

**STANDING COMMITTEE ON
AGRICULTURE AND AGRI-
FOOD**



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

**COMITÉ PERMANENT DE
L'AGRICULTURE ET DE
L'AGROALIMENTAIRE**

Ottawa, June 23, 2020

The Honourable Marie-Claude Bibeau, PC, MP
Minister of Agriculture and Agri-Food

Dear Minister Bibeau:

I am writing to you in my capacity as Chair of the House of Commons Standing Committee on Agriculture and Agri-Food. Since February 27, 2020, the Committee has been conducting a study of business risk management (BRM) programs. Between May 5, 2020 and June 5, 2020, the Committee also studied the government's response to the COVID-19 pandemic. During both studies, the Committee heard from the agricultural sector and Canadian government officials who spoke about the importance of BRM programs for the agriculture and agri-food sector, as well as their limitations. In this letter, I wish to bring to your attention the key observations of the witnesses we heard from, in preparation for the July 3, 2020 enrollment deadline for AgriStability, so that you can work with your provincial and territorial counterparts to implement more effective, flexible, timely and equitable programs for farmers.

The agriculture and agri-food sector is a cornerstone of the Canadian economy. According to Agriculture and Agri-Food Canada (AAFC) [2018-2019 Departmental Results Report](#), it contributed over \$143 billion to Canada's gross domestic product and employed one in eight workers in Canada in 2018. However, it is also a sector that involves significant risks. Farmers' incomes can plummet as a result of extreme weather events, fluctuating market prices for agricultural commodities or non-tariff trade barriers imposed by Canada's trading partners. Labour shortages, animal diseases and challenges with the transportation of goods are also significant risks faced by producers. Witnesses told us that these risks have been increasing in recent years. The impacts of the COVID-19 pandemic on Canada's food supply chain add to these pre-existing risks, but also highlight the structural weaknesses in the current BRM programs. Faced with this unprecedented crisis, several witnesses told us that the rapid establishment of an emergency fund to deal with this disaster would be necessary. This could notably involve an extension of the eligibility criteria of AgriRecovery to include major crises such as pandemics.

131, rue Queen Street, Room / pièce 6-35, Ottawa, ON K1A 0A6
Tel/tél.: 613-947-6732 Fax/télécopieur: 613-947-3089

Agri@parl.gc.ca

AgriStability is a key part of the support system for Canadian agriculture under the Canadian Agricultural Partnership (CAP). In 2016, 31% of eligible producers accounting for 56% of market income made use of this program. This represents a decline in participation compared to 2012 when 43% of eligible producers made use of the program. Many witnesses explained that this limited participation rate is the result of the administrative burden imposed by the program. They argued that application processes need to be simplified. The witnesses also called for payments to be issued faster. The Union des producteurs agricoles reported that payments can sometimes take up to 18 months to arrive. Such lengthy time frames reduce the program's ability to address emergencies, and businesses sometimes receive the funds they need too late.

The program is not suited to all types of farms. AgriStability payments are released when a participant's production margin falls below 70% of its reference margin. The stakeholders the Committee heard from requested that this threshold be raised to 85%. Some witnesses asked that the program's coverage level be also increased and that the limits on the reference margin based on allowable expenses be removed. The latter measure would improve funding access for industries that generally have lower expenses, such as businesses in the beef, horticulture or beekeeping sectors that cannot fully benefit from the program because they typically have lower allowable expenses. Witnesses also reported that this program is not well suited for small farms and those with a diversified production. At the same time, mushroom industry representatives stated that the \$3-million ceiling on program payments was too low to address margin declines for businesses in their industry. The Grain Growers of Canada also pointed out that the calculation of the reference margin based on the Olympic average method for the last five years makes the program less accessible to companies in this sector, which has experienced declining margins in the past few years.

Some industries have limited access to other BRM programs. Officials from the Canadian Federation of Agriculture told the Committee that the AgriInsurance crop insurance program, the largest BRM program in monetary terms, does not cover livestock and certain horticultural products in many provinces and territories. While some provinces have implemented programs to fill these gaps, multiple witnesses said that provincial and territorial governments sometimes lack the financial resources to unilaterally implement such programs and that federal contributions are needed. Officials from the Canadian Cattlemen's Association told us that the livestock price insurance program covers some of the gaps in the AgriStability and AgriInsurance programs for their industry. However, they also noted that this program is not available to beef producers in Eastern Canada and should be expanded to include them.

Although it is not part of the CAP suite of programs, the Advance Payments Program (APP) plays a key role in helping farmers manage risk. In 2019, the federal government increased the APP loan limit by \$400,000 to \$1 million, and its repayment deadlines were extended by six months in response to the COVID-19 crisis. While these measures were generally well received, many stakeholders pointed out that debt is a serious problem for many farms and that new debt is not a viable long-term solution for the sector. They urged the government to develop risk management programs that do not involve debt. Additionally, AAFC policy changes made on April 1, 2020, made

it more difficult for farmers to access loans and added to application processing delays during the pandemic.

The AgriInvest program, which gives participants control over when they can withdraw funds, is an example of a non-debt-based BRM program. However, witnesses noted that AgriInvest is designed for small income fluctuations and is unsuited for more significant losses. Amending BRM programs to make them more compatible with private insurance plans was also mentioned as a possible step forward to help farmers manage their risks. We encourage the Government of Canada to consider new concept BRM programs that will address the complex diversity of agriculture and any new program that will assist in creating local, stable and secure food production for all Canadians.

Minister Bibeau, July 3, 2020 is the current AgriStability enrollment deadline for the 2020 program year. In October 2020, you will also attend the Annual Conference of Federal–Provincial–Territorial Ministers and Deputy Ministers of Agriculture. We hope this letter will help you better address the concerns of the agriculture and agri-food sector in preparation for these two important milestones so that more effective, flexible, timely and equitable programs for farmers can be developed.

Yours sincerely,



Pat Finnigan, MP
Chair, Standing Committee on Agriculture and Agri-Food

cc:

The Honourable Lana Popham, Minister of Agriculture
(British Columbia)

The Honourable Devin Dreeshen, Minister of Agriculture and Forestry
(Alberta)

The Honourable David Marit, Minister of Agriculture
(Saskatchewan)

The Honourable Blaine Pedersen, Minister of Agriculture and Resource Development
(Manitoba)

The Honourable Ernie Hardeman, Minister of Agriculture, Food and Rural Affairs
(Ontario)

Mr. André Lamontagne, Minister of Agriculture, Fisheries and Food
(Quebec)

The Honourable Ross Wetmore, Minister of Agriculture, Aquaculture and Fisheries
(New Brunswick)

The Honourable Keith Colwell, Minister of Agriculture
(Nova Scotia)

The Honourable Gerry Byrne, Minister of Fisheries and Land Resources
(Newfoundland and Labrador)

The Honourable Bloyce Thompson, Minister of Agriculture and Land
(Prince Edward Island)

The Honourable Ranj Pillai, Minister of Energy, Mines and Resources
(Yukon)

The Honourable Katrina Nokleby, Minister of Industry, Tourism and Investment
(Northwest Territories)

The Honourable David Akeegok, Minister of Economic Development and Transportation
(Nunavut)