APAS Recommendations for the Next Policy Framework

The Agricultural Producers Association of Saskatchewan (APAS) launched a Task Force in fall 2021 to prepare recommendations to federal and provincial consultations on the Next Policy Framework (NPF). The Next Policy Framework will result in a new 5-year federal-provincial agricultural funding agreement to replace the current Canadian Agricultural Partnership in April 2023. Since October, the NPF Task Force has gathered information and met with stakeholders to review current programs and develop recom-mendations for Saskatchewan producers.

APAS Guiding Principles

- **Focus on primary agriculture:** The Next Policy Framework Policy frameworks must respond to the needs and realities of primary producers, with priority on initiatives that support growth and stability in the primary production sector

- **Regional Strengths and Provincial Flexibility:** The NPF should contrib-ute towards a long-term vision for agriculture while building on regional strengths through a framework that allows for provincial flexibility and the capacity to respond to emerging needs.

- **Equitable Program Access:** Policy frameworks should provide equal access to programs for all primary commodities and recognize the unique needs of diversified operations. The NPF is an opportunity to identify what is working well in the sector and apply those lessons to other commodities and program areas.

Increased funding envelope was important consideration raised in consultations with members and partner organizations. Funding levels have remained constant since 2013. The NPF represents a new five-year investment in agricultural programs that needs to keep pace with rising costs, inflation, and the addition of new priorities and policy demands on the sector.

SUMMARY OF RECOMMENDATIONS

AgriStability

1. Restoring margin coverage through participation and performance-based incentives

APAS is proposing the use of participation and performance-based incentives to encourage participation in AgriStability and address concerns that some farms have a low likelihood of receiving program support due to commodity diversification or other risk factors.

Under this proposal, AgriStability would provide a “claims-free benefit” of increased margin coverage (e.g., 2%) for every year of participation without payment, up to a maximum 85% historical reference margin.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 and up to a 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 under the NPF but expanded to include 40% of crop insurance indemnities in recognition of producers’ 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% of expected benefits can be provided at the discretion of the provincial and federal governments. This provision should be made permanent with multi-year repayment schedules available when there is an overpayment of benefit caused by application errors, inventory, and subsequent year adjustments. Program deadlines should also be more 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. AgirStability should establish reference margins for new entrants based on a factor of 125% of the “area average” as an incentive to enter 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. **Easing 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.

2. **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 a $10,000 limit).

3. **Allowable Net Sales Calculations**

AgriInvest contributions are based on 1% of total Allowable Net Sales, which is calculated as total sales minus the purchase of the same commodity. In the case of chemical bundled canola seed and replacement breeding stock, the commodity purchased is an entirely different commodity class and much higher value than what is produced, resulting in lower government contribution. To address this discrepancy, AgriInvest should exclude breeding stock purchases (bred heifers) and the chemical and Technology Use Agreements (TUA) costs that are bundled with seed (e.g. canola) when calculating Allowable Net Sales.

4. **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 deferred income that would be taxable when withdrawn.

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 more 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 the need for 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, access to technology, etc). The mitigation review must be collaborative with formal opportunities for producers and other affected stakeholders to provide input.

AgriInsurance

1. Livestock price insurance premium cost-sharing and expansion to other sectors

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 sectors and provided the same 60% cost-shared government premium contribution that is afforded to grain and forage production insurance.

2. Expanded use of weather-based technology

AgriInsurance needs to continue to keep pace with advancements in satellite and other weather-based technology. The use of this technology can currently represent a risk to producers 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. APAS 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. Continuing public research from discovery science to commercialization

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. The NPF is an opportunity for the federal government to signal its commitment to existing research and crop breeding programs by contributing its share of funding to all research stages. This principle should equally apply to livestock sectors to support the continuation of prairie-based research into livestock productivity, water use efficiency, and positive environmental impacts.

2. Recognizing the fiscal capacity of research partners

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 commodity associations that cannot afford to meet full cost share ratios.

3. Supporting regionally based research, knowledge transfer and extension services

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

Environment & Climate Change

1. Incentive-Based Programs & Streamlined Verification Systems

Environmental programs should provide recognition, incentives and financial supports for ecological goods and services and investment in climate solutions. Programs must be supported with streamlined verification systems to enable participation on carbon credit and other offset based programs.

2. Better Program Integration and Extension Support

The Next Policy Framework should increase focus on better integrating environmental programs, farm stewardship, and water management programs to help the sector achieve the following outcomes:

- Increased capacity to deal with climate risks, including flood, drought and disease risk, through water management programs, irrigation, and research funding for crop and livestock genetics and technologies. Program focus should be expanded to projects that enhance capacity at the community level.
- Increased participation in “Nature-based climate solutions”, such as soil carbon sequestration, agroforestry, wetlands, grassland management and preservation, by providing opportunities for producers to generate revenue and receive recognition for verified results.
- Continued knowledge generation and transfer through additional funding for research and extension services to help producers achieve these goals.

Other nonBRM Strategic Initiatives

- **Public Trust and Community Engagement:** APAS supports public trust initiatives to help the sector engage the public, increase agricultural awareness, build trust in evidence-based regulations and decision-making, while promoting Canadian agriculture and agri-food products.

- **Value-Added Processing:** Value-added and market development programming should address the lessons learned from COVID-19 through investments in on-farm value-added activities and improved resilience in domestic supply chains, especially for livestock. However, these investments must clearly enhance market opportunities and financial returns for primary producers, as opposed to established processors or large multinational food companies.

- **Beginning Farmers and Workforce Development:** The NPF should provide targeted programming to develop skills and assist young producers and new entrants. Program initiatives should also be aimed at developing and training the agricultural workforce to meet labour needs in the primary agricultural sector.

Download the full APAS NPF Task Force Report by visiting:

www.apas.ca/policy/NPF