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Canadian Federation of Agriculture
Fédération canadienne de l'agriculture

Canadian Federation of Agriculture's Program Recommendations for the Next Agriculture Policy Framework

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Canada's agriculture and food industry is a resilient driver of the Canadian economy, contributing over $139 billion in GDP and employing 2.1 million people in 2020. Primary agriculture alone provided 269,300 jobs and contributed $39.8 billion in GDP. Agriculture's economic contributions are just one facet of agriculture's role in Canadian society. Stakeholders throughout Canada's agri-food system also recognize an obligation to support domestic and global food security, while consumers seek a wide array of social and environmental outcomes from their food system as well.

Most notably, there is growing appreciation for agriculture's potential as a climate-solutions provider. Canadian farmers cover 68.9 million hectares (6.9%) of Canada's land area. As stewards of this vital natural resource, which is critical to the sector's productivity and future, primary producers are uniquely positioned to provide a range of ecosystem services across Canada. This appreciation is clearly reflected in the Vision for the Next Policy Framework (NPF), as outlined in the Guelph Statement from November 2021:

> *"Canada is recognized as a world leader in sustainable agriculture and agri-food production and drives forward to 2028 from a solid foundation of regional strengths and diversity, as well as the strong leadership of the Provinces and Territories, in order to rise to the climate change challenge, to expand new markets and trade while meeting the expectations of consumers, and to feed Canadians and a growing global population."*

Canadian agriculture finds itself uniquely positioned to support domestic and global goals for environmental, economic and social sustainability. The Vision articulated in the Guelph Statement speaks directly to Canadian agriculture's capacity to support triple-bottom-line sustainability (economic, environmental and social), while highlighting the need for resilience in combatting climate change and competitiveness in the domestic and global marketplaces. This is further reinforced through the expanded priorities identified in the statement as well.

CFA recognizes the scale of these obligations and the opportunity they represent for the sector, but the growing number of priorities and expectations also present new challenges for producers facing new capital requirements and evolving consumer demands. For these reasons, CFA would reiterate the importance of continuity regarding current framework priorities. The Canadian Agricultural Partnership must continue to support industry and government in coming together to address the sector's market development, research, environmental sustainability, and risk management needs, among other areas. These remain as relevant and important to the sector as they did in 2018.

Addressing these continued objectives while enhancing focus on the fight against climate change and recognizing emerging priorities ranging from mental health to labour attraction requires a funding envelope that reflects this increased ambition.

The following are the CFA's program recommendations for the NPF, which build upon and further refine the recommendations CFA provided in June 2021 with respect to NPF objectives, principles, results and priorities.

General Priorities for the NPF:

The following objective and guiding principles remain critical to the development of the NPF:

Increase the funding envelope for the NPF: The NPF must invest at a level commensurate with agriculture's expanded role as not only a producer of quality agri-food products that feed Canadians and the global marketplace, but also a provider of many public goods and services – keeping pace with the increased scale and prominence of agriculture as a strategic sector in Canada.

Equitable access to all producers: Grant all Canadian producers, whether terrestrial or aquatic agriculture, producing food, fibre, or ornamentals, equal program eligibility across all policy priorities and programming areas in both federal and provincial programming. This includes expanded access to production insurance for commodities currently lacking coverage.

Increased dialogue on trade risk: When designing programs, particularly related to risk management, the risk of adverse geopolitical trade actions must be assessed in close concert with industry, rather than used as a unilateral rationale to limit programming considerations.

Climate Risk & Resilience – Adapting Canada's BRM Suite

In light of increased climate risk, trade & supply chain disruptions, and growing labour shortages throughout the agri-food value chain, integration between Canada's Business Risk Management (BRM) programs is of critical importance. While CFA continues to support a more robust AgriInvest program, these recommendations are specific to the integrated roles that the AgriStability program and AgriRecovery framework have play in responding to the diversity of risks confronting Canadian agriculture. The following recommendations are intended to ensure producers are engaged with, and receiving timely and meaningful support through the BRM suite:

AgriRecovery

Collaborative post-hoc prevention and mitigation reviews: Following each AgriRecovery program response, the framework should instigate a structured and collaborative risk review. This review should convene industry leaders and government officials to leverage their respective expertise, and ensure their buy-in to associated outcomes. This collaborative review mechanism would support resilience and long-term effective disaster risk management by assessing what measures could prevent or mitigate associated risks in the future, including:

- what measures were most effective in responding to producers' recovery needs;
- whether additional AgriRecovery support will be required in subsequent years to assist producers with further extraordinary recovery costs;

- where preventative measures may have been more effective or efficient (e.g. program planning to adopt early warning systems and intervention for drought, including assistance in procuring/contracting hay prior to full onset of drought conditions); and
- where possible, what changes to BRM programs could help address this issue and avoid the need for AgriRecovery support in the future.

In addition to this review of elements within the scope of the NPF, a distinct assessment should be taken as to what amendments or innovations in infrastructure, technology, and more general emergency response governance could mitigate or prevent the impacts of similar future events.

Publicly available guidance: The aforementioned post-hoc review also presents a mechanism through which all stakeholders can benefit from the learnings of past disasters. The increased frequency of extreme weather events has seen repeat instances of disasters in specific regions across Canada, particularly excess moisture and drought events. Where these events trigger AgriRecovery assessments and programs, information gleaned from these exercises should be incorporated into publicly available guidance bulletins to inform future assessments. These bulletins would provide added clarity regarding data requirements, program triggers, and best practices to be adopted in future assessments/programs.

AgriStability

The changes proposed to AgriRecovery aim to enhance the timeliness of responses to systemic disasters, while placing a greater onus on prevention and mitigation. However, these disasters and the aforementioned trade and supply chain disruptions often also bring severe income losses that fall outside the scope of AgriRecovery. These events are also often generally unforeseen, bringing added emphasis on the importance of more proactive AgriStability participation. While program complexity and timeliness remain concerns for many producers, the accessibility of meaningful AgriStability support when confronting severe income losses remains the most consistent reason cited for non-participation.

Participation Incentives: Concerns with the adequacy of AgriStability support have been raised as a driver of non-participation since the coverage rate was reduced in 2013. In recognition of this concern, a targeted incentive structure should be adopted to promote continuous participation and ensure AgriStability provides adequate support to those in need. On-farm resilience should also be recognized through the program, incentivizing producers' on-farm efforts to prevent, mitigate, and manage risk.

To achieve these objectives, AgriStability should introduce targeted incentives for continuous participation and periods of non-payment:

- *Continuous Participation* - The first incentive would see producers receive an enhanced compensation rate for each year of continuous participation. In line with current proposed enhancements to AgriStability, this incentive would be capped at an 80% compensation rate after a producer has achieved, for example, 5 years of continuous participation. Were they to fail to apply for the program in any given year, upon their return they would re-enter at a 70% compensation rate.
- *Periods of non-payment* - The second incentive would introduce familiar, insurance-like principles that would see producers' coverage rate respond to their payment history. For each year in AgriStability, producers would see their coverage rate increase to a maximum of 85%. The occurrence of payments would see that rate reduce, not falling below 70%.

Timeliness: Recent temporary measures to increase the interim payment rates to 75% of anticipated payments should be made permanent in light of the increased volatility and risk experienced by producers. Recognizing the risk of overpayment comes at a time where producers are facing the prospect of severe income losses, instances of overpayment should automatically provide for multi-year repayment schedules to help mitigate unintended consequences.

Payment Caps: Continued inflation and growth in the number of large farms has also raised concerns with regard to the lack of adjustment made to the $3 million payment limit within the AgriStability and AgriRecovery programs. CFA believes further dialogue is required with producers to determine how this limit can be best addressed to reflect these dynamics.

Any amendments to BRM would reinforce the importance of associated educational outreach at the outset of the NPF. Farm associations are committed to play an important role in communicating the benefits and added complexities associated with these new provisions.

Supporting Adoption of Beneficial Management Practices

When looking to address climate risk, steps taken to manage, mitigate and prevent the consequences of extreme weather events represent only one facet of producers' efforts to combat climate change. The adoption of Beneficial Management Practices (BMPs) and associated innovations are fundamental to agriculture's potential as environmental stewards, providers of diverse ecosystem services, and the sector's long-term resilience.

The On-Farm Climate Action Fund represents an important first step towards this objective through its focus on nitrogen management, cover cropping and rotational grazing practices. However, the NPF presents a unique opportunity to promote Canadian agriculture's global leadership in sustainable agriculture and agri-food production by leveraging regional strengths and diversity through its FPT framework.

Dedicated FPT Support for BMP Adoption:

Through cost-shared programming, FPT governments have distinct, but complementary roles to play in the adoption of BMPs. The federal government must set guidelines that ensure consistent funding across Canada, commensurate with Canada's key trading partners, while provinces are uniquely positioned to identify and direct annual support towards the adoption of regionally-appropriate BMP. This regionalized approach is best-suited to deliver the most significant reduction in GHGs, increases in carbon sequestration, and to improve other ecosystem services. Existing programs, such as Environmental Farm Plans, and local networks present an effective infrastructure through which tailored programming approaches can be operationalized.

While there may be some additional opportunities to promote adoption of BMPs through BRM programs, any such incentives must promote BRM participation, reduce costs, and cannot draw upon the funding envelope dedicated to Business Risk Management. These programs are designed to help producers manage risks that exceed their management capacities, and their importance continues to increase as a result of immediate climate-related risks. Long-term resilience and environmental protection are equally important, but distinct, strategic policy priorities that must draw upon funds external to the BRM suite.

CFA appreciates the opportunity to provide continued input into the development of the Next Policy Framework and would be pleased to further discuss the contents of this brief, and any previous submissions, with AAFC.

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