

## Government of Canada Announcements for Agriculture in Response to COVID-19

**Farm Credit Canada receives an additional \$5 billion in lending capacity for producers, agribusinesses, and food processors.**

- Provides increased flexibility to farmers, processors and agri-food businesses that face cashflow issues.
- Allows payment deferrals on interest and principal for up to six months, or interest only for up to 12 months.
- Provides for a credit line of up to \$500,000, secured by a general security agreement with no fees.
- **It is APAS's understanding that the \$500,000 credit lines are available to all Canadian farm and food businesses, regardless of whether they are an existing FCC customer.** Financial institutions are asked to partner with FCC, where needed, to make this happen.

### **Advance Payment Program Deferral:**

- All eligible farmers who have an outstanding Advance Payments Program (APP) loan due on or before April 30, 2020 will receive a Stay of Default, allowing them an additional six months to repay the loan.
- Farmers who still have interest-free loans outstanding will have the opportunity to apply for an additional \$100,000 interest-free portion for 2020-2021, provided their total APP advances remain under the \$1 million cap.
- The announcement represents \$173 million in deferred loans to provide farmers the flexibility they need to manage their cashflow when facing lower prices or reduced marketing opportunities.

### **APAS Summary:**

- The \$5 billion in additional capacity for FCC is not new; it was in Minister Bibeau's original mandate letter. However, the specific deferral mechanisms and operating credit lines are new details.
- Additional credit and deferral of payments are a good first step to help producers gear up for the 2020 production season, whether it means getting a crop in the ground or a newborn calf to pasture.
- Although additional credit and repayment flexibility is appreciated, additional debt will not fix the situation producers are facing. Canadian producers are already carrying over \$100 billion in debt.

*(continued next page)*

# COVID-19 UPDATE

March 24, 2020



- The extended APP deadlines should help many producers who may have faced restrictions on a 2020 spring seeding advance due to outstanding balances owing. The announcement did not state whether the September 30, 2020 deadline for 2019 advances will also be extended. The interest-free portion of the loan is still out of step with the revised total limits. In February, APAS wrote to Minister Bibeau asking for an interest-free increase to \$250,000 for all commodities and a clear commitment that the September 30 deadline for 2020 advance would be granted a six-month extension.
- Low commodity prices due to trade and transportation disruptions, poor harvest conditions and now COVID-19 are placing many producers and the industry as a whole at a breaking point. Lack of commitment to improving business risk management programs at both the federal and provincial levels is putting Canadian producers at a competitive disadvantage. Real action at the federal and provincial levels is needed now, including:
  - Restored AgriStability reference margin coverage to 85% and the removal of reference margin limits.
  - The availability of disaster assistance funding as bridge support and to ensure to level playing field with US producers who have direct access to their Market Facilitation Program.

**For more information on APAS's work on issues related to the COVID-19 crisis, visit our website at [apas.ca](http://apas.ca).**