Rebalancing Priorities in the 2028 Canadian Agricultural Policy Framework

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Agriculture Policy Framework Summit to Chart a Growth-Oriented Future for Canadian Farming

by

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Rebalancing Priorities in the 2028 Canadian Agricultural Policy Framework

- The Agricultural Policy Framework is central to agricultural policy in Canada
- Every 5 years the Federal, Provincial and Territorial governments, jointly agree on new agricultural policy framework agreement
- In the Sustainable Canadian Agricultural Partnership (SCAP) 2023-2028, FTP governments agreed to spend $3 billion dollars to support business risk management and agricultural research
- On January 23, 2026, AAFC announced cuts to many research programs, 600 research personal, and 8 research site closures and more cuts are planned.
- This years’ Ag Ministers meeting will begin to set the table to for the 2028 AFP agreement.
- Producers need to proactive in reshaping the APF… Your future profitability depends on it.

Conclusion

- For decades I have studied BRMs and research policy from an economist's perspective, a producer's perspective, and from a public growth perspective
- From each of these perspectives, I reach the same conclusion:

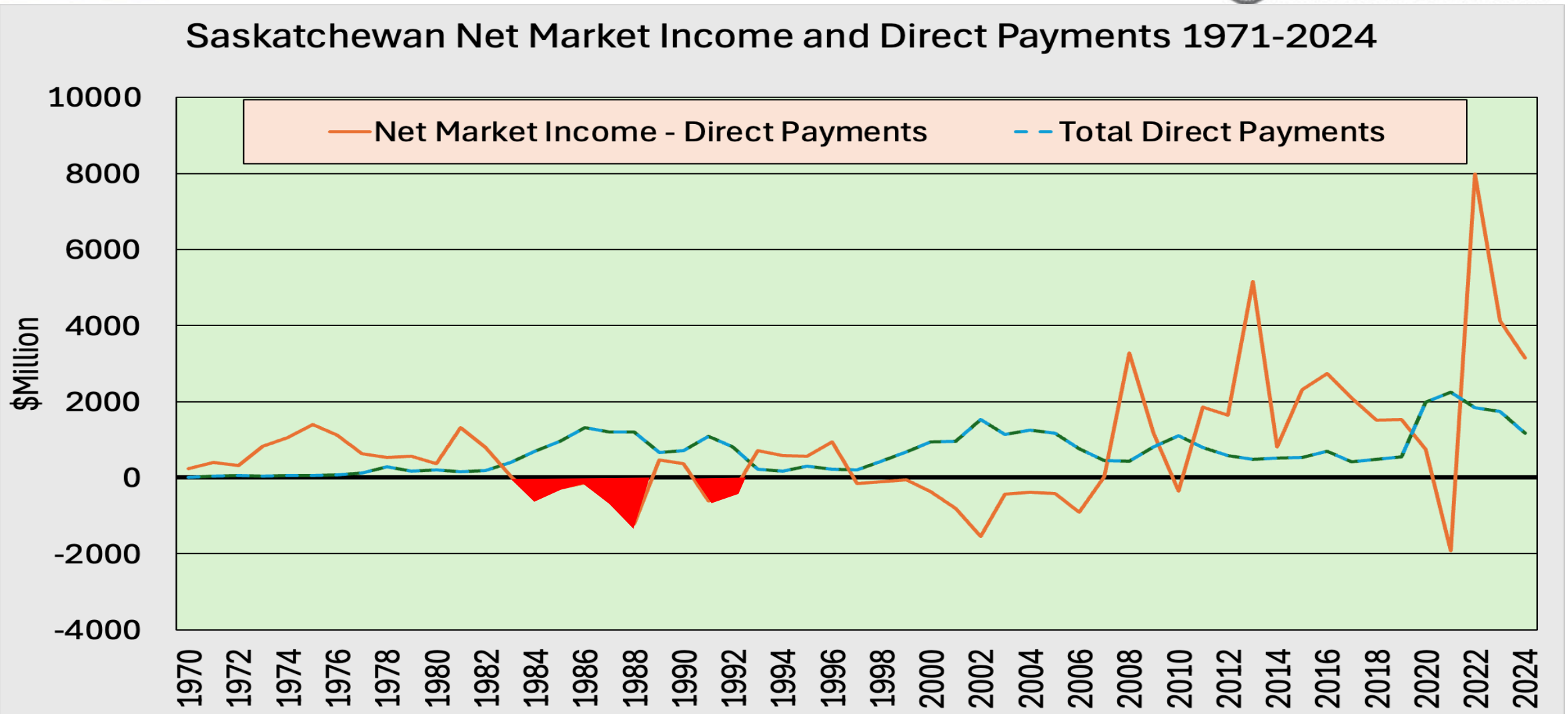
It is in the producers' interest and in the national interest to reallocate resources away from BRM budgets toward agricultural research in the next APF

Outline

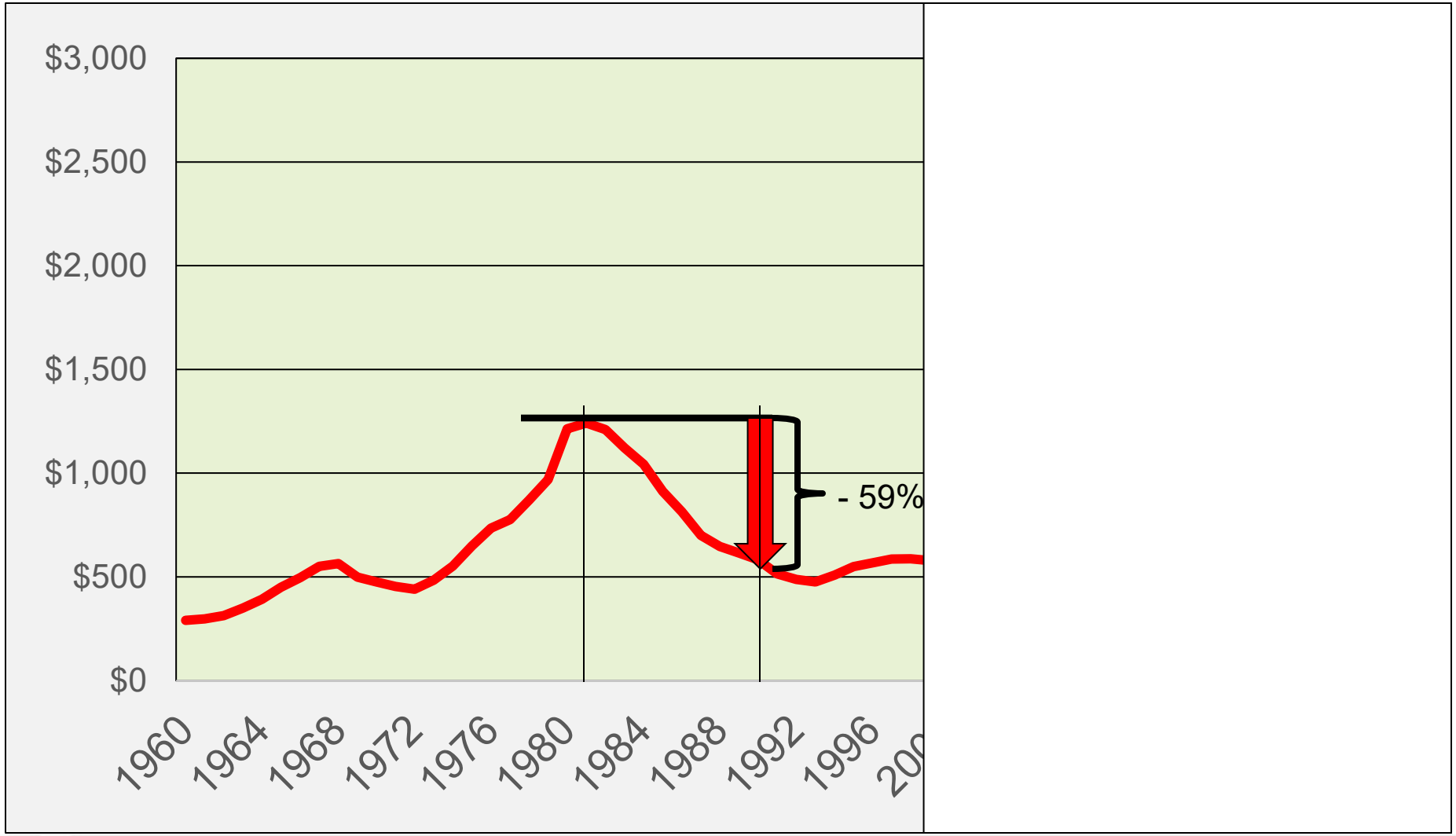
1. History and economic rationale for BRMs – context matters!
2. Quantify the Benefits and Costs of AgriInsurance, AgriStability, AgriInvest, and Agricultural Research
3. Explore the economic impact of possible APF budget reallocations and some policy options
4. Summary and Conclusions

1980s- High interest rates and farm bankruptcies

- By the early 1980's interest rates were very high to control inflation… low commodity prices and farm bankruptcies followed
- Bankruptcies create a crisis of spillovers for input suppliers, rural grocery stores, banks etc.
- Many countries scrambled to assist farmers with price support measures
- As result of the price supports, production continued even though world prices were below the marginal cost of production
- Low prices persisted making farmer dependent on government support


Saskatchewan Net Market Income and Direct Payments 1971-2024
Net Market Income - Direct Payments
Total Direct Payments
$Million
10000
8000
6000
4000
2000
0
-2000
-4000
1970
1972
1974
1976
1978
1980
1982
1984
1986
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
2022
2024

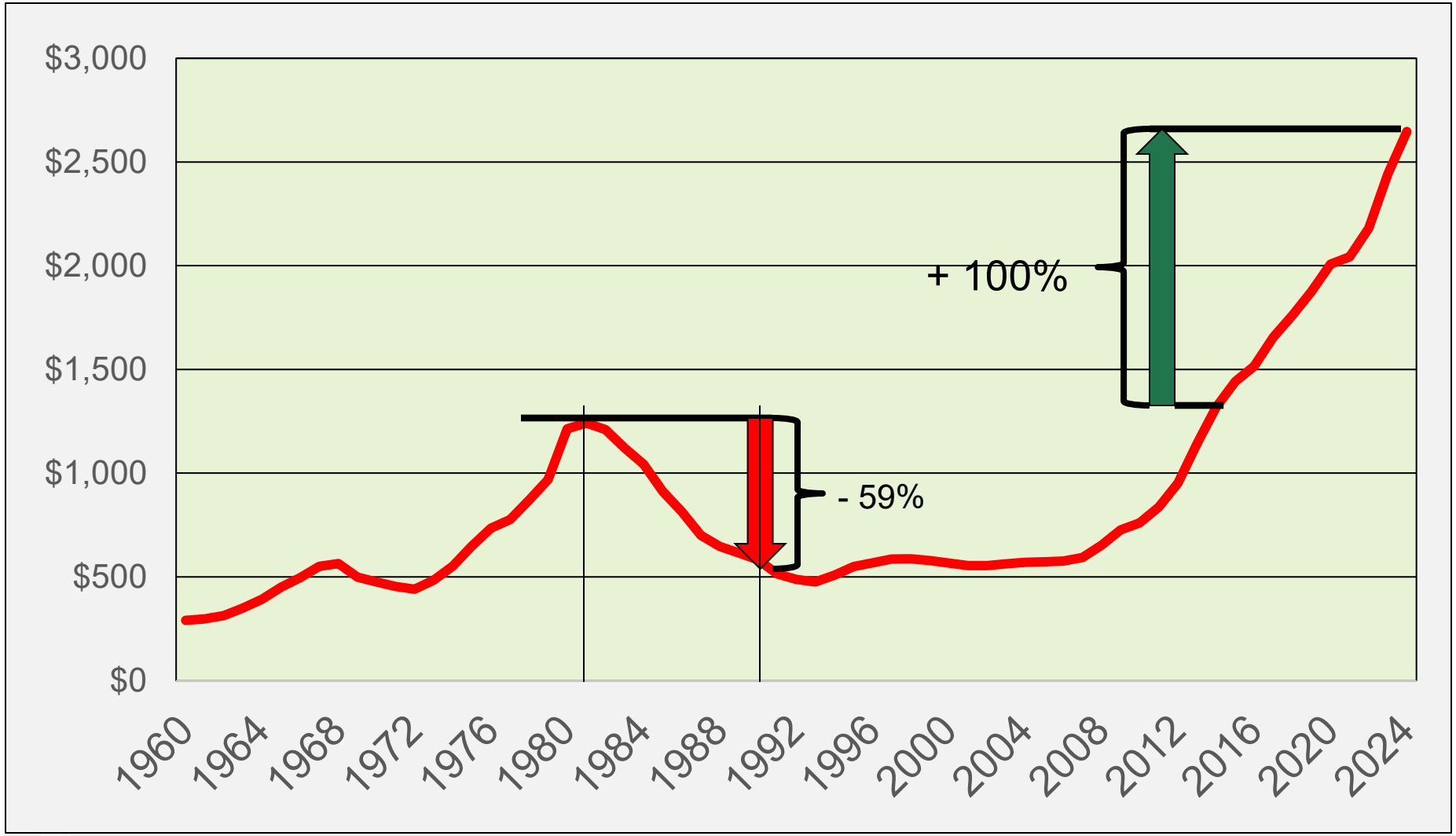
Average Value of Sask. Farmland and Buildings 1960-2024 (2024$)



The Farm Income Protection Act 1991

- FIPA set up a framework for negotiating Federal-Provincial-Territorial agreements
- FIPA created WTO trade complaint BRM programs
- The Act allows for agreements on any of the following types of programs:
  - Net Income Stabilization Account (NISA) →AgriInvest
  - Gross Revenue Insurance Programme (GRIP)
  - a revenue insurance programme → CAIS (2003) → AgriStability
  - crop insurance →AgriInsurance

Average Value of Saskatchewan Land and Buildings 1960-2024

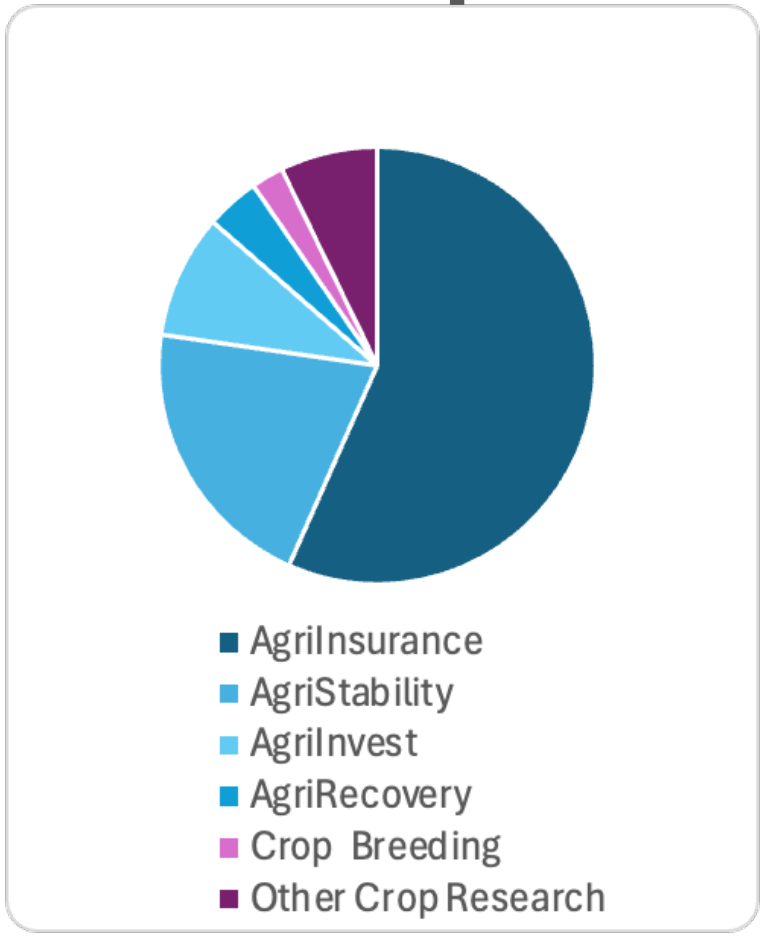


Farm financial conditions were drastically different in 1991

- High interest rates, declining land values, widespread land foreclosures and bankruptcies
- What did the creators of FIPA have in mind for BRMs in 1991?
  - Income transfers √
  - income stability √
  - Preventing farm bankruptcies and non-farm financial contagion √
- What are the drivers today?
  - ~~Income transfers x~~
  - Income stability ?
  - ~~Preventing farm bankruptcies and non-farm financial contagion x~~

The Benefits and Costs of AAFC Expenditures

1. AgriStability
2. AgriInvest
3. AgriInsurance
4. AgriRecovery
5. Crop Breeding
6. Other Agricultural Research



AgriStability

- $200 to $400Million per year program costs (~20% admin cost)
- Payments are based on Current Margin = gross income – allowable cash expenses
- 2026 AgriStability pays 80% of the deficit when Current Margin falls below 70% a producer's Reference Margin (past 5-Year Olympic average margin)
- There are no premiums for AgriStability
  - The partial payment (80%) was meant to offset the lack of premium costs
- limited producer participation suggests many producers do not see much value in AgriStability – a major crisis this could change this quickly

Does AgriStability Address a Market Failure?

- Normal price instability can be managed through forward pricing, delayed capital replacement, rent-versus-own, crop-share rentals etc. X
- However, there are no simple alternatives, (other that equity) to protect major multiyear market events like BSE, trade wars etc. √
- …. At some modest level of support AgriStability may addresses a market failure B/C ≈1

AgriInvest

- Total government expenditures ≈ $200M/yr (5% Admin)
- Governments will match first 1% of each producer's gross income in a saving account up to a $10,000 maximum per year
- Very popular 90% participation rate

Does AgriInvest Address a Market Failure?

- Many Producers use AgriInvest as a savings account ≈ $2 Billion currently in accounts
- Withdrawals are typically not used for BRM even when AgriStability is triggered
- There any better options to save for retirement including TFSA's,RRSPs, stocks etc..
- Given farmers' current wealth there is no longer argument for income support
- AgriInvest does not address a market failure… B/C ≈.8 at best.

AgriInsurance

- $1,100 Million per year in government expenditures (≈10% admin)
- Producers can pay a premium to purchase yield insurance equal to 60, 70 or 80% of their long-term average yield
- Producers pay 40% of actuarial premium cost the remaining 60% of premium cost is paid by Federal (36%) and Provincial (24%) govt.
- Premiums adjust overtime according to claim history

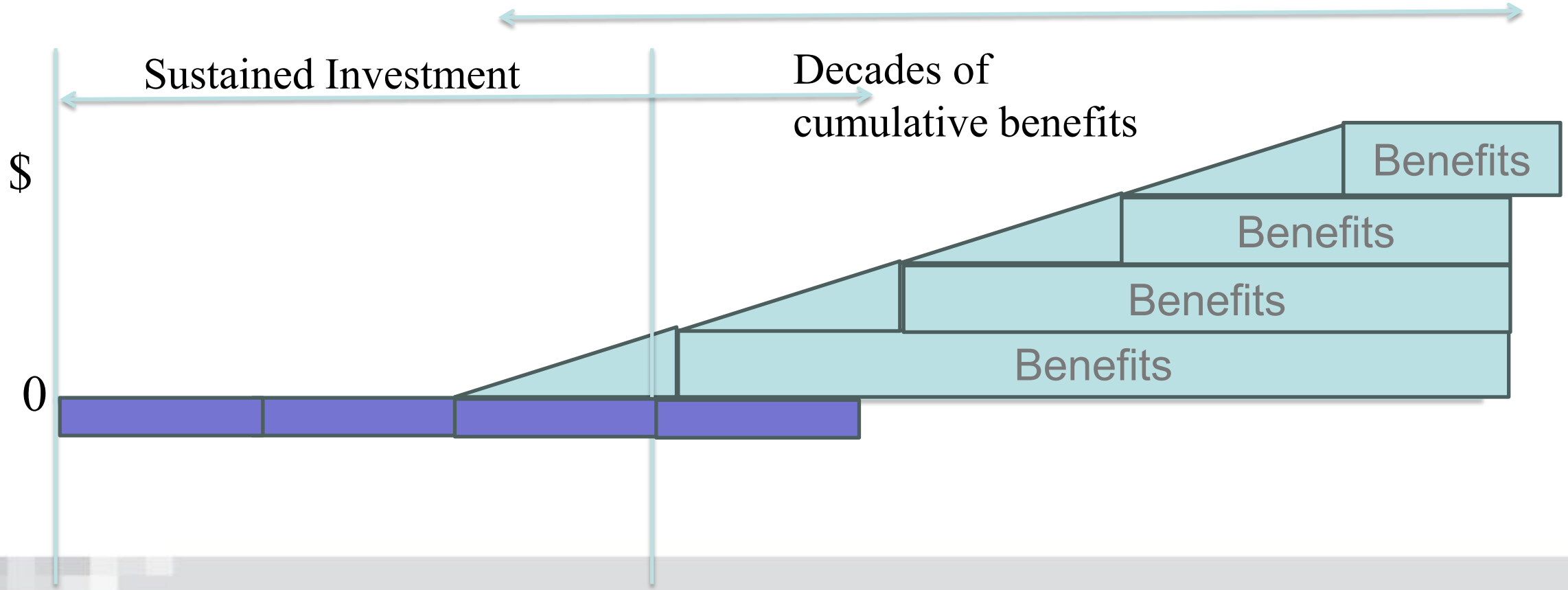
Does AgriInsurance Address a Market Failure?

- All-risk crop insurance does not exist in the private market √
- Would producers buy the insurance at full premium costs? X
- By operating with premium payments and a crop insurance fund the program does help smooth government treasury costs √
- …..At some modest level of coverage AgriInsurance addresses a market failure B/C ≈1

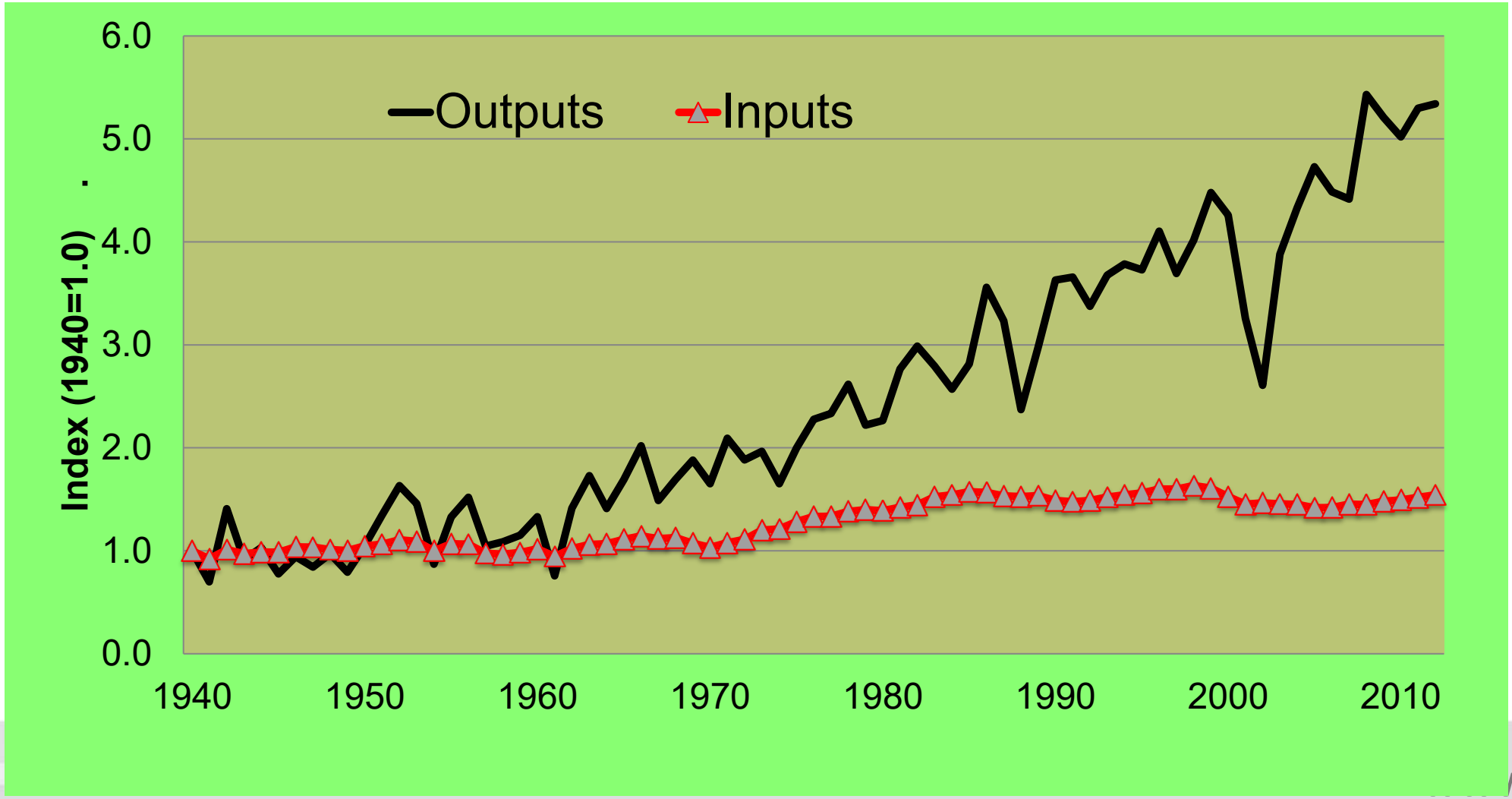
Agronomic Crop Research and Crop Breeding

- The Government of Canada, Provincial Governments, producers and other private sector firms fund agricultural research
- The Agricultural Policy Framework includes some research funding
- AAFC and Industry Canada also fund Agricultural research outside of the APF
- Research should be moved up the list in APF deliberations

The Cumulative Affects of Sustained Investment (*The Slow Magic of Sustained Research*)



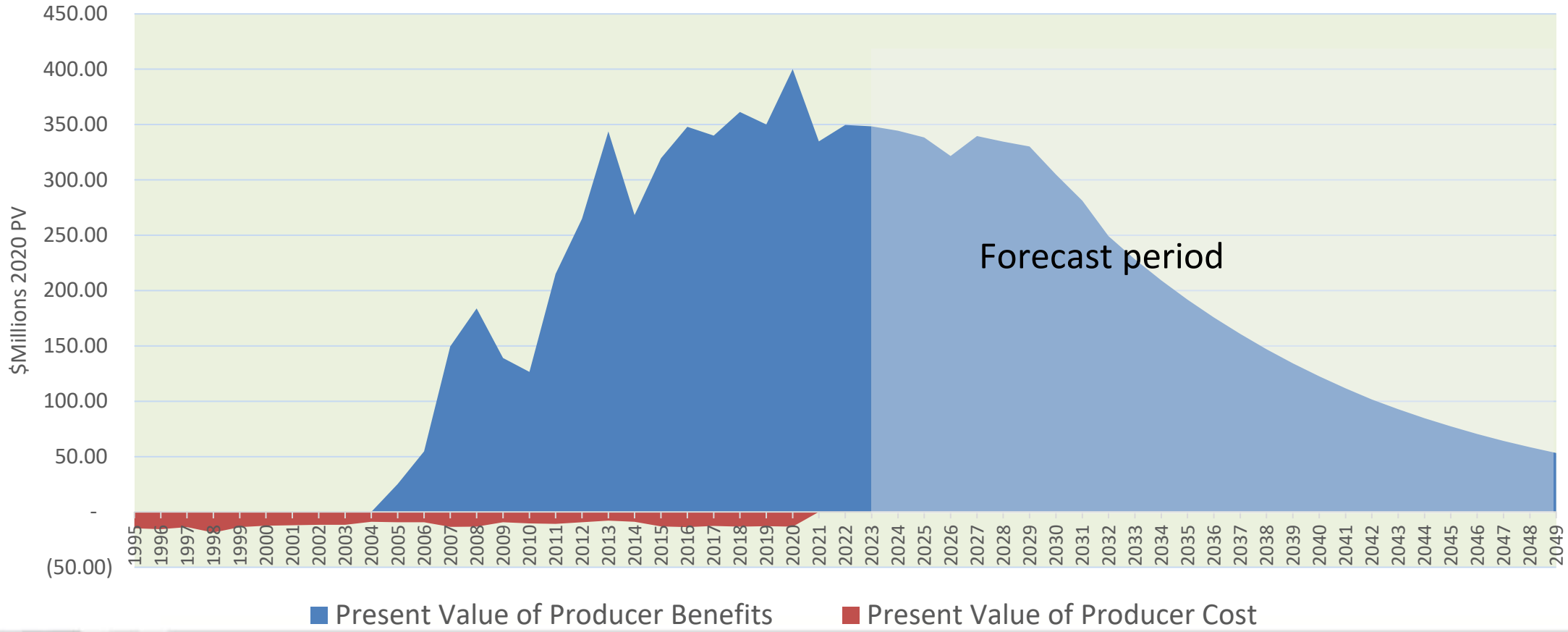
Multi-Factor Productivity Index for Crops Western Canada 1940-2012



Benefit/Costs of Public Agricultural Research Investment

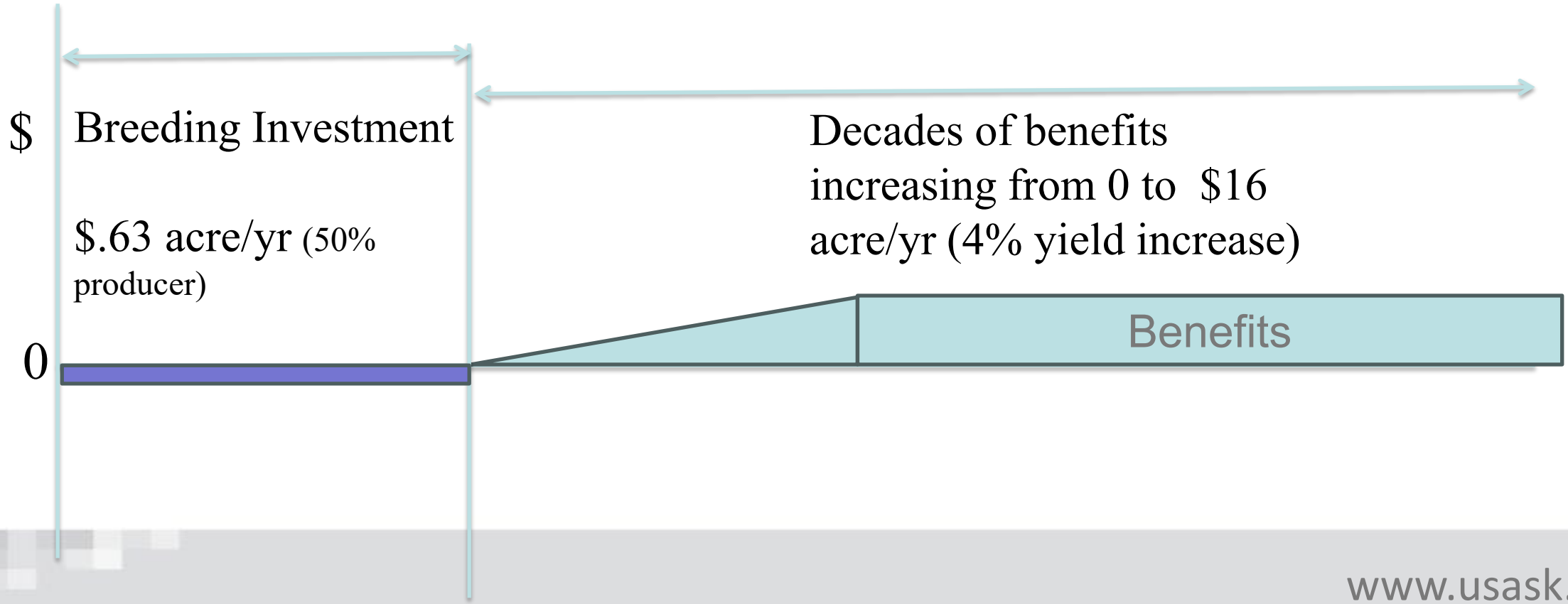
Type	Years	B/C	
Global Meta-Study	2,600 estimates	59:1 (average)	Hurley et al (2016)
US public Ag research	1850- 2010	32:1	Alston et al.(2011)
Wheat	1995-2020	35:1	Bolek and Gray (2022)
SPG	1990-2015 Peas Lentils	 26:1 49:1	(Groenewegen and Thompson, 2018
Zero-Till	1960 - 2012	61:1	Awada et al (2014)
SPG	1984-2008	20:1	Gray et al. (2008)
Barley	1995-2019	27:1	Bolek and Gray (2021)

Benefits and Costs of producer investments in Western Canadian wheat breeding from 1995 to 2020: Benefit/Cost 35:1

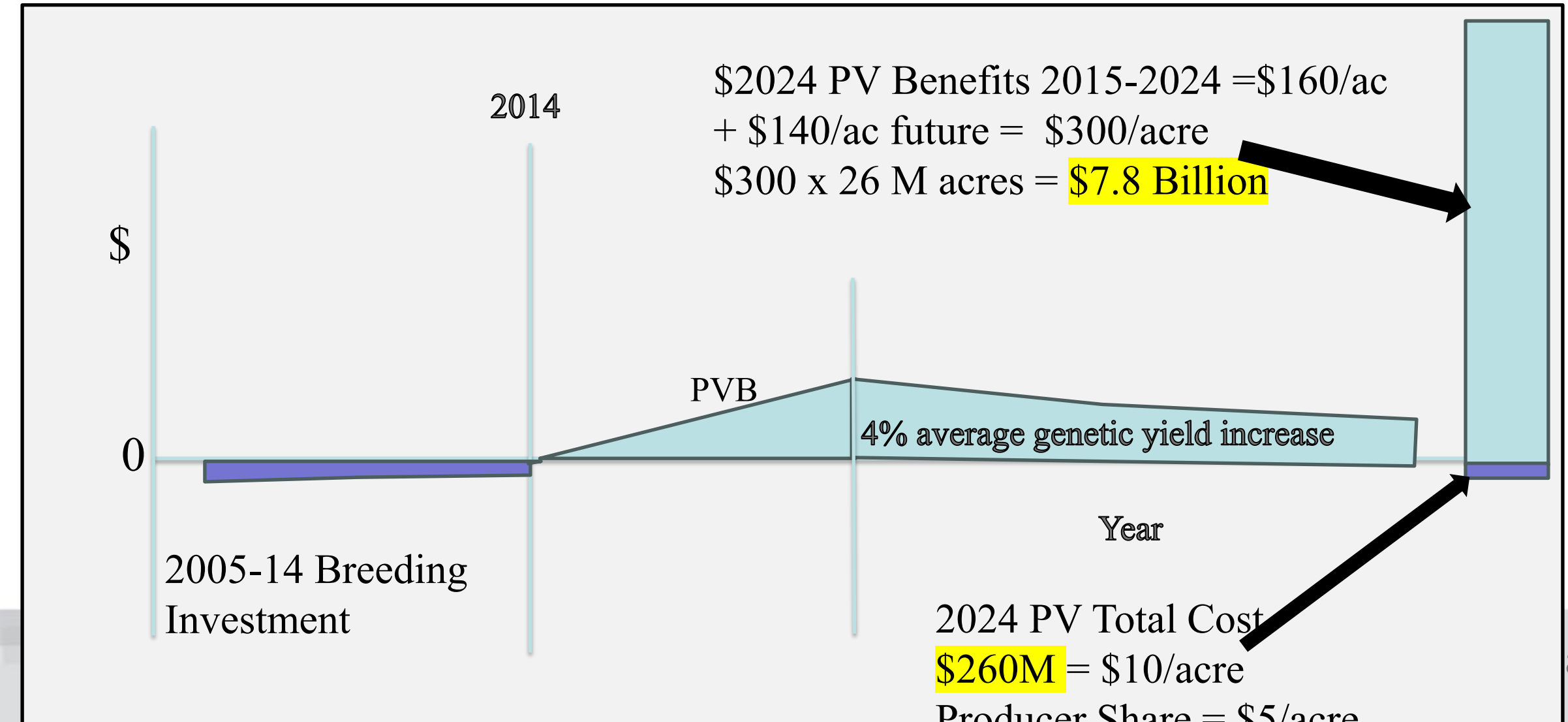


Source: Figure 7 Bolek-Callbeck and Gray (2022)

Wheat-breeding investment 2005-2014 vs Benefits after 2015 ($/ac)



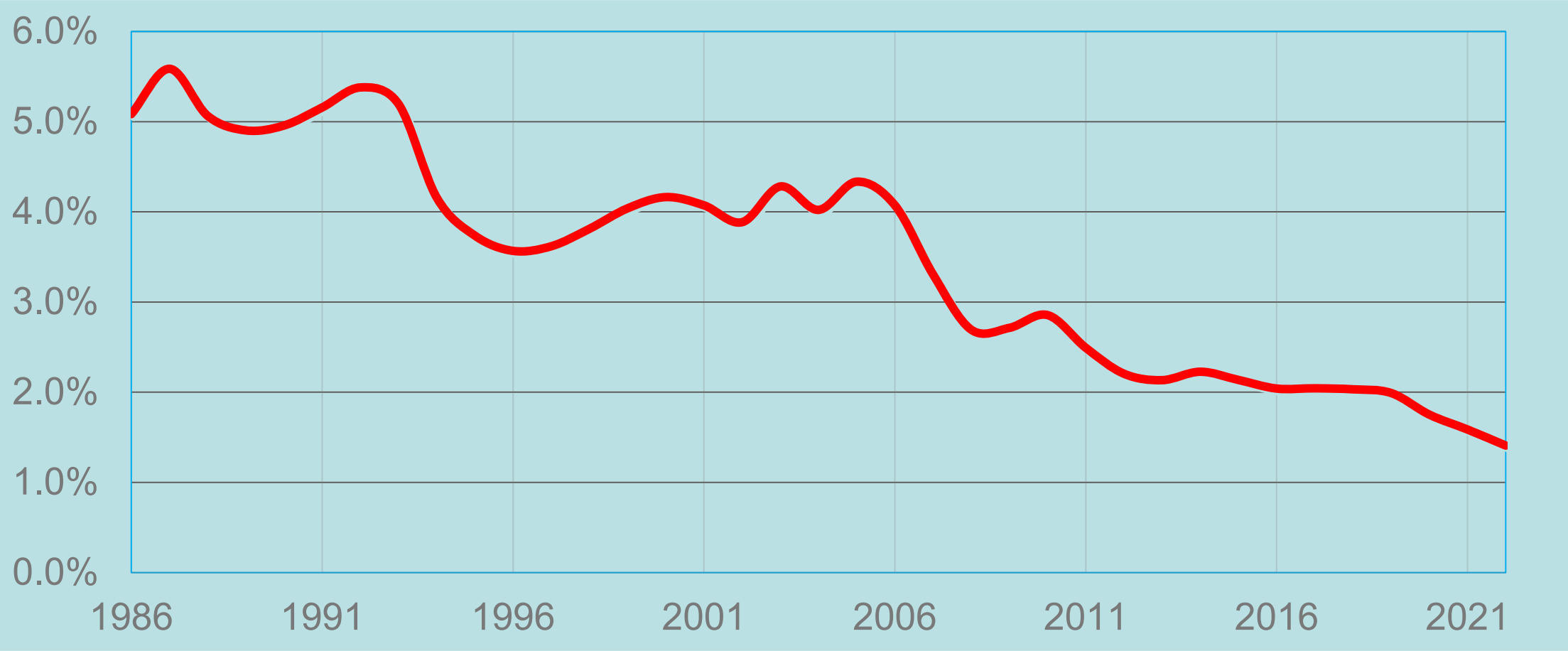
$30 in benefits for every $1 invested in Western Canadian wheat breeding between 2005-2014



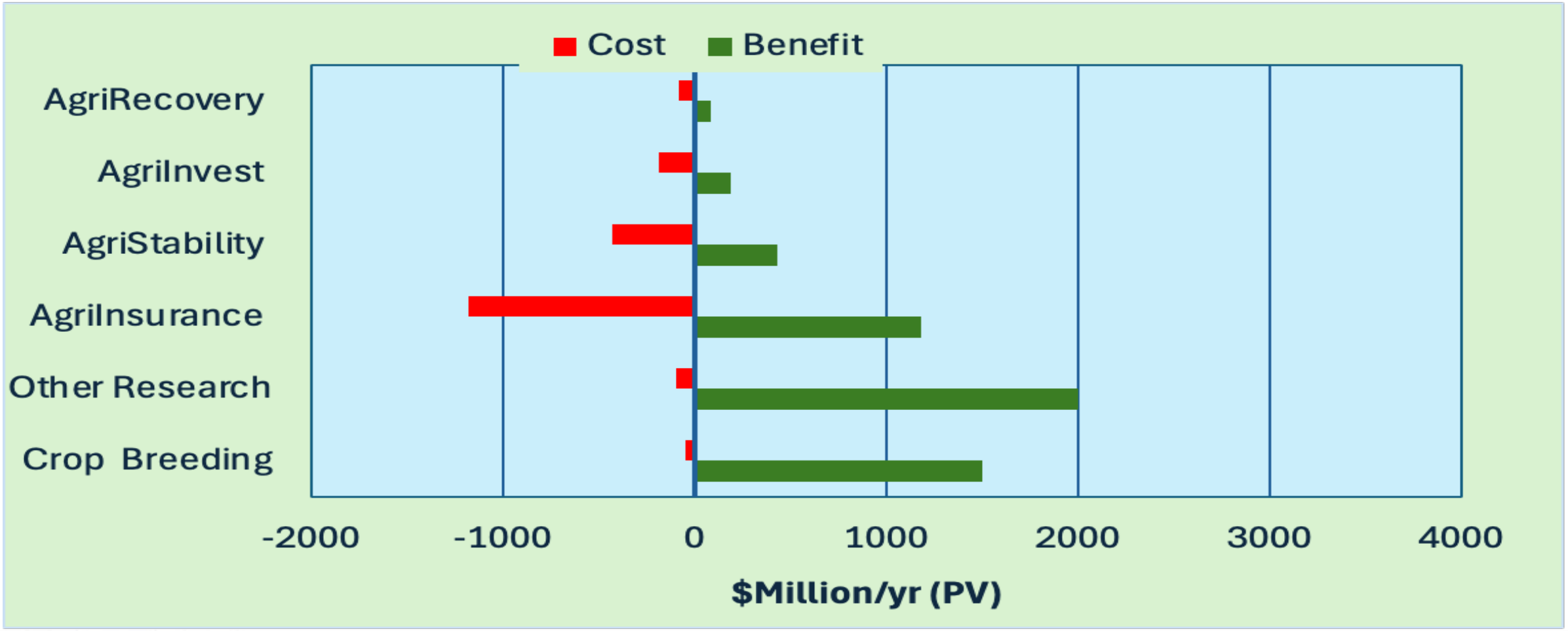
Research Benefits

- The western Canadian Grains Sector has $30+ billion/yr in farmgate sales
- Historically crop-sector productivity growth has been 2-4% per year.
- A 2% increase in grain-sector productivity growth (at a 5% real discount rate) has a present value of **$12 billion.** This occurs every year!
- Genetic yield increases from public breeding increases productivity by about 0.4% per year. For a $15B sector, this annual in crease has a present value of $60M/.05 = **$1.2 Billion per year** of breeding investment.

All Public Ag Research % of Crop Receipts 1986-2022



Approximate Benefits and Cost of AAFC Expenditures



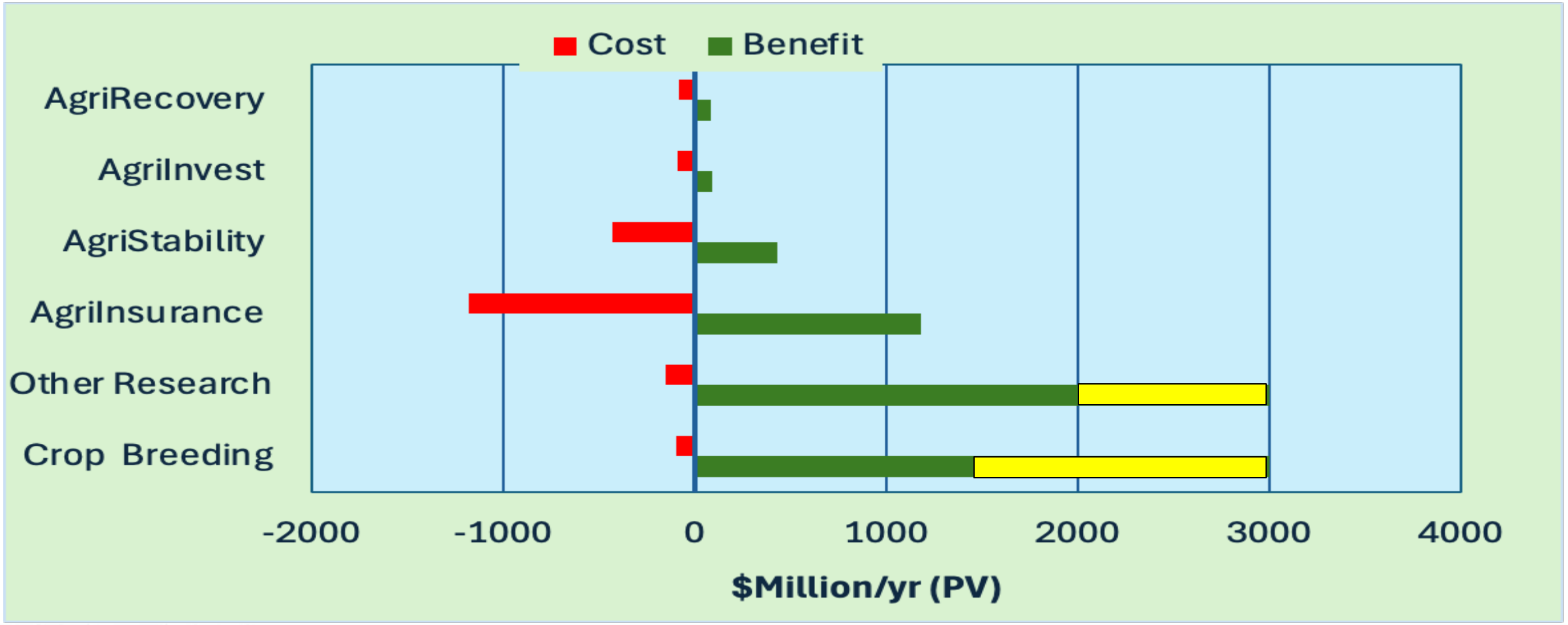
Rebalancing the APF is Needed

- BRMs take most of the budget and have low Benefit to Cost ratios
- The governments want to enhance productivity growth but are investing less where it counts more
- Productivity growth ensures long run farm viability and sustainability
- Producers need to speak up about the tradeoffs and help make this happen

Options for Rebalancing the APF for Growth

- What if $100 Million was from reallocated AgriInvest to support crop research and breeding?
- I like the idea of reducing AgriInvest support by $100 million and using this money to match up to non-refundable producer check-off investments up to 1% of gross sales
- This would be similar to the GRDC in Australia and would:
  - Attract additional private investment
  - Give producers a larger voice in research
  - Increase farm productivity and growth by $2 -3 billion per year

Benefits and Costs of Rebalanced AAFC Programs



Summary

- BRM costs dominate the APF expenditures
- BRMs were created in 1991 in a very difficult financial period
- BRMs have low Benefit Cost ratios that are close to 1
- Historically agricultural research and crop breeding has made producers much more productive over time and have Benefit Cost ratios greater than 20 to 1.
- Despite this record governments have reduced research intensity over time
- Rebalancing the APF from BRM toward research could increase productivity growth making producers and the country better off

I wish you success in your deliberations

…They are very important!

The EU Experience -

- UK, France, and Germany to privatized wheat breeding about 40 years ago
- Between 1995 and 2025, the average wheat yields in these three countries have increased by only 3%, while during the same period wheat yields in the rest of the world have increased 50% and wheat yields in Western Canada have increased by 80 – 100%.
- With PBRs, breeders do not have the incentive to invest in durable disease resistance
- A decision to follow a similar course of action in Canada without evidence that it will produce different outcomes than those experienced in France, Germany, and the UK, should be avoided