

NFU Submission to the Standing Committee on Agriculture and Agri-Food on **Issues relating to the Horticulture Sector**

April 11, 2024

The National Farmers Union (NFU) is pleased to provide comments to support the Committee's study on issues relating to the horticultural sector, particularly insurance programs and federal assistance granted to the horticultural sector, with a focus on the effectiveness of insurance programs and the one-time assistance available to address climate hazards. We also provide other possible solutions to improve the sector's climate resilience.

We argue that the current suite of business risk management (BRM) programs is inadequate for the horticulture sector. In the short term, improvements to BRM programs are necessary for farmers dealing with immediate effects of climate change. In the long term, however, BRM programs cannot cover the costs of climate change, nor will they encourage substantial adaptation to the effects of climate change. We highlight the short-comings of BRM programs for the horticulture sector and propose a Canadian Farm Resiliency Agency (CFRA) as the solution needed to support the horticultural sector in dealing with climate change.

The current suite of BRM programs (i.e. AgriRecovery, AgriStability, AgriInsurance, AgriInvest, and the Advance Payments Program) were developed primarily to address risks typical of broadacre crops in a predictable climate, and thus do not adequately reflect risks faced by the horticulture sector. These BRM programs do not take into account the high value per acre, diversity and perishability of horticulture crops, nor the production of multiple crops per growing season. This makes damage assessment for the purpose of BRM claims a complex ordeal. It is difficult and unruly to create formulae to assess weather and storm losses for the horticulture sector. The compensation available is low, and may not be adequate to keep affected farms in production, particularly if claims are processed so slowly that the next revenue-generating crop is unduly delayed. AAFC's data shows that AgriInsurance's coverage for forage, fruits, and vegetables is chronically lower than grains and oilseeds historically.ⁱ Fruit and vegetable producers in Alberta (30.3%), New Brunswick (24.9%) and Quebec (22.6%) frequently cited lack of commodity-specific plans as reasons for not enrolling in AgriInsurance.

BRM programs are also ineffective due to their administrative burden on farmers, costs of applying to BRM programs, the lack of remuneration given by these programs, delays in payments, and the inability for BRM programs to be able to be modified before 2028. When farmers do not receive value, they do not enroll. The evaluation of the AgriStability program observed that the number of producers enrolled decreased by over 18% between 2016 and 2021. The number of producers enrolling in AgriStability has been declining, with smaller operations exiting the program at a faster rate than larger operations."ⁱⁱ The

Strong Communities. Sound Policies. Sustainable Farms.

Des communautés solidaires et des politiques sensées pour une agriculture durable.

under-enrollment of small farms is particularly concerning, as it indicates a structural bias that discriminates against smaller farms, and as a result, excludes many in the horticulture sector from this multi-billion-dollar support program.

The harms of climate change are inevitable and will only become worse. The cost of BRM programs, particularly Agrilinsurance premiums, will increase over time, which will place an even greater burden on farmers whom this program is supposed to assist. AgriRecovery may not be triggered when farmers need it if provincial governments believe the program will unduly stress their budgets. These programs will become less accessible to farmers, especially small-scale farmers, without proper climate mitigation and adaptation programs. Indeed, 25% of non-participants in Agrilinsurance cited premium costs as a reason for non-participation in the program, and farmers in the horticulture sector were more likely to identify premium costs as a reason for non-participation.ⁱⁱⁱ

Beyond the design issues of the BRM programs, these programs do not address the underlying problem of worsening effects of climate change and diminishing returns on farm products.

Farmers depend on water to grow horticultural crops. With climate change, precipitation is becoming less predictable – it is too much, too little, and/or ill-timed. Well water irrigation may not be sustainable, as it depends on recharge rate of source, which is affected by drought, drainage and development pressures. Surface water is non-potable, and thus not suitable for irrigating horticultural crops unless treated. On-farm water holding and treatment infrastructure can provide potable water when needed, but is expensive to install. Horticultural crops are also experiencing increased heat stress, which reduces their viability. Heat stress can be reduced with well-designed shading infrastructure. These are just a few adaptation measures that would reduce the burdens and risks of climate change horticulture farmers face if the government provided assistance.

In addition to climate impacts, farmers have experienced a meteoric rise in costs along with downward pressure prices horticulture products can command. While Canadians face rising grocery prices, each percentage point rise in cost to the consumer benefits the retail giants more than the producer because farm product costs comprise a smaller portion of the retail price. Big grocery retailers maintain a 3% margin, which nets a larger total dollar value of profits as prices rise. In fact, food retail profits have doubled between 2020-2023.^{iv} Canada's retail grocery sector is also highly concentrated. The top four firms constitute 68% of the market share of retail grocery. The imbalance in market power between the large retailers and the individual farmer adds to the downward pressure on farmgate prices for Canadian horticulture producers. These falling returns means we have a structural deficit: production costs are rising while wholesale buyers are paying too little: the difference is being taken out of the land, farm workers' wages, and the farmers income. Debt and chronically low net-income constrains horticulture farmers' choices and their ability to adapt to climate change. BRMs fundamentally cannot address these problems.

The NFU identifies government reliance on market-based solutions as a policy weakness. Market-based tools attempt to incorporate the cost of environmental harm into the price of goods and services,



thereby representing the “true cost” of production. In a Government of Canada report on market-based environmental policies, Marion Wroebe (1990) affirms this, arguing that: “A market-based approach would use the producer's profit motive to reduce the level of pollution by charging a valid price for using the environment, rather than the zero price which firms have been accustomed to.”^v We cannot rely on market-based solutions to deliver environmental benefits, as the prioritization of the market, even with incentives, are often at odds with what Canadian farmers need to develop resilient and adaptive production practices and on-farm infrastructure.

BRMs rely heavily on market forces in calculating the payout amounts received by farmers. Relying on economic risk management programs for individual farmers does not allow Canada to manage systemic risks – BRMs only provide brief respites to cope with disasters.

Insurance payments will not replace the food that Canadians need, even if they provide economic support when crops are poor. Insurance and market-based risk-management will not solve the root causes of the increasing number of natural disasters that threaten the viability of horticulture farms, and therefore farmers' livelihoods and the food security of Canadians. The Canadian Government must take a proactive approach to assist farmers deal with climate change.

Climate change adaptation measures are of the utmost importance for horticultural farmers, measures included funding for adoption of new methods and technologies and support for developing plant varieties that are resistant to extreme climate conditions. We need comprehensive adaptation programs to create resiliency to and mitigate climate change and its impacts. In addition to AAFC administered programs such as the Sustainable Canadian Agricultural Partnership Cost-Shared Resilient Agricultural Landscape Program and the On-Farm Climate Action Fund and Agricultural Clean Technology Program: Adoption stream, Canadian farmers require a comprehensive adaptation program that puts farmers and their land first.

To this end, the NFU proposes a *Canadian Farm Resilience Agency (CFRA)*. The CFRA draws upon history from the 1930s when drought lashed prairie farms. The federal (Conservative) government of the time worked with the western provinces to create the Prairie Farm Rehabilitation Administration (PFRA), which implemented measures to bring distressed land back to ecological health and improve the economic viability of farms in the affected areas. Just as the PFRA was the right response in the 1930's, a CFRA is the right response for our times: a “super PFRA” with national scope and an expanded mandate.

The CFRA would be a new public institution to do research, hire and train public extension agrologists; provide annual soil testing and GHG measurement; support farmers to maximize soil health and carbon sequestration; administer and staff demonstration farms; and assist in implementing best management practices on Canadian farms. Another component of the CFRA would be to return Canada’s public plant breeding program to its historic strength. Developing public varieties with locally adapted resistance to the effects of climate change would be invaluable, particularly for horticulture, as Canada has lost nearly all our former public breeding capacity for fruit and vegetable varieties

The proposed CFRA would do research on production practices, engage farmers in knowledge-sharing, and do outreach and extension work to improve resilience in the face of climate impacts, and to develop



and promote practices that reduce GHG emissions to help mitigate climate change. By proactively addressing climate impacts, farmers will have less need for BRM-type program payments.

Establishing the CFRA and thus maximizing adaptation and resilience, would result in significant savings on BRM payments. It would help keep more farmers on the land producing the food we need - including horticultural products – while saving a significant portion of projected costs for BRMs under a business-as-usual scenario. Just a 10% saving on BRM programs - as a result of enhanced resilience, adaptation, and on-farm risk mitigation - would cover the cost of setting up and running the CFRA. This enhanced resilience, adaptation, and on-farm risk mitigation will mean that farmers will not have to rely on payments that are contingent on increasingly common disasters. More knowledge and improved methods in the hands of farmers means that farmers will be better equipped to handle climate-related problems, supporting Canadian food sovereignty into the future.

When properly deployed, an effective CFRA will have little net cost. Conversely, as an intensifying climate crisis looms, underinvesting in adaptation and mitigation capability could cost Canada and its food system hundreds of billions of dollars this century and weaken our food security. The issues facing the horticulture industry in Canada stem from the confluence of systemic issues including the farm-debt crisis, the net-income crisis, and climate change. BRMs do not address these root causes. Instead, NFU urged the Agriculture and Agri-Food Committee to recommend establishing the CFRA to empower farmers, and reduce the need for insurance programs.

All of this is respectfully submitted by
The National Farmers Union
April, 2024

The National Farmers Union is a voluntary direct-membership, non-partisan, national farm organization made up of thousands of farm families from across Canada. Founded in 1969, the NFU advocates for policies that promote the dignity, prosperity and sustainable future of farmers, farm families and their communities.

ⁱ Agriculture and Agri-Food Canada, “Evaluation of AgriInsurance,” *Audits & Evaluations*, February 22, 2024, <https://agriculture.canada.ca/en/departement/transparence/audits-evaluations/agriinsurance-program#section6>.

ⁱⁱ Agriculture and Agri-Food Canada, “Evaluation of AgriStability,” *Evaluations & Audits*, October 13, 2022, <https://agriculture.canada.ca/en/departement/transparence/audits-evaluations/evaluation-agristability#a6.0>.

ⁱⁱⁱ Agriculture and Agri-Food Canada, “Evaluation of AgriInsurance,” *Audits & Evaluations*, February 22, 2024, <https://agriculture.canada.ca/en/departement/transparence/audits-evaluations/agriinsurance-program#section6>.

^{iv} Jim Stanford, “Update Industry-Wide Data on Food Retail Prices, Volumes & Profits: Submission to House of Commons Agriculture and Agri-Food Committee” (Centre for Future Work, December 2023), <https://centreforfuturework.ca/2023/12/10/new-data-on-continued-record-profits-in-canadian-food-retail/>.

^v Marion G. Wroebel, “Environmental Problems: Market-Based Solutions” (Government of Canada, March 1990), <https://publications.gc.ca/collections/Collection-R/LoPBdP/BP/bp228-e.htm#C.%20Objections>.

