effect in 2003, particularly with respect to the AgriStability program.

In the second part, I will share with you the UPA's recommendations on the future development of these programs and the federal government's involvement in risk management.

In general, Canada's investment in risk management has declined sharply since 2003. From the time the first agricultural policy framework was implemented in 2003 to the final year of Growing Forward 2 in 2017, farm cash receipts grew by over 80%, while direct payments to Canadian farm businesses were cut in half.

Many might think that farm business profits improved substantially during that period. However, from 2007 to 2012 and from 2012 to 2017, the OECD's estimated producer support for Canada fell at twice the average OECD rate, from about 14% to 9%.

Transfer payments, a key factor in producer support or estimated producer support, dropped by 50%, from 6% to 4%, between 2012 and 2017. For Canada, the transfer payment to production value ratio is well below that observed in a number of OECD countries. For example, on average, OECD countries have a stable ratio of 11%, while in the United States, the ratio rose from 7% to 8% between 2012 and 2017.

As you know, the Canadian government made significant program cuts in 2013 that included reducing the reference margin coverage under AgriStability from 85% to 70%. Due to this measure and the capping of reference margins, the program is no longer accessible when the situation requires it. This demonstrates that the

program has stopped doing what it was designed to do. In fact, these changes have turned this stabilization program into a disaster program. This reality has been confirmed, in particular, by a sharp drop in farmer participation in AgriStability, which now stands at about 30%.

At the time, the government justified these adjustments—as it continues to do today—by stating that earlier production covered what were considered normal business risks, and that the agricultural sector was seeing commodity prices rise and, as a result, businesses were more profitable than they had been. That may have been true in 2013, but it is really not the case today. Those days are gone. Farm commodity prices have been back to normal levels for several years now, as evidenced by the decline in total net farming income from \$12.2 billion in 2013 to \$3.6 billion in 2018. In addition, farm business debt is on the rise.

Farm businesses are unstable and receiving inadequate support from risk management programs, and they must now cope with an increased level of risk beyond their control. Think of the risks associated with climate change, which exacerbate extreme weather events, and trade wars, which can radically change commodity prices, or the risks that come with labour disputes—take rail transportation as an example. We could even talk about the potential impact of COVID-19 on Canada's agricultural sector, in terms of exports or the availability of foreign workers.

These business risks cannot be considered normal. Some countries, like the United States, acted swiftly and broadly to cover these new risks, including a \$23-billion payout under the market facilitation program, which aims to support U.S. producers affected by the trade war with China.

● (1655)

Unlike those producers, Canada's grain producers received no special assistance from their government, and the current AgriStability program is unable to effectively cover this type of risk, which limits the competitiveness of our businesses in the export market.

The government has held several consultations to make changes to the programs available to Canadian farm businesses, but only minor adjustments have been made to business risk management programs since 2013. That status quo is because of the federal government's condition that any adjustments to business risk management programs must be cost-neutral. Based on that, the UPA must state that an increase in allocations to the agricultural sector has become inescapable and urgent. In particular, this would make it possible to improve the AgriStability program so that it meets the objectives for which it was designed. In fact, restoring 85% coverage and eliminating the cap on reference margins would help Canadian farm businesses effectively deal with the new risks associated with the current business situation.

It is important to remember that these proposed enhancements to AgriStability were supported by all industry stakeholders following the consultations on the last agricultural policy framework and, with this in mind, they must be reflected in a timely manner in federal government policy.

Furthermore, to maintain competitiveness for Canadian farm businesses, the Canadian government must be proactive and must respond quickly on an ad hoc basis when an exceptional event beyond the control of producers occurs. The trade war with China is a perfect example where the government could intervene, as the U.S. government has, to support businesses affected by the conflict. There will be other situations in the future. COVID-19 may be the next example where the government will need to truly commit to supporting Canadian farmers to ensure growth in the sector for years to come.

Thank you.

• (1700)

The Chair: Thank you, Mr. Caron.

We will now begin the first round of questions.

Mr. Lehoux, you have six minutes.

Mr. Richard Lehoux (Beauce, CPC): Thank you, Mr. Chair.

First, I want to thank our guests, our witnesses, for coming to share their concerns with us. The comments you made were really very interesting and enriching.

My first question is for Mr. Caron.

Mr. Caron, in your conclusion, you reiterated the importance of AgriStability and returning to 85%, as opposed to 70%, and also removing caps on reference margins.

We clearly understand the difference between the situation back in 2013, when these measures were introduced, and today's realities in 2020. You provided some very interesting figures on the decline in net business income from \$12.5 billion to \$3.6 billion.

Can you elaborate on that? How do you think the situation would change if the cap on this reference margin were completely eliminated and coverage were increased to 85%?

Mr. Martin Caron: I will start to answer your question, then I will give the floor to Mr. Tougas.

First, it is very important that we react quickly when it comes to the increase. We mentioned that in the brief. This also gives us the opportunity to tell committee members and other partners that our brief includes tables. They truly reflect the concrete data we are putting forward. One thing we must never forget is that we are competing with our next-door neighbours. We are price takers in many cases. As the other partners mentioned earlier, we must not forget the next generation in our farm businesses. We owe it to ourselves to have a system in place.

As for the cap, I will let Mr. Tougas answer you.

Mr. David Tougas (Coordinator, Business Economics, Union des producteurs agricoles): Good afternoon.

With respect to capping the reference margin, we consider this to be an unfair measure. This measure targets some production sectors more than others. As an example, take maple syrup production in Quebec, a sector that has few eligible expenses and that requires significant support based on the fluctuations in annual yield due to weather conditions, which are always uncertain in spring.

That is one of the sticking points for us. This measure needs to be reviewed, to eliminate it or at least come up with something else that will be fairer for the various agricultural production sectors in Canada.

Mr. Richard Lehoux: Thank you.

You also referred on a few occasions to the importance of adapting programs to support start-up businesses. The two previous speakers mentioned that as well. I think it is important.

Paperwork must be reduced if we want to improve program productivity. When you consider that the cost of administering AgriStability is 24% of its total funding, some reductions may be possible.

Do you have any comments on this key issue?

Mr. Martin Caron: Certainly. Simple and flexible programs are needed to respond quickly to the needs. I would add that a business risk management program is also an investment in our rural areas. We must never forget that. It keeps farm businesses going across Canada, in every municipality and every region. We need to be very aware of that.

That is why we need risk management programs that are well tailored to our needs.

Mr. Richard Lehoux: My other question is about ad hoc programs, which we also spoke about. Over the past few years, a number of things have happened, particularly due to climate change. We know that agriculture is directly affected by climate change.

Should there not be a fund built into the AgriInsurance program to address the issues we are facing? Last fall, we had some difficult situations, such as crop failures and the rail strike, which had repercussions across Canada. How do you feel about an exceptional event fund?

These concerns exist elsewhere in the world, in the United States and in Europe. I gather that they must exist here at home as well. Isn't that right?

• (1705)

Mr. Martin Caron: Yes, it is a fairly major factor. We need an ad hoc program that allows us to respond. We mentioned the Americans, who have made investments in this regard. For example, American soybean and canola growers received compensation of up to \$60 a ton because of the conflicts.

We need a similar system to help us deal with exceptional events. Our risk management programs are there to respond to normal market events, but we also need an ad hoc program to respond to exceptional events.

Mr. Richard Lehoux: I am glad you spoke about the COVID-19 issue, which could have major repercussions. Many immigrant workers come to work in farm businesses in Canada.

What measures could be taken to counter the effects of COVID-19, for instance?

The Chair: Unfortunately, your time is up.

[English]

Mr. Ellis, you're on for up to six minutes.

Mr. Neil Ellis (Bay of Quinte, Lib.): Martin, and maybe anybody else around here, we've been hearing that the uptake of AgriStability is 31%. Do you know what the uptake was before the changes were made, dropping it from 85% to 70%?

[Translation]

Mr. Martin Caron: We do not have those figures right now, but we could send them to you.

Mr. David Tougas: It was much higher than 30%.

[English]

Mr. Neil Ellis: Was it 30% before the changes? I was looking for the number before the changes.

Ms. Katie Ward: It was around 50%.

[Translation]

Mr. David Tougas: I do not have the figures for the period before the changes.

[English]

Mr. Neil Ellis: Thank you, Katie.

Katie, you're a national organization and I guess you've probably been meeting with provinces. I guess you've been mentioning the same thing to provinces and I'm wondering how they have been re-

sponding to your requests. If you met with provinces right across Canada, are there any friendly provinces out there that are also willing to look at this?

Ms. Katie Ward: The Government of British Columbia recently made an effort to top up their AgriStability contribution in recognition of the challenges that farmers are facing right now. Not every province is in a fiscal position to be able to unilaterally make that change. I think that farmers across the country are absolutely looking for this, but I can't speak for all the provincial governments.

Mr. Neil Ellis: You mentioned B.C. When did they change theirs? Was it recently?

Ms. Katie Ward: The announcement was made at the beginning of February.

Mr. Neil Ellis: Okay, so there is no uptake, and it's all new. It's a new program.

Ms. Katie Ward: There is no date on that yet.

Mr. Neil Ellis: Okay.

To Patty, you mentioned the need to take a fresh look at this, whether that means blowing it up or... You mentioned AgriStability and AgriInvest. I just wonder what you thought about whether any of the programs were working and what they were working at, and some of the changes you mentioned.

Mrs. Patty Rosher: AgriInsurance has great uptake, certainly in Manitoba, where there is a program available for most commodities.

We have been throwing around the idea of whether there is a way to make that program a bit more responsive to changes in income. It's a program that's well understood, and it's fairly easy as a farmer to participate in it. The uptake rate is—I want to say—85%.

That's one idea.

There's also AgriInvest, where, rather than specific constraints about when a farmer would receive a payment, a farmer could make that decision himself or herself. The feedback we have from our members is that the matching is a bit too low. It certainly is an under-subscribed program that, really, farmers should be paying more attention to than they do.

We would like to look at that. Is that a program that we can enhance, or that can be enhanced, to give farmers a tool to cover their own income risks?

• (1710)

Mr. Neil Ellis: Okay. Thank you.

I think the last witnesses talked about paperwork, and I think you mentioned paperwork also, Katie.

What are your suggestions for simplifying this or doing a better process on this?

Ms. Katie Ward: I think there definitely needs to be a streamlining of the paperwork and a better alignment with tax preparation, especially for young and new entrants. Any extra paperwork can be really challenging when you're starting out and, again, don't necessarily have all of the assets to access crop insurance and such. It can be really stressful, so streamlining would definitely be good.

We would also like to see an expansion of criteria that would allow better access for smaller, diversified operations, which tend to be more and more of the new operations. It can be really challenging to access these programs when you have a smaller amount of different production types.

Mr. Neil Ellis: How do we make sure that all producers know about the programs? I think that part of it, too, is that we have so many programs. Through your organization or other organizations, do the farmers actually know the programs that exist, and do you communicate with them?

Ms. Katie Ward: We have done surveys of our young members. There is definitely a lack of easy-to-understand information out there, so better communication would certainly help.

Mr. Neil Ellis: Okay, great. Thank you.

[Translation]

The Chair: Mr. Perron, the floor is yours for six minutes.

Mr. Yves Perron: Thank you, Mr. Chair.

My thanks to the witnesses joining us in person or by videoconference. We appreciate you making yourselves available.

Ms. Rocher, you just mentioned that small businesses could be better protected. Do you have in mind any specific improvements that we could make to the AgriStability and AgriInvest programs in order to bring help directly to smaller-scale farming?

[English]

Mrs. Patty Rosher: Our members don't have the same kind of focus on the smaller productions per se, but we are very much interested in programs for our younger farmers, who are often smaller-scale producers.

We just did a series of focus group sessions with them. We wanted to understand what their issues were. They take over decision-making for a couple of small fields attached to their parents' operation, and they look to grow that, but as part of their parents' operation they can't access the business risk management programs themselves, so it takes a lot longer for them to build up their credibility and their knowledge of these programs.

I appreciated the comments about communicating the availability of programs to younger farmers.

The other thing we heard from them is that they would like a little bit more training around farm management as it relates to accessing programs, doing the paperwork and looking at the whole operation from a farm business management point of view.

For us, when we think of small farmers, we're really talking about the younger farmers who are attached to a bigger operation and who are looking to expand. How do we make sure they have the knowledge and education, and how do we make sure that the

program recognizes them and their role as a smaller part of a larger group?

[Translation]

Mr. Yves Perron: Thank you.

Mr. Caron, I sense a welcome unanimity about the need to make improvements to the AgriStability program. They would involve covering losses at 85% of the reference margin and removing the limit on that margin.

So that we can be sure that this is in the minutes, could you explain to me the need for those two measures? It has been stated that the government does not intend to increase expenditures. You clearly mentioned that amending the programs in a cost-neutral way is impossible and that increasing the investments really has to be the way to go.

I would like to hear your comments on that. We do not want to end up only with an increase in the coverage threshold, or only with the removal of the limit on the margin.

Mr. Martin Caron: I will start the answer and let Mr. Tougas continue with more specifics.

In terms of the consensus, I want to tell you that we are part of a consultation committee made up of various partners from the provinces. Everyone agrees with the need to cover losses starting at 85% of the threshold and with removing the limit on the reference margin. So the unanimity is real. That was communicated a little later in the meeting between the representatives, the agriculture ministers of each province, and Ms. Bibeau.

Now Mr. Tougas can take over.

● (1715)

Mr. David Tougas: The two measures are actually complementary. The first increases support for the reference margin and the other, as I mentioned earlier, corrects the unfairness between agricultural crops.

Both measures really are valid, in our view, with each playing a different role in the way the program is currently implemented.

Mr. Yves Perron: Okay, thank you.

We understand completely that both measures are essential.

I would also like to go back to what you said earlier about a quick and specific response being essential. My colleague Mr. Lehoux was talking about making a parallel fund available. I think we agree on that as well.

Do you have any suggestions for specific changes that could be made to better handle the paperwork and speed up the processing of claims?

Mr. David Tougas: Various provincial organizations operate the federal programs. I can mention Financière agricole specifically. There is quite significant collaboration between the accountants and Financière agricole officials, with the result that, for Quebec at least, the problems are perhaps less acute than elsewhere in Canada.

That's why we didn't really focus on it. We are not denying that there are problems and that things need to be corrected, but in Quebec, it is not a major issue.

Mr. Martin Caron: I would like to add one point. Very often, the problem is because of a delay in processing. With the AgriStability program, participants have 18 months to submit a claim. If agricultural companies have problems for one reason or another or if an international conflict results in prices going down, farmers have to wait 18 months before they receive any money.

So we are of the view that there should be an accelerated processing method. I know that there already is one, but it is not often used. There should be one for certain specific cases, however. I repeat our request: a parallel fund should be set up so that we can act when specific situations arise.

Mr. Yves Perron: Mr. Caron, other participants have talked about setting up a permanent working group.

Do you think that it is a good idea, in the sense that it would keep this matter front and centre on an ongoing basis?

Mr. Martin Caron: It is a very good idea.

We must keep in mind that access to risk management funds for our companies would allow our farming companies to reinvest in new technologies, to move towards innovation and research. At the moment, we see farmers running out of steam in those areas.

The Chair: Thank you.

Mr. Martin Caron: A committee should be established and it should discuss a vision that focuses on development.

The Chair: Thank you, Mr. Caron and Mr. Perron.

The floor now goes to

[English]

Mr. MacGregor for up to six minutes.

Mr. Alistair MacGregor: Thank you, Chair.

Ms. Ward, this report is very well done. I appreciate how stark the information in it is. Just in reading some of the statistics, Canadian farm debt has nearly doubled in the last 20 years and is now realized at over \$100 billion. It looks to me very much as if farmers have been doing their job in getting our production up, but despite the fact they have been working so hard and have gone to some great lengths to increase our production, they're still seeing such a small slice of the pie at the end of the day. I think all of us around this committee and the Government of Canada really have to take a look at this because there are some very sad figures.

I like your holistic approach to this. The business risk management programs are the federal backstop to when times are really bad. However, I think the crux of your comment was that the best way we can help farmers manage risk is to make sure they have that sizeable income to help them.

Can you expand on that? I think it's important that our committee report really drives home this fact.

Ms. Katie Ward: Absolutely. One thing that is made mention of quite often is that there has been a really large increase in farm assets that goes along with this accumulation of farm debt. The problem with that is that when you have a couple of bad years, such as we've had especially this past year, an interruption in cash flow to that extent, you can't rely on just assets to offset your debt when you have cash payments you have to make.

We really do need that as a backstop, but if we can have support for our farms to be able to make an income off our farms and not be reliant on off-farm jobs in a lot of cases, especially for small and medium-sized producers who are serving a lot of our domestic market, if we can make money on our farms, we won't need to dip into BRM programs quite as often if bad times hit, or when they do.

● (1720)

Mr. Alistair MacGregor: Yes. Keystone Agricultural Producers made mention of the fact that Manitoba farmers are going to be investing over \$3 billion before they even start to realize an income, so those input costs are quite tremendous.

I was hoping you could expand a little more in detail on specifically why diversified farms are having more trouble. I'd like to drive down on that just to see if there's some way we can tease out a recommendation or include it in our report as to why those diversified farming operations are having more trouble with the program.

Ms. Katie Ward: A lot of the challenge for a small, diversified farm is that they tend to be very labour-intensive. When you're dealing with weather, unruly livestock or what have you, there are only so many hours in the day that you have to give to paperwork. The more we can simplify things and the more we can give easier access in terms of time....

Time is money for these young farmers as well. To have to spend hours puzzling over paperwork just to apply for a program that's going to cost you money to apply for and you probably aren't going to get a payout anyway, if you have to lose 30% of your expected income, it doesn't seem as though it's worth the trouble and the time to put in that extra effort.

Mr. Alistair MacGregor: Is it also a case that some of the crops are not going to be covered by the production insurance?

Ms. Katie Ward: Yes, as my colleague from CFA mentioned earlier, there's a real challenge with some of the livestock and horticulture commodities in terms of access, and they don't receive as adequate coverage. We really would like to see equitability across sectors. There definitely needs to be some more research on that.

Mr. Alistair MacGregor: Great. Thank you.

Ms. Rosher, I'll turn to you for a second.

In its testimony earlier, the CFA mentioned the establishment of a technical working group. We've heard that sometimes the BRM suite of programs are not quick enough to adapt to the changing realities we see.

If we look at Growing Forward 1, Growing Forward 2 and the Canadian agricultural partnership, these are five-year programs, funding arrangements. Do you have any recommendations on what that technical working group would look like, and how can we construct these programs to be a bit more responsive in the future rather than relying on annual FPT meetings or the next policy framework coming into place?

Mrs. Patty Rosher: We certainly support a technical working group. Of course, we're also a member of the CFA and part of the AGgrowth Coalition. We do think there's a role for us to play in providing that more immediate input on how farmers would perceive changes that are being proposed. Certainly, we communicate to the provincial government, which then feeds into the FPT discussions, but it's a very long cycle. Therefore, we would like to be a bit more responsive.

Because we have access to the farmers, we go back to them and ask, "What does this look like for you? Yes? No?", and we can provide more immediate input.

We meet with MASC, our crop insurance corporation here, on a very regular basis. They do wait, year by year, before they tweak their programs, but it's a much more immediate input because we can talk to them about the input—

The Chair: Thank you, Ms. Rosher. Unfortunately, we're out of time.

The second round is going to be a bit short. I'm going to have to cut it to three minutes each.

Mr. Soroka, you have three minutes.

Mr. Gerald Soroka (Yellowhead, CPC): Thank you for coming today. I'll make this as quick as possible.

Mr. Caron, you mentioned direct farm subsidy programs in the United States as well as in Europe. Do you think these programs could be adjusted? Our business risk management programs are more for risk than a direct subsidy.

Maybe either Ms. Rosher or Mr. Caron could address those programs.

• (1725)

[*Translation*]

Mr. Martin Caron: First, I would like to clarify things. As you have just mentioned, some risks are considered normal. At that point, risk management programs have to come into play. However, with international conflicts, like the ones that have flared up with China, or a biosafety incident, like the ones we have seen in recent years, we have to have specific programs. Funds must be available so that we can react quickly. The two programs really have to be separated.

[*English*]

Mrs. Patty Rosher: Something we discussed with our partners in the other prairie provinces is a support program based on the U.S. one recently put in place for their soybean growers. That's a per-acre payment. We want to avoid anything that's a production volume payment: this is a per acre payment linked to a measurable impact upon farmer return of a specific event. That is of interest, and looking at an ad hoc payment is something that was supported at CFA.

We do have AgriRecovery, though. AgriRecovery seems to be very hard to trigger, especially in Manitoba. We have livestock producers in the Interlake, where we had a horrible year. We have this AgriRecovery framework in place. Let's look at it to make sure it can be more responsive and that there is a way for industry to trigger it effectively.

Mr. Gerald Soroka: A problem with many of the programs is that by the time they are triggered, you're almost destitute. By that time it's too late, so what does the program help? This is why the uptake isn't coming forward on these programs.

But what about the young farmers? You talked a bit, Patty, about their not being able to even get crop insurance. For with many of these other programs, though, if you don't have a parent or family to start you off, how are you even going to start in agriculture now?

Do you think we need a program that way?

Mrs. Patty Rosher: Oh, yes. That's a very interesting point. Most of our young farmers are attached to their parents' farm. We run into city kids who want to get into agriculture, and that's great. Their entry has mostly been into market-garden farming or very small-scale direct marketing farms. That's great; we like to see that influx. We'd like to support it as well. I'm not sure how the business risk management program we're talking about helps those people, but this is a really interesting area to talk about.

The Chair: Thank you, Ms. Rosher.

Thank you, Mr. Soroka.

[*Translation*]

Mr. Drouin, the floor is yours for three minutes.

Mr. Francis Drouin: Thank you very much.

My question goes to the officials from the Union des producteurs agricoles.

I will not ask you to take a position on the situation in other provinces, but we do know that the costs of the risk management programs are shared. The federal share is 60% and the provincial share is 40%.

Have you had discussions with officials from the Government of Quebec? Have they shown any willingness to invest more money in risk management programs?

Mr. Martin Caron: We have had no discussions about that ratio.

However, we have consulted farmers. In terms of specific programs, the general opinion is that, very often, an element of the risk management must be federal.

I was talking earlier about conflicts that have flared up on international markets like the one with China. I feel that the federal government must invest in order to support the producers affected. In general, trade conflicts break out between countries, not between provinces. Those aspects have to be clearly separated.

I would add that the biosafety of our companies is another aspect where the federal government should respond.

Mr. Francis Drouin: Okay.

You also brought up the price-taker concept. To enlighten the committee and the Canadians listening to us, what do you understand by that concept?

Mr. Martin Caron: Let's take grain producers as an example. The Chicago Exchange fixes the price for the product, so they use the American price. We do not actually choose the price for our products, nor are we able to increase the prices. In that example, our price is based on the North American price—which explains the expression “price takers”. It also explains why we feel the impacts of that situation.

Mr. Francis Drouin: Thank you very much.

[*English*]

Ms. Ward, you mentioned that individual farms should be capped for total payments at \$750,000. Is there a rationale behind that number?

• (1730)

Ms. Katie Ward: Our greater concern is to ensure that we're keeping up with the purpose, which was to eliminate making a profit off these programs. For the vast majority of farms to cover their expenses, even for many of the larger operations out on the Prairies, that should be sufficient to cover losses in extreme years. Again, this is not intended to roll over into the profit side of things.

Mr. Francis Drouin: Thank you.

Rapid fire, Mrs. Rosher, my colleague, Mr. Soroka, touched on it, and you've talked about the story of the brother not being able to

buy crop insurance because he doesn't have enough assets. You may not have enough time to respond, but is there a solution to that where we could see a transition program to get access to crop insurance? If you have ideas, I'd like you to share them with the committee. Thank you.

The Chair: Does everybody want to hear the answer?

Some hon. members: Agreed.

The Chair: Okay, let's hear the answer, and we'll close on that.

Mrs. Patty Rosher: Okay. I don't have the answer—

Some hon. members: Oh, oh!

Mrs. Patty Rosher: That won't keep me from talking, though.

FCC has a loan program specifically for young farmers that really speaks to them directly. We've had them come talk to our young farmers committee, and we can see that when you're communicating and when you really understand the needs of the young farmers, you can develop a program that really fits them. They are very appreciative of FCC's programs.

It's the same with MASC in Manitoba. They also have lending programs specifically for farmers.

If you have a relationship with young farmers and understand what they are dealing with on the farm, yes, you can do lots of good things with those programs.

The Chair: That is all the time we have. I certainly want to thank all of you: Patty Rosher from Keystone Agricultural Producers, and from National Farmers Union, Katie Ward.

[*Translation*]

My thanks also go to Martin Caron and David Tougas, from the Union des producteurs agricoles, for taking the time to help us with our study of these programs, a study that will be the subject of our next report to the government.

[*English*]

Thank you, everyone.

The meeting is adjourned.

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