Summary of APAS Draft Recommendations to Next Policy Framework Consultations – February 2022

The following draft recommendations have been prepared by the Agricultural Producers Association of Saskatchewan Next Policy Framework Task Force for discussion.

AgriStability

1. ***Restoring margin coverage through a performance-based mechanism***

The Task Force is proposing the concept of "performance-based" coverage to encourage participation and address concerns that some farms have a low likelihood of triggering a payment due to their commodity mix or other risk factors.

Under this proposal, producers would receive an annual percentage increase in margin coverage (e.g., 2%) for every year of participation without payment, up to maximum 85% historical reference margin. Compensation for every dollar of shortfall (currently 70 cents) would also increase for every year of participation regardless of payment history, up to maximum 80% compensation rate.

2. ***Treatment of Crop Insurance Indemnities as Eligible Income***

Indemnities from hail insurance and other private sector risk management are not included as revenue when calculating AgriStability margins. This provision should be maintained for the next framework but expanded to include 40% of crop insurance indemnities to recognize the producer share in premium costs.

3. ***Increasing Transparency and Reduced Complexity***

AgriStability's design requires a very extensive set of benchmarks and indicators that impedes the program's administrative efficiency, timeliness and transparency. Governments need to undertake administrative changes to align program applications with financial and production data already inputted through crop insurance reports, Income Tax files, and financial management software such as AgExpert

4. ***Timeliness of support***

Interim payments of 75% expected benefits can be provided at the discretion of provincial and federal government. This provision should be made permanent with multi-year repayment schedules available when there is an overpayment of benefits caused by application errors, inventory and subsequent year adjustments. Program deadlines should be flexible for farms filing income on a non-calendar year basis.

5. *New Entrants to the Agricultural Industry*

New producers do not have an established track record for calculating a historic reference margin. The Task Force discussed the possibility of establishing reference margins for new entrants based on a factor of 125% of the "area average" as an incentive to enter into the program and manage higher risks until establishing their own historic reference margin.

AgriInvest

APAS has standing policy which supports restoring AgriInvest coverage to 1.5% of Allowable Net Sales and increased funding limits. In addition, we propose;

1. *AgriInvest as savings and income management tool*

Since not all commodities are able to defer and smooth income for tax purposes, AgriInvest should better encourage risk management savings and income smoothing by allowing producers to contribute non-matchable funds into Fund 2 as income that would be taxable when withdrawn.

2. *Ease tax burden when funds are withdrawn to manage falling income*

Year-end income can be difficult to predict during the production season and producers may be reluctant to withdraw funds and incur tax liabilities even during periods of declining income. AgriInvest should help address these concerns by allowing producers to withdraw from Fund 1 (non-taxable) and Fund 2 (taxable) on a 50:50 basis.

3. *Accelerated Kickstart for Beginning Producers*

New industry entrants and especially young beginning producers are unlikely to have the equity or financial backing to survive a 30 percent decline in income. AgriInvest should provide beginning farmers the ability to manage this risk by providing 3.25% ANS as a "kickstart" contribution for the first 5 years of operation, but at the same maximum funding cap as other program participants (currently $10,000 limit)

4. *Allowable Net Sales Calculations*

Allowable Net Sales are calculated as the revenue of eligible commodities less the purchase of eligible commodities. In some instances, the commodity purchased is an entirely different commodity and much higher value, which lowers the ANS calculation and resulting government contribution.

To address this concern, Agri-Invest should exclude breeding stock purchases (e.g., replacement heifers) and the chemical and Technology Use Agreements (TUA) costs that are bundled with seed (e.g., canola) when calculating Allowable Net Sales.

AgriRecovery

1. *__Improving consistency and timeliness through monitoring systems__*

The current AgriRecovery requirement for a provincially requested assessment can result in uneven application of the program between provinces for the same event and impact. This process can also present delays at a time when producers are making difficult management decisions to minimize losses.

The AgriRecovery framework should rely more on objective and predictable mechanisms to trigger an assessment. These mechanisms could include a formal request by affected producers (farm organizations, RMs) and also be incorporated into existing weather and disease monitoring systems where possible (e.g., AAFC Drought Monitor, CFIA Reportable Disease List, etc.).

2. *__Increased focus on both recovery and prevention__*

The current framework is primarily targeted towards the extraordinary costs of recovery. The AgriRecovery framework should be expanded to include additional focus on prevention in instances where disaster events are predictable and early policy responses can help prevent or mitigate pending losses.

3. *__Linked mitigation reviews to inform future policy responses__*

The AgriRecovery framework should include a structured risk prevention and mitigation review following each program initiative. This review would assess program effectiveness and the need for continuing support as well as future program and policy changes. These changes could include enhancements to existing agricultural programs (e.g., AgriInsurance), as well as programs and policies outside the current suite of program (e.g., infrastructure, technology, etc.). The mitigation review must be collaborative with formal opportunities for producers and other affected stakeholders to provide input.

AgriInsurance

1. __Expansion of livestock price insurance__

Western Livestock Price Insurance is a regional program and does not provide the same level of 60/40 cost-sharing that is provided to crops and other sectors. Coverage is also limited to cattle and hogs, although other sectors have expressed interest in government provided price insurance offerings. Livestock price insurance should be expanded to other provinces and livestock sectors with government contributions to reduce premiums.

2. ***<u>Expanded use of weather-based technology</u>***

The Task Force believes it is important that AgriInsurance keeps pace with advancements in satellite and other weather-based technology in its assessment processes. However, this represents a risk to individual operations when insurance decisions are based on incomplete information. For example, weather stations used for assessing rainfall amounts for forage insurance can be a significant distance from the insured property. The Task Force is recommending more federal support to assist provinces with the cost of expanding new tools and technology such as satellite imagery to increase consistency and accuracy of insurance assessments.

Research & Innovation

1. ***<u>Continuing public research from discovery science to commercialization</u>***

The Task Force heard concerns that producers are assuming a greater portion of research costs because the federal government has reduced its contributions for research activities deemed closer to a commercialization stage. Through the Next Policy Framework, the federal government needs to ensure the sustainability of existing research and crop breeding programs by maintaining its share of funding at all research stages.

2. ***<u>Recognizing fiscal capacity of research partners</u>***

The Task Force also noted the challenges facing smaller acre crops and niche commodities in meeting cost-shared funding requirements. The Next Policy Framework should help address these challenges by providing more flexible funding arrangements for producer and commodities that cannot afford to meet full cost share ratios.

3. ***<u>Supporting regionally based research, knowledge transfer and extension services</u>***

Saskatchewan's agricultural sector is large, diverse and supported by a strong research community that has helped to improve productivity and sustainability in the agricultural sector. The NPF should build on this success by ensuring there is continued federal support for provincially and regionally directed research, knowledge transfer and extension services.

Trade & Market Development

1. ***Helping smaller commodities and niche sectors diversify and develop markets***

Market development and diversification is especially important for smaller acreage crops and
specialty livestock sectors, yet these sectors may also face the greatest financial constraints in meeting the cost shared funding criteria to access programs. Funding agreements should recognize these fiscal constraints and provide higher levels of funding for partner organization unable to meet the full cost shared funding requirements. Support should also be provided to promote the health benefits of Canadian products within domestic markets.

2. ***Structured response to ad hoc and emerging trade issues***

Producers have increasing concerns about international trade access for their exports and the lack of BRM coverage for trade risks. Task Force discussed growing protectionism in international markets and the lack of direct BRM programming to address trade risk in the current programs. There should be a dedicated stream under federal trade and marketing programs, available at the request of affected sectors, to address emerging trade issues and assess financial impact to producers.

This program would be a federally funded and administered and follow the proposed AgriRecovery process of assessment, policy response, and structured mitigation reviews to assess need for additional policy measures and further support.