

Agricultural Producers Association of Saskatchewan
“2015/16 Farm Program Survey”

Summary of Results: April, 2016

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Background

From December 2015 to March 2016, the Agricultural Producers Association of Saskatchewan (APAS) conducted the “APAS Farm Program Survey”. APAS launched the Farm Program Survey to better understand producers’ experiences with these programs and to use the feedback to start discussing the direction for the next generation of federal-provincial farm business risk programs, set to renew in April, 2018.

The survey consisted of approximately 20 questions pertaining to Growing Forward 2 farm programs with particular focus on the Business Risk Management (BRM) stream, including Agri-Insurance, Agri-Stability and Agri-Invest. Growing Forward 2 is a joint Federal, Provincial, Territorial agreement that provides the framework for a comprehensive list of farm programs, including business risk management.

The survey was offered online and advertised on the APAS website over a three month period. Copies of the survey were also distributed to Saskatchewan commodity associations including Associate Members of APAS who were encouraged to distribute the survey to their members. Hard copies of the survey were also made available at the APAS Annual Meeting in December, 2015. A total of 268 respondents completed the Farm Program Survey.

As a self-selected survey, the APAS Farm Program Survey was neither a random nor necessarily representative survey. The results presented may contain biases because a random sample was not possible.

Summary of Key Observations

Business Risk Management Results: (see “Results” pp.6-10)

- Respondents’ program withdraw rates were calculated as follows: Agri-Stability (34%) Agri-Insurance (15%), Agri-Invest (less than 1%). In the Agree/Disagree portion of the survey, Agri-Invest scored most favourably among participants. Crop Insurance ranked modestly well while Agri-Stability scored lowest across all indicators.
- **Agri-Invest** scored well across the six performance indicators that were used. 61% of respondents would recommend the program to other producers.
- **Agri-Insurance** scored low on adequacy of coverage but scored well on the provision of predictable support. Only 30% felt that coverage was adequate given the type of risk the program was designed to help manage. However, 73% understood the level of protection provided at the beginning of the production season.
- **Agri-Stability** scored consistently low on all questions in the Agree/Disagree portion of the survey. 63% of respondents did not see the program as providing a benefit or future benefit to their operations. When compared to Agri-Insurance, another margin based BRM program, Agri-Stability scored particularly low in the provision of predictable support. 55% of respondents could not predict the level of coverage provided at the beginning of the production season.

Agri-Stability Withdrawal and Nonparticipation (see “Follow-up Analysis” pp. 15-19)

- Obtaining financial advice about enrolment in farm programs did not appear to increase likelihood of Agri-Stability retention.
- Respondents operating larger farms, measured in gross farm cash receipts, were more likely to participate in Agri-Stability than smaller farms.
- Those withdrawing from Agri-stability reported the greatest level of dissatisfaction with program coverage and expected benefits of enrolment. 86% of former Agri-stability participants did not perceive a current or future benefit of continuing enrolment in Agri-Stability.
- By a considerable margin, Agri-Stability scored lower than the other programs in terms of providing predictable support.

Other Programs (see “Results” pp. 11-14)

- **Support for Beginning Farmers:** 64% of respondents felt that governments could do more to support beginning farmers. Respondents attached a high degree of importance to all policy areas identified in the survey.
- **Direction for the next policy framework:** “Innovation and Science” was ranked as the highest priority for the next generation of agricultural policy, followed closely “Trade and Export Market Development”. “Environmental Sustainability” scored lowest among respondents as a priority for the next APF.

Part A: About Your Operation

1. Which commodities do you currently produce? Check all that apply

Grains / Oilseeds / Pulses	216	81%
Cattle	99	37%
Dairy / Eggs / Poultry	37	14%
Hogs	21	8%
Sheep / Bison / Goats	5	2%
Fruit Vegetable	25	9%
Specialty / Organic	22	8%
Other	36	13%
Total	268	

3. On average, what has been your gross annual revenue (i.e. total farm cash receipts)?

\$1 million and over	79	29%
\$250 000 to \$999 000	94	35%
\$100 000 to \$249 000	52	19%
\$25 000 to \$99 000	24	9%
Less than \$25 000	11	4%
Did not declare	8	3%
Total	268	100%

5. How many years have you (and/or your spouse/partner) been the primary operator of your farm? **Question added after launch of survey*

within the last 5 years	16	9%
5 to 10 years	20	11%
11 - 20 years	37	20%
more than 20 years	111	60%
Total	184	100%

6. Do you have an accountant or financial advisor?

No	36	13%
Yes	224	84%
Did not declare	8	3%
Total	268	100%

6.1 If yes, does your accountant or financial advisor provide you advice about participation in any farm programs?

No	66	29%
Yes	158	71%
Total	224	100%

6.1.1 If yes, which farm programs does your financial advisor provide you advice about?

Agri-Insurance	51	23%
Agri-Stability	126	56%
Agri-Invest	137	61%
Total	224	100%

6.1.2 If you do not consult a financial advisor about enrolment in any of the farm programs above, why not? Check all that apply

We do our own books	30	45%
The programs we use are easy to understand and straightforward	17	26%
Fees and other costs associated with obtaining financial advice are too expensive	20	30%
It is difficult to access competent or trustworthy financial advice	16	24%
Other (please specify)	14	21%
Total	66	

6.2 If you do not use the services of a financial advisor or accountant in your operation, why not?

We do our own books	32	89%
Fees and other costs associated with obtaining financial advice are too expensive	13	36%
It is difficult to access competent or trustworthy financial advice	8	22%
Other (please specify)	5	14%
Total	36	

Part B: Program Enrolment & Withdrawal

7. Please indicate the farm programs in which you are currently participating:

Agri-Insurance (e.g. Crop Insurance)	148	55%
Agri-Stability	134	50%
Agri-Invest	208	78%
Total	268	

8. Please indicate which farm programs you have participated in over the course of your farming career:

Agri-Insurance (e.g. Crop Insurance)	175	65%
Agri-Stability	202	75%
Agri-Invest	207	77%
Total	268	

9. Have you withdrawn from any of the farm programs listed above?

Yes	133	50%
No	114	43%
N/A	21	8%
Total	268	100%

Supplemental Table – BRM Program Withdraw Rates (Data from questions #7 and #8)

	Current Participants	All Participants	% Difference (withdraw rate)
Agri-Insurance	148	175	15%
Agri-Stability	134	202	34%
Agri-Invest	207	208	0.48%

PART C: Agree/Disagree

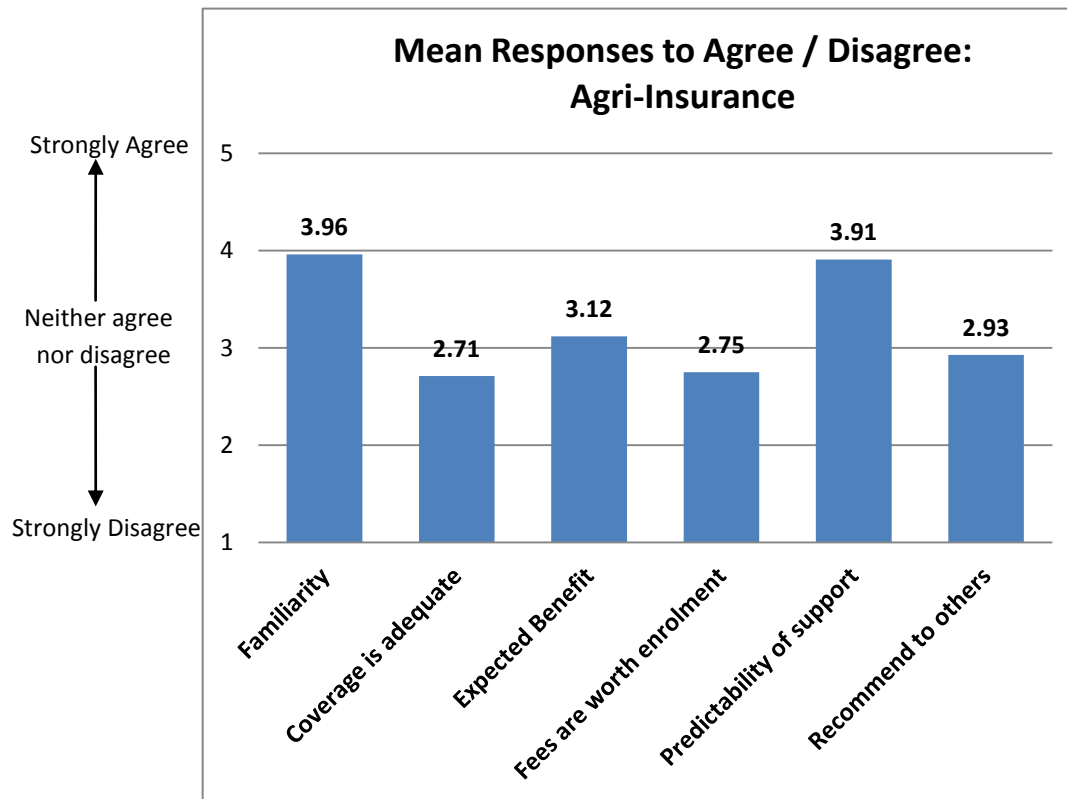
Agree / Disagree with the following statements using a scale of 1 to 5, where "1 is Strongly disagree" and "5 is Strongly agree". If you feel the question is not applicable or is not relevant to your operation, please select "6 = No Opinion".

(Results below exclude "No Opinion" responses)

1. Program Familiarity: "I'm familiar with how this program works"
2. Program Coverage: "Program coverage is adequate, given the type of risk this program is designed to help manage"
3. Perceived Benefit: "I feel this program currently provides a benefit to my operation, or could provide a benefit to my operation in the future"
4. Fees / Cost of Enrolment "The administrative cost / fees / premiums are worth enrolment in this program"
5. Predictability of coverage "At the beginning of the production season, I understand the level of protection this program will provide my farm business"
6. Recommendation "I'd recommend this program to other producers"

Agree / Disagree - Agri-Insurance

Table 1 – Agree / Disagree Responses: Agri-Insurance						
	<div>Strongly Disagree ←</div> <div>→ Strongly Agree</div>					
	1	2	3	4	5	Total
I'm familiar with how this program works	12	13	36	75	90	226
%	5%	6%	16%	33%	40%	100%
Program Coverage is adequate given the type of risk this program is designed to help manage	49	47	50	36	25	207
%	24%	23%	24%	17%	12%	100%
I feel this program provides a benefit to my operation or could provide a benefit to my operation in the future	35	37	50	49	42	213
%	16%	17%	23%	23%	20%	100%
The admin fees / cost premiums are worth enrolment	50	39	49	49	19	206
%	24%	19%	24%	24%	9%	100%
At the beginning of the production season, I understand the level of protection this program will provide my farm business	11	15	28	75	72	201
%	5%	7%	14%	37%	36%	100%
I'd recommend this program to other producers	34	36	51	46	22	189
%	18%	19%	27%	24%	12%	100%



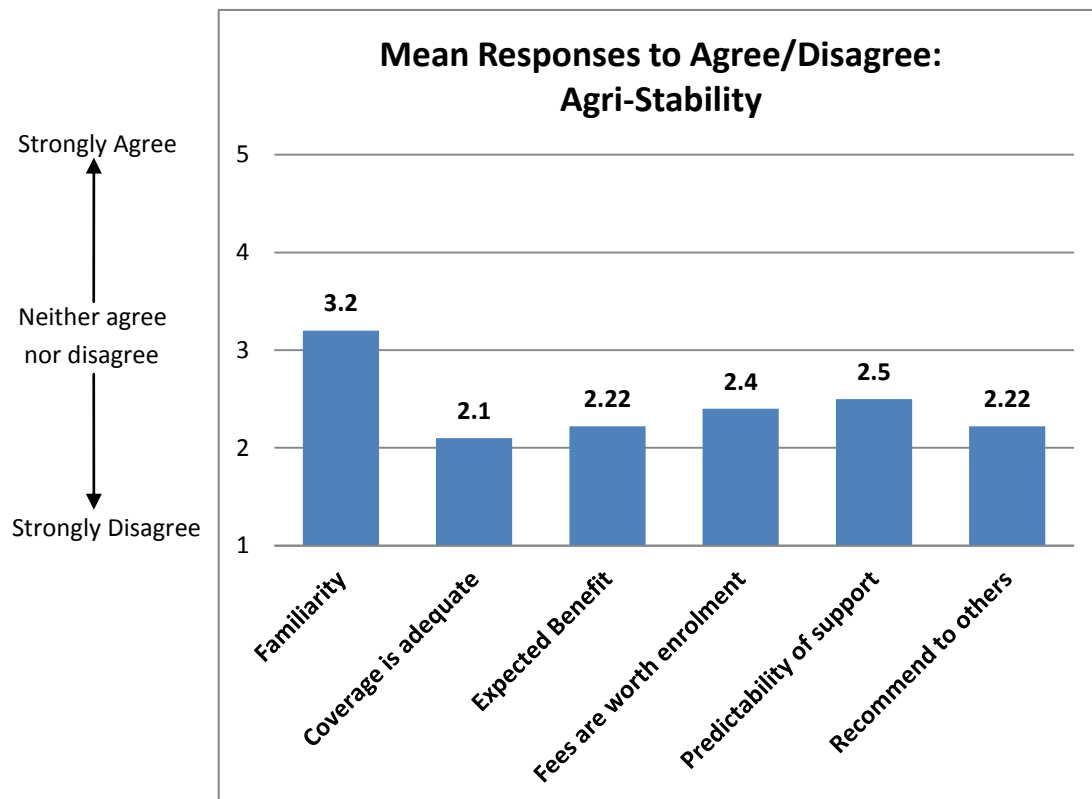
Agree / Disagree: Agri-Insurance Highlights

- Average number of total responses, excluding “No Opinion Responses”, was 207 for each question.
- “Familiarity with the program” scored the highest (mean 3.96), followed closely by “Predictability of support” (mean 3.91)
 - 73% strongly agreed or agreed that they are familiar with the program (see Table 1)
 - 73% also strongly agreed or agreed that they could predict their level of coverage at the beginning of the production season (see Table 1)
- “Adequacy of coverage” received the lowest scores (mean 2.71), followed by “Fees/Premiums are worth enrolment” (mean 2.75).
 - 46% strongly disagreed or disagreed that coverage levels were adequate (see Table 1)
 - 43% strongly disagreed or disagreed that fees/premiums are worth enrolment (see Table 1).
- “Expected benefit of enrolment” received the highest variation between individual responses (standard deviation (STD) score of 1.3577)
- “Familiarity with the program” (STD 1.1269) and “Predictability of support” (STD 1.1340) received the lowest variation between individual responses.

Agree / Disagree – Agri-Stability

Table 2 - Agree / Disagree Responses: Agri-Stability

	Strongly Disagree ← Strongly Agree					
	1	2	3	4	5	Total
I'm familiar with how this program works	38	29	51	56	46	220
%	17%	13%	23%	25%	21%	100%
Program Coverage is adequate given the type of risk this program is designed to help manage	90	45	41	20	10	206
%	44%	22%	20%	10%	5%	100%
I feel this program provides a benefit to my operation or could provide a benefit to my operation in the future	84	48	41	22	15	210
%	40%	23%	20%	10%	7%	100%
The admin fees / cost premiums are worth enrolment	69	42	47	27	16	201
%	34%	21%	23%	13%	8%	100%
At the beginning of the production season, I understand the level of protection this program will provide my farm business	67	41	36	29	24	197
%	34%	21%	18%	15%	12%	100%
I'd recommend this program to other producers	81	40	33	23	15	192
%	42%	21%	17%	12%	8%	100%

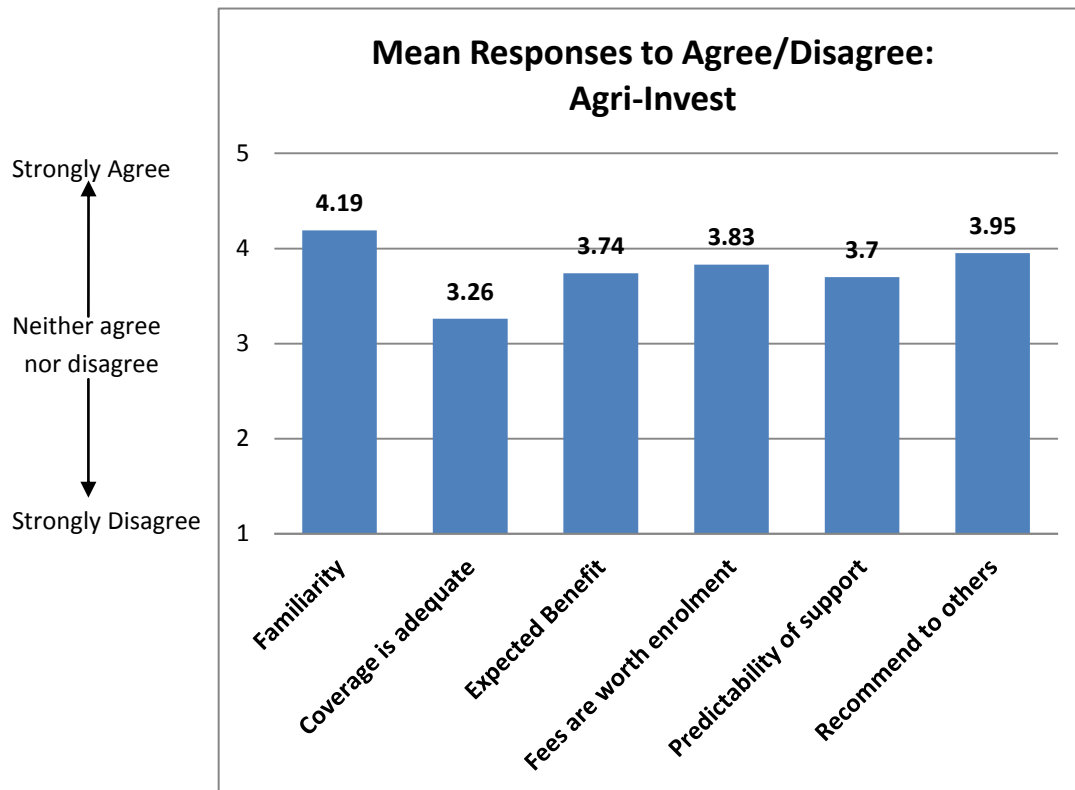


Agree / Disagree: Agri-Stability Highlights

- Average number of total responses, excluding “No Opinion Responses”, was 204 for each question.
- “Familiarity with the program” scored the highest (mean 3.2), followed by “Predictability of support” (mean 2.5).
 - 46% Strongly Agreed or Agreed that they are familiar with the program
 - 27% Strongly Agreed or Agreed that they could predict their level of coverage at the beginning of the production season.
- “Adequacy of coverage” received the lowest scores (mean 2.1), followed by “Perceived benefit” (mean 2.5) and “Recommendation” (mean 2.22)
 - 66% strongly disagreed or disagreed that coverage levels were adequate
 - 63% strongly disagreed or disagreed that their operations currently benefit from the program or could benefit from the program in the future.
 - 63% also strongly disagreed or disagreed that they would recommend the program to other producers.
- “Predictability of support” received the highest variation (least consensus) between individual responses (STD 1.4020).
- “Coverage is adequate” received the lowest variation (greatest consensus) between individual responses (STD 1.2074)

Agree / Disagree – Agri-Invest

<i>Table 3 - Agree / Disagree Responses: Agri-Invest</i>						
	<div> <div>Strongly Disagree</div> <div>←</div> <div>→</div> <div>Strongly Agree</div> </div>					
	1	2	3	4	5	Total
I'm familiar with how this program works	11	14	30	63	105	238
%	5%	6%	13%	26%	44%	100%
Program Coverage is adequate given the type of risk this program is designed to help manage	23	31	55	58	42	209
%	11%	15%	26%	28%	20%	100%
I feel this program provides a benefit to my operation or could provide a benefit to my operation in the future	8	21	31	77	59	196
%	4%	11%	16%	39%	30%	100%
The admin fees / cost premiums are worth enrolment	8	24	39	62	76	209
%	4%	11%	19%	30%	36%	100%
At the beginning of the production season, I understand the level of protection this program will provide my farm business	11	33	32	63	69	208
%	5%	16%	15%	30%	33%	100%
I'd recommend this program to other producers	8	20	31	58	85	233
%	3%	9%	13%	25%	36%	100%



Agree / Disagree: Agri-Invest Highlights

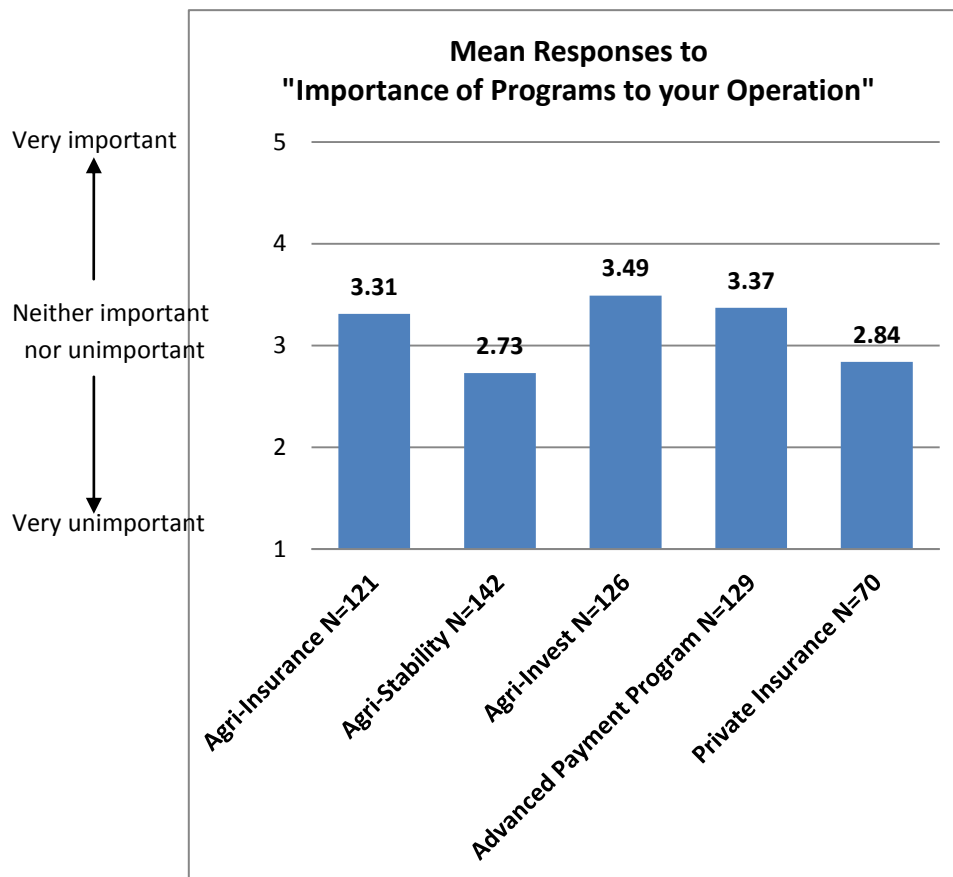
- Average number of total responses, excluding “No Opinion Responses”, was 194 for each question.
- “Familiarity with the program” scored the highest (mean 4.19), followed by “I’d recommend to others” (mean 3.95)
 - 71% Strongly agreed or agreed that they are familiar with the program
 - 61% Strongly agreed or agreed that they would recommend the program to other producers
- “Adequacy of coverage” received the lowest score (mean 3.26), followed by “Predictability of support” (mean 3.7)
 - 26% strongly disagreed or disagreed that coverage levels were adequate
 - 21% strongly disagreed or disagreed that they could predict the levels of protection the program provides at the beginning of the production season.
- “Adequacy of coverage” received the greatest variation (least consensus) among respondents (STD 1.2943)
- “Familiarity with the program” received lowest variation (greatest consensus) among respondents (STD 0.9947)
- Of the three programs, respondents reported the greatest level of consensus overall on Agri-Invest questions (lowest variation between responses)

Part D: Other Programs

	N	%
1. Have you used the Advance Payments Program (i.e. Cash Advance)?		
Yes	86	32%
No	155	58%
No answer	27	10%
Total	268	100%

2. Have you used private insurance options such as Global Ag Risk Solutions (GARS)?		
Yes	11	4%
No	227	85%
No answer	30	11%
Total	268	100%

3. Using a scale of 1 to 5, where 5 is "Very important" and 1 is "Very unimportant", please rate the value each of these programs provides your farm business. If you have never used one of the programs listed below, please select "6 = No Opinion"



Importance of Programs to Your Operation: Highlights

- Agri-Invest (mean 3.48) ranked as the most important program to respondents' farming operations, followed closely by the Advance Payment Program (mean 3.37).
- Agri-Stability (mean 2.73) ranked lowest, followed by Private Insurance (mean 2.84).
- The Advanced Payment Program received the greatest variation (least consensus) between responses (STD 1.5276)
- Private Insurance received the least variation (greatest consensus) between responses (STD 1.3611)

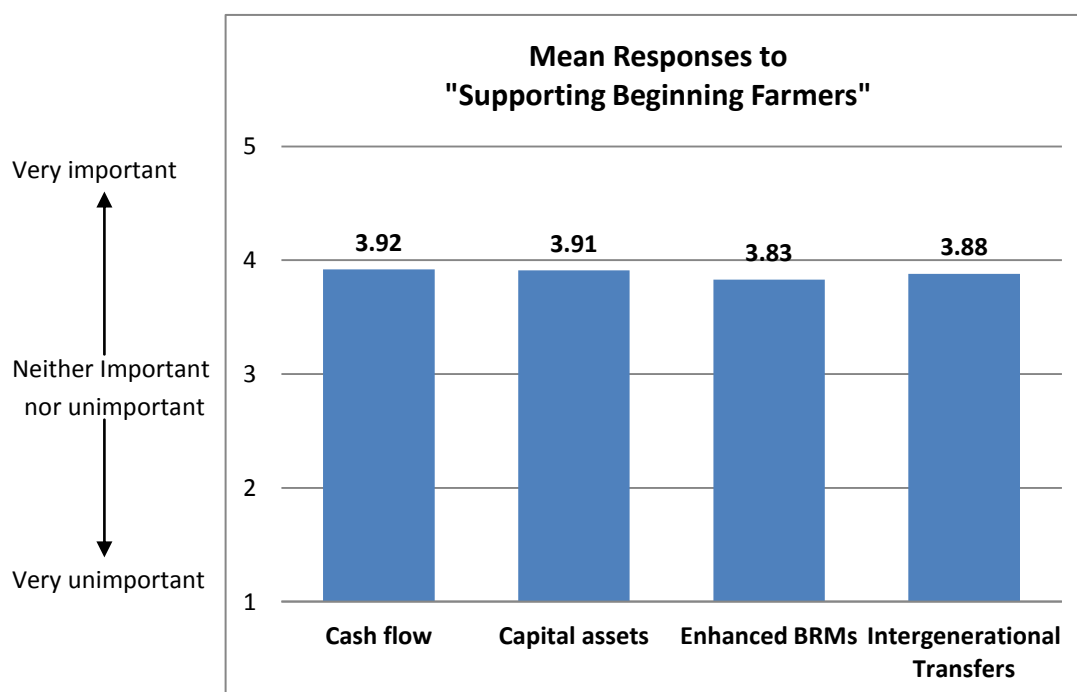
Part E: Programs for Beginning Farmers

1. In your opinion, are governments doing enough to support beginning farmers?

Yes	27	12%
No	149	64%
No Opinion	56	24%
Total	232	100%

2. On a scale of 1 to 5 where 1 is "very unimportant" and 5 is "very important", please rate the following areas in terms of where you think governments can provide the greatest assistance to beginning producers.

- Improved access to cash flow (e.g. lines of credit, small operating loans)
- Access to capital assets (e.g. favourable loan terms for equipment or land expenditures)
- Enhanced or "Jump start" Business Risk Management credits (e.g. waived fees for Agri-Stability, increased government contributions to Agri-Invest)
- Programs to assist intergenerational transfers (e.g. transitional funding arrangements or specific programs tailored to young producers already part of a farming operation)

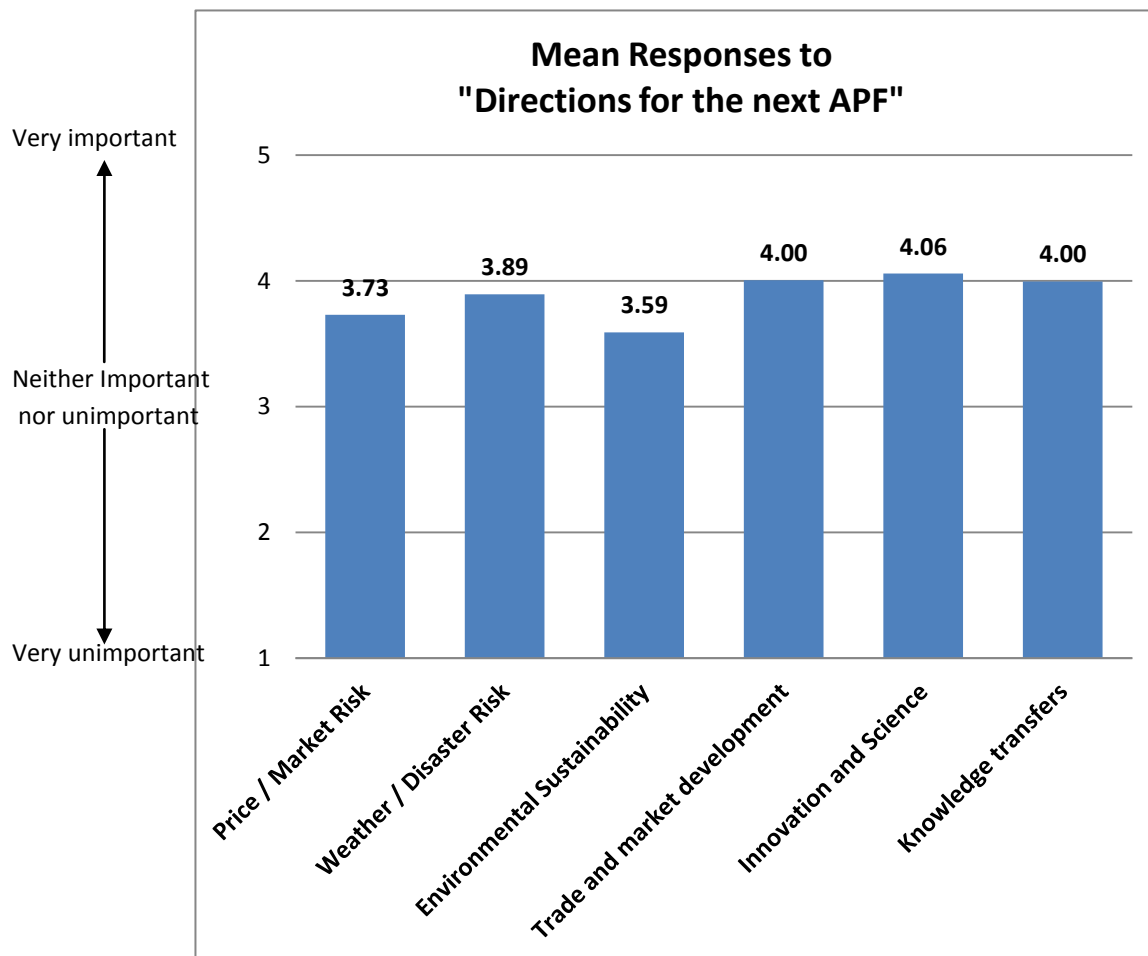


Programs for Beginning Producers: Highlights

- 64% of respondents believe governments are not doing enough to support beginning farmers.
- When asked to rank the importance of five policy areas, respondents attached a high degree of importance to each policy area with little variation between the categories.
- Improved access to cash flow (mean 3.92) and capital assets (3.91) were ranked slightly higher than the other categories.
- Enhanced or “jumpstart” BRM credits (mean 3.83) was ranked the least important by a small margin.

Part F: Directions for the next policy framework

1. On a scale of 1 to 5 where 5 is "Very important" and 1 is "Very unimportant", please rate where you feel government programming should focus in agriculture:



Directions for the next APF: Highlights

- Excluding “No Opinion” answers, 207 responses were collected
- Respondents ranked “Innovation and Science in the agricultural sector” as the highest priority (mean 4.06), followed by “Trade and Export Market Development” (mean 4.00) and “Assisting farmers through increasing knowledge and adaptability” (mean 4.00).
 - 73% ranked “Innovation and Science” as Very Important or Important
- “Environmental Sustainability” ranked as the lowest priority (mean 3.59), followed by “Managing Price and Market Risk” (3.73).
 - 16% ranked “Environmental Sustainability” as very unimportant or unimportant
- “Managing Price/ Market Risk” received the highest variation between individual responses (STD 1.2833)
- “Knowledge Transfer” received the lowest variation between individual responses (STD 1.1469).

Follow-up Analysis: Agri-Stability Withdrawal & Non-Participation

The data was analyzed further to explore three additional research questions regarding Agri-Stability, including:

- Does farm size, farm type, and/or respondents' use of financial advisors affect the likelihood of Agri-Stability participation and/or withdrawal?
- Are respondents who are withdrawing from Agri-Stability reporting any particular rationale behind their decisions to exit the program?
- What categories within the "Agree / Disagree" portion of the survey does Agri-Stability fall short in relation to the other programs?

The following section is dedicated to exploring these three questions using the data available in the results above.

1. Does farm size, farm type, and/or respondents' use of financial advisors affect the likelihood of Agri-Stability participation and/or withdrawal?

Financial Advisors

As indicated in the Results (p. 3-4), a large number of respondents use the services of financial advisors and/or accountants (84%). A total of 158 (74%), discuss enrolment in Growing Forward 2 BRM programs with their financial advisor. Of these 158 respondents, 131 have enrolled in Agri-Stability at least once in their farming career, and 46 of the 131 (35%) are no longer participating in the program.

A 35% withdrawal rate (slightly higher than the overall withdrawal rate of 34%) suggests that the use of financial advisors did not reduce the likelihood of Agri-Stability withdrawal among survey participants.

Farm Size

Table 1 – Agri-Stability Enrolment by Farm Size

On average, what has been your gross annual revenue (i.e. total farm cash receipts)?

	Total	Agri-Stability	%
\$1 million and over	79	50	63%
\$250 000 to \$999 000	94	51	54%
\$100 000 to \$249 000	52	24	46%
\$25 000 to \$99 000	24	7	29%
Less than \$25 000	11	1	9%
Did not declare	8	1	13%
Total	268	134	50%

The table above shows the number of respondents by revenue bracket and the proportion of Agri-Stability participants within each bracket. The data suggests that larger farms (higher revenue brackets) are more likely to participate in Agri-Stability than smaller farms (less than \$250 000 in cash receipts). Narrower parameters within the \$250,000 - \$999,000 would have allowed for a more thorough examination of the relationship between farm size and enrolment in Agri-Stability.

Farm Type

Due to the large number of individual respondents reporting the production of multiple commodities types, commodities were subsequently categorized into four discreet categories:

- 1) Grains, Oilseeds and Pulses only;
- 2) Grains, Oilseeds and Pulses plus at least one other non-supply managed (non-SM) commodity (e.g. cattle, sheep, bison, horticulture)
- 3) At least one non-SM commodity without grains and oilseeds, and;
- 4) Farms producing a supply managed (SM) commodity (e.g. dairy, chicken or eggs)

Table 2 – Agri-Stability Enrolment by Farm Type

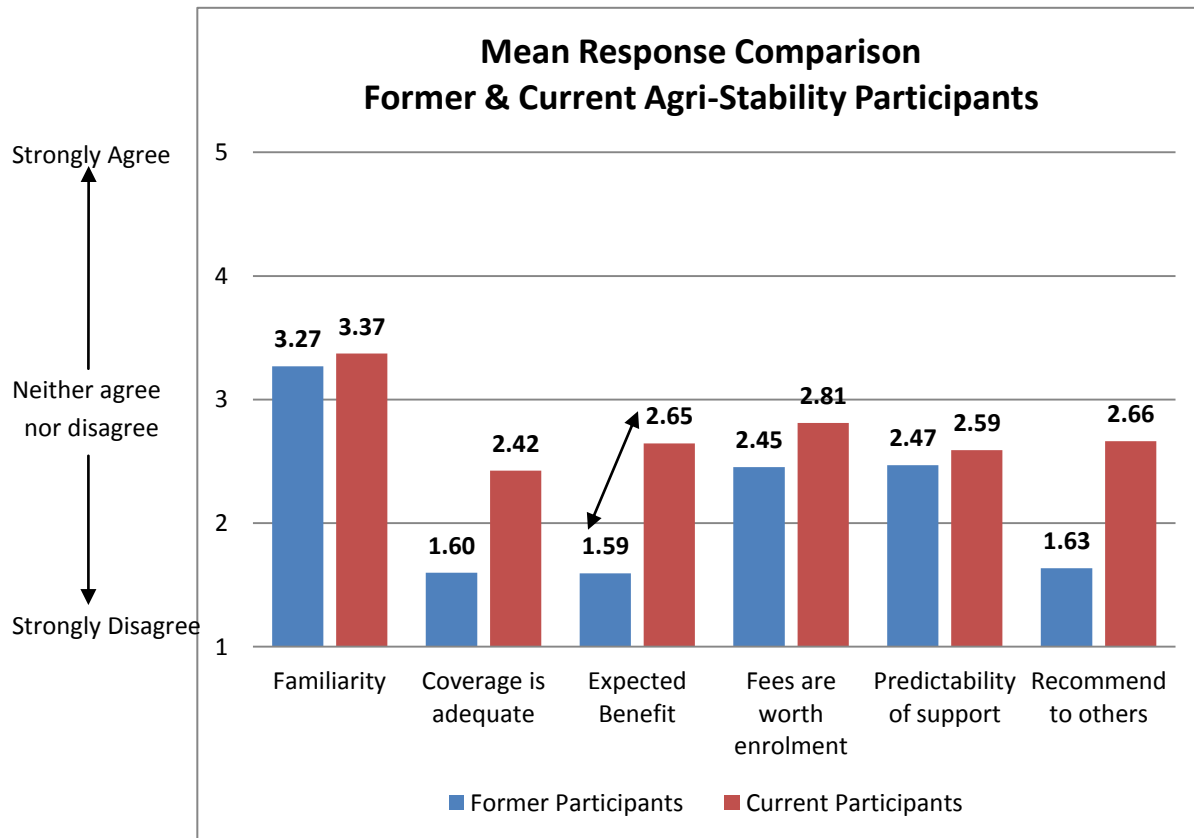
Which commodities do you currently produce?	Total	Agri-Stability	%
Grains Oilseeds and Pulses Only	109	51	48%
Grains Oilseeds + at least one other non SM Commodity	78	24	54%
At least one Non SM Commodity without Grains and Oilseeds	39	7	46%
Farms with SM Commodities	37	1	59%
Did not identify farm type	5	1	0%
Total	268	134	

There was no clear relationship found between enrolment in Agri-Stability and farm type. A number of intervening factors could be at play, including the relative farm size within each farm type and access to other forms of business risk management outside of Agri-Stability for the various commodity types.

How Agri-Stability works for different commodity producers is a complex but important consideration that is outside the scope of this survey. Other methods, such as one-on-one interviews, should be considered to explore this topic further.

2. Are respondents who are withdrawing from Agri-Stability reporting any particular rationale behind their decision to exit the program?

In examining the motivating factors behind withdrawal from Agri-Stability, the “Agree / Disagree” responses of those currently enrolled in Agri-Stability were compared to responses from former participants.



The largest spread between former and current participants was found in the “Expected Benefit” category: *I feel this program currently provides a benefit to my operation, or could provide a benefit to my operation in the future*. For this particular question, the spread between current and former participants’ mean responses was calculated at 1.05 points.

Other areas where current Agri-stability diverged from former participants included: “I’d recommend to others” (1.03 point spread) and “Coverage is adequate” (0.83 point spread).

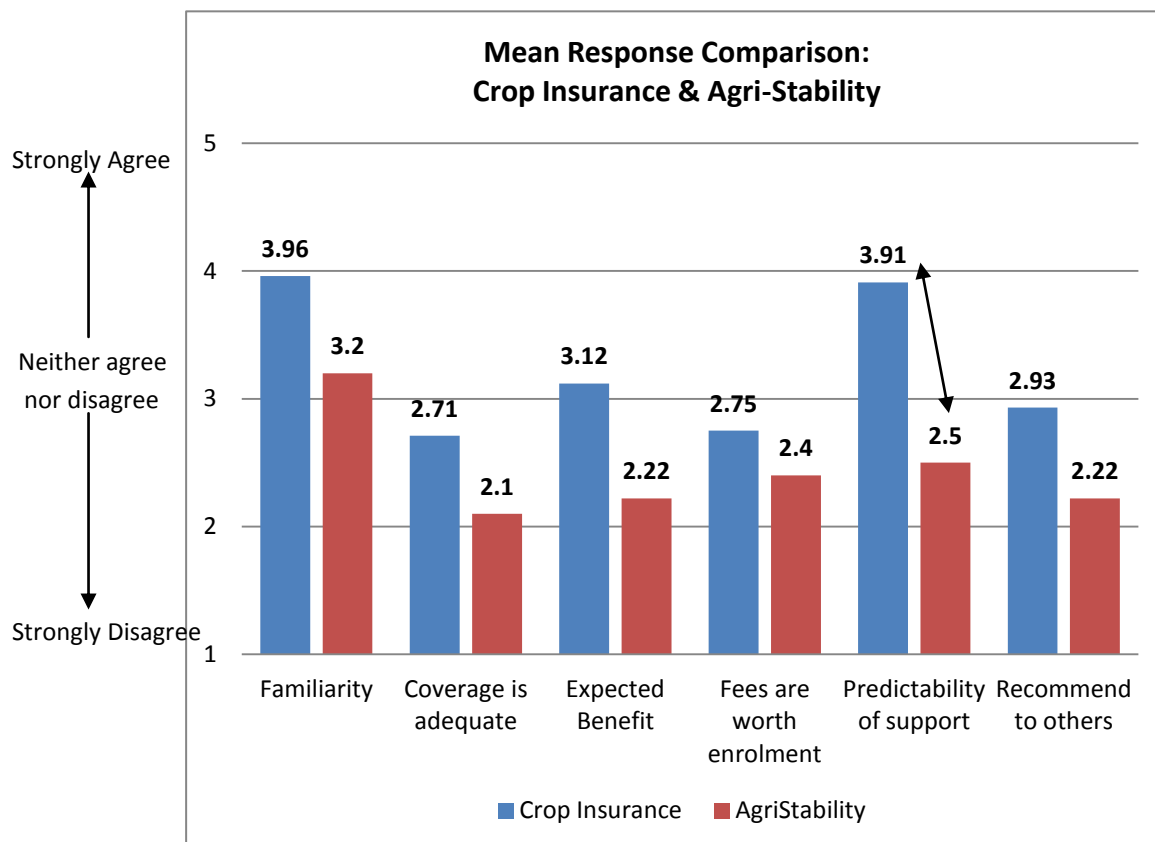
The data was analyzed further to find that 85% of respondents who withdrew from Agri-Stability did not perceive a current or future benefit of continuing enrolment in the program (Table 3 below).

Table 3 – Expected Benefit: Former vs. Current Agri-Stability Participants

	Score	Former Participants		Current Participants	
		N	%	N	%
Strongly Disagree	1	45	65%	29	23%
	2	14	20%	30	24%
	3	5	7%	34	27%
	4	3	4%	18	15%
Strongly Agree	5	2	3%	13	10%
	Total	69	100%	124	100%

3. What categories within the “Agree / Disagree” portion of the survey does Agri-Stability fall short in relation to the other programs?

The “Agree / Disagree” responses to the Agri-Stability program were compared the responses to Agri-Insurance, another margin based risk management program.



By a fairly wide margin, Agri-Stability falls short in relation to Crop Insurance in the “Predictability of Support” category: *At the beginning of the production season, I understand the level of protection this program will provide my farm business.* The spread between Agri-Insurance and Agri-Stability’s mean responses in this category was 1.41 points. Other areas where Agri-stability diverged from Crop Insurance respondents was the “Expected Benefit of Enrolment” category (0.9 point spread) and “Familiarity with the Program” (0.76 point spread).

As shown in “Results: Table 2”, 55% of respondents strongly disagreed or disagreed that they could predict their Agri-Stability coverage at the beginning of each production season.

Concluding Observations

The findings of this analysis clearly identify producer concerns about Growing Forward 2 Business Risk Management programs, particularly with Agri-Stability.

Of the three programs, Agri-Invest has the highest level of understanding and support. Respondents expressed some disagreement or confusion on the adequacy of coverage levels given the type of risk the program is designed to help manage. This finding was anticipated. At 1% of allowable net sales, the contributions to Agri-Invest are relatively small. In the event of a steep economic downturn, coverage provided through Agri-Invest would likely be inadequate to provide meaningful income support.

Agri-Insurance clearly has significant buy in from producers but has somewhat weaker support in the survey responses than Agri-Invest. Respondents appeared to enjoy the predictability of the program, but also expressed concern that coverage levels were inadequate given the type of risks producers face.

Agri-Insurance provides the farm economy with income stabilization and higher participation rates would be beneficial from both a program and policy-holder standpoint. Large variations between responses on Agri-Insurance questions suggest that experiences with the program vary significantly from one participant to the next. A review of current programming may be beneficial to ensure that Agri-Insurance is continuing to meet the needs of Saskatchewan farm operations.

In its current design, Agri-Stability is not working for the producers who responded to this survey. The 34% withdraw rate indicates that dissatisfaction with Agri-Stability is leading to comparably higher rates of attrition for the program.

Former respondents' particular dissatisfaction with program coverage and expected benefit was anticipated. Many farmers were aware of the consequences of the changes made in 2012, including the reduced trigger from 85% to 70% and the introduction of the reference margin limitation that caps payments to previous years' allowable expenses. It is likely that some of these respondents calculated the likelihood of Agri-Stability support under various production and price scenarios in arriving at their decision to withdraw from the program to reduce their overall administrative compliance costs. One might expect that a segment of former participants would re-enrol in the program if coverage levels were restored to their previous levels.

Of equal concern is the fact that 55% of respondents cannot predict the level of protection provided by Agri-Stability at the beginning of the production season. For their part, APAS Representatives have described an effective stabilization program as one that is “predictable, transparent, and bankable”. This view was reiterated at the 2015 Annual Meeting in the following resolution:

BE IT RESOLVED that APAS request the Federal and Provincial Governments, in consultation with general farm organizations, such as APAS, to develop an effective, coherent, transparent and predictable income stabilization program.

Aside from enhancing coverage levels to previous levels, this survey has shown the need to reduce program complexity to make Agri-Stability more predictable for program participants. The use of reference margin limitations in particular has been raised as complicating producers' current understanding of the program. Governments and farm organizations may want to review these types of provisions to ensure they are not unduly adding to program complexity and deterring producer participation as a result.