APAS
Agricultural Producers Association of Saskatchewan
Celebrating 20 years

COVID- 19 Income Support for Livestock Sector Policy Recommendations

COVID-19 has significantly impacted Saskatchewan's livestock industry. The Cargill and JBS Brooks plant closures or slowdowns have led to a significant drop in beef processing capacity. Similar shutdowns in the US and Quebec are impacting hog prices. Concerns are also being raised over disruption in poultry processing. For cattle producers, this is a critical time in the production cycle. Decisions are being made around feed availability and marketing this year's calves. Producers are unsure how long they will need to hold onto stock, and whether government support will be available in the event of price declines and rising feed costs.

Access to Credit

Producers are reluctant to take on more debt in the current operating environment. The recently announced changes to FCC lending capacity and the Advance Payment Program limits will provide little assistance to sectors uniquely impacted by COVID-19 disruptions. The availability of operating credit may already be contracting due to reduced value of livestock inventory against which to borrow.

Of the livestock producers responding to the APAS COVID-19 Farm Survey, 60% were facing cash-flow challenges and 20% were having difficulties either managing existing loans or securing financing for future operations. The situation will worsen with continued price declines and increased feed costs.

APAS requests FCC develop clear targeted lending criteria for farm businesses producing commodities or holding inventory that has lost 10% of market value due to COVID-19-related market decline. To ensure the additional lending capacity is made available to farm businesses banking with other financial institutions, the lending criteria needs to include financial guarantees or other arrangements provided outside of FCC's portfolio.

Emergency Relief Programs

APAS supports the Canadian Federation of Agriculture's request for a $2.6 Billion Emergency Relief Fund to help agricultural sectors cope with COVID-19 disruptions. For livestock sectors, this fund should be used to develop programming aimed at protecting farm margins and helping sectors recover from extraordinary costs. Although there is an urgent need for direct financial support at the farm-gate and feed-lot levels, additional steps also need to target processing capacity in order to stabilize markets and facilitate supply-chain recovery.

APAS Supports Financial Assistance for Primary Farm Operations, including:

- The Canadian Pork Council request for $20 per head compensation for hog producers selling into markets below production costs.
- A direct grant to producers to increase the retention of heifer calves into breeding stock rather than the meat market thereby reducing the glut of finished animals.
- A direct grant to producers to offset feed costs required to maintain cull animals for which there is inadequate processing capacity.
- A Financial Stimulus of no less than 5% of Agri-Invest Allowable Net Sales (ANS), without matching producer contributions
- Ongoing Federal Tax Deferral Program to give producer greater flexibility to manage market volatility.

Agricultural Producers Association of Saskatchewan
3401A Pasqua St, Regina SK S4S 7K9
Phone: 306-789-7774 Email: info@apas.ca Website: www.apas.ca

COVID-19 UPDATE

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APAS Supports Disaster Assistance Support for Feedlots, including:

- Reintroduction of a Set Aside Program wherein feedlots would be provided a per animal/per day payment to retain/maintain the animal on feed for up to 90 days until they could move into the slaughter facilities.

APAS Request the development of a Federal Food Procurement Strategy

- National Food Procurement Strategy would involve the federal purchase of Canadian produced meat and other food products with the objectives of reducing stocks, maximizing processing output as supply-chains recover, and to help address rising food costs and shortages to those that are most vulnerable. Loosely based on the US Commodity Procurement Program, purchased foods would be allocated to Canadian schools, food banks and households in need.

Domestic Processing Capacity

Recent supply-chain disruptions have clearly shown the extent to which the lack of processing capacity and competition in the supply-chain is a risk for both the Canadian food supply and the economic viability of primary livestock operations. Near term changes are required to protect and enhance processing capacity in Canada.

- APAS recommends AAFC immediately refocus its Local Food Infrastructure and Buy Canadian initiatives to help increase local meat processing capacity. This should include, where possible, resuming operations of federally inspected plants currently sitting idle, such as the one in Moose Jaw SK.
- APAS requests that the CFIA begin to work immediately with provincial meat inspection agencies to eliminate barriers restricting the processing capacity of provincial abattoirs (more shifts, on site inspection etc.) to expand retail sales and market access both within Saskatchewan and interprovincially.

Business Risk Management

There is a lack of confidence in the current BRM programs which were not designed to address supply-chain disruptions of this magnitude. The increase in Western Livestock Price Insurance premiums have rendered the WLPIP inaccessible for most producers. Few are participating in AgriStability due to low coverage levels. It is suspected that cow/calf and mixed operations, in particular, are disproportionately affected by the coverage limits that further reduce payments on the basis of previous years' expenses.

APAS supports BRM changes targeted at livestock sectors facing supply-chain and market disruptions, including:

- Immediate introduction of government-producer cost sharing of WLPIP premiums at the same level that is provided for crop insurance.
- Immediate changes to the AgriStability program to allow livestock margins and coverage levels to be calculated separately from other commodities produced on the farm.

APAS supports longer term structural changes to Agri-Stability for the entire agricultural industry, including:

- Immediate increase in AgriStability coverage to 85% of historical reference margin and eliminate of Reference Margin Limits.

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