

## Project Overview

The Minister of Agriculture and Resource Development hosted a Business Risk Management (BRM) engagement event in preparation for the upcoming annual meeting of federal, provincial and territorial (FPT) agriculture ministers. Stakeholders participated in dialogue around potential long-term BRM alternatives. This discussion informed the minister on the industry's initial reaction to proposed long-term BRM program changes.

## Engagement Overview

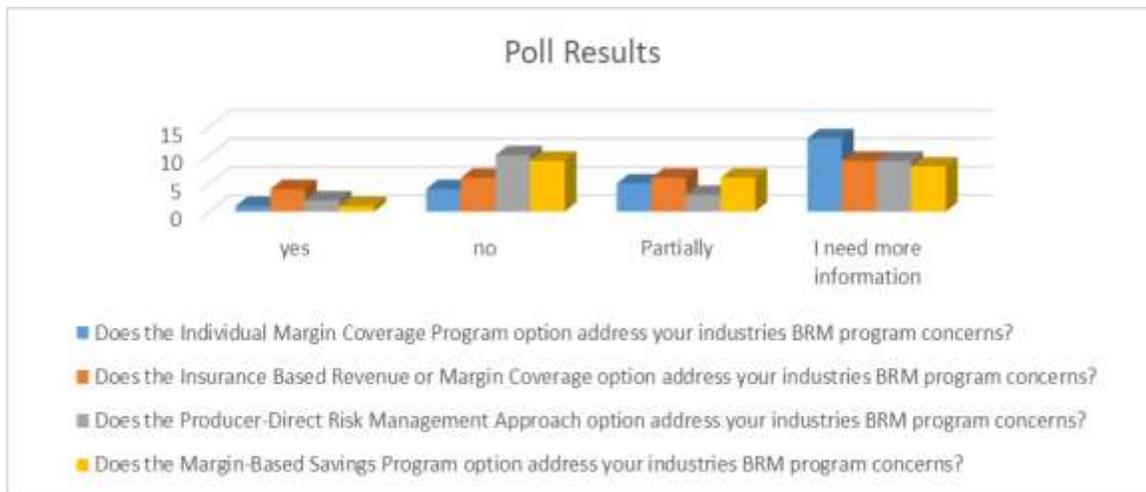
Twenty-seven sector participants attended the 90-minute virtual GoTo Webinar event. Participants represented provincial and national commodity associations and brought diverse perspectives to the dialogue.

Minister Pedersen opened the event followed by a presentation detailing the proposed long-term BRM options.<sup>1</sup> Results demonstrated a diversity of responses and solidified the message around the difficulty in finding a single solution that will address the entire sector's needs. The event closed with an open floor discussion about potential new and innovative approaches to BRM programs.

## What We Heard

### Polling Results:

Real time polling allowed participants to share their immediate impressions about the feasibility of each option for their respective sectors.



<sup>1</sup> See appendix for list of options

## Questions from Participants:

How will government ensure the insurance-based revenue or margin coverage program design is equitable, between the needs of large establishments, those of young and new producers, or those that have had successive annual production challenges?

- The **insurance-based revenue or margin coverage** option ensures that individual coverage is relative to production capability, addressing the need for simplicity, equitability and timeliness.

Producers face a multitude of production decisions influenced by costs, sustainability and profits. How can government use programming to balance production risk and build environmental benefit?

- BRM programming addresses risks that are beyond the producer's control, rather than supporting an overall strategic direction, such as adapting to climate change. There has been recent interest in exploring the use of rewards-based insurance programs to drive the adoption of sound environmental practices.
- The idea of linking BRM programming to other risk mitigation measures has merit, specifically when looking at the impacts of climate change on production risk. The department would be interested in further dialogue with the sector about this concept.

Some diversified producers indicate that AgrilInvest is the most suitable BRM program given the non-responsiveness of other BRM support measures. Have governments given consideration to a benefit transfer process to producers who choose not to utilize one or more of the existing programs, thereby making AgrilInvest of greater value?

- The **margin-based savings program** would provide matched savings relative to the protected margin. Governments have offered savings-based program models in the past, but connecting a savings program to margin protection is a relatively new approach.

## Key Messages:

- Industry representatives want to be at the table with government to discuss and analyze long-term options affecting their operations that will better inform the BRM analysis process.
- The livestock sector supports expansion of insurance-based approaches because it provides producers with more flexibility in selecting the combination of coverage that is right for individual farms.
- Livestock producers support the Western Livestock Price Insurance Program, but they identify challenges with premium costs for some components, such as the heifer component.
- Trade and market access issues, including Canada's World Trade Organization commitments, influence BRM programming. Governments should consider refocusing programs to reflect the changing trade landscape and other emerging challenges.
- There is a need to support adequate credit facilities to organizations that offer contracting services to fulfil margin calls on futures contracts.

- BRM participation is challenging for new or young producers because of limited financial resources.
- There continues to be support for AgriStability if issues surrounding timeliness, equity and funding levels are improved.
- An AgriInvest tax deferral measure may address AgriStability payment shortfalls and support individual risk management strategies.
- Supply management is a recognized BRM program. However, supply management sectors are seeking information about further federal compensation payments resulting from bilateral trade agreements, including the Comprehensive Economic and Trade Agreement and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

## Next Steps

The industry indicated there are benefits in having the options presented in greater detail. There is a need for continued dialogue and in depth discussion to support the program evolution and ensure value for money. Manitoba is committed to continuing to work with stakeholders to develop Manitoba's perspective on potential options as well as alternative solutions.

The department will host small focus group sessions to further discuss, evaluate and design some of the options. These sessions will support the Minister in negotiating Manitoba's position on the direction for BRM programming at the July 2021 FPT Ministers meeting.

## Questions?

This dialogue is ongoing. Please send an email to the address below to provide further comments, questions or submissions.

[Agripolicy@gov.mb.ca](mailto:Agripolicy@gov.mb.ca)

## Appendix:

### Business Risk Management (BRM) Long-Term Option Development

Long-term BRM alternative options under consideration:

#### Individual Margin Coverage Program

**Objective:** Maintain an individualized, whole farm, margin coverage program that protects against risks outside of the producer control. The intent of this approach is to bundle a number of margin calculation, funding parameter, and administrative service-model reforms to AgriStability.

**Challenge:** Margin coverage is generally not bankable.

#### Insurance-based Revenue or Margin Coverage

**Objective:** A revenue or margin insurance program would cover production, market prices, and input costs. Producers would have the flexibility to insure risks that are critical to their individual farm enterprises.

**Challenge:** Any insurance-based approach will provide support relative to forecasted conditions rather than historical income.

#### Producer-directed Risk Management Approach

**Objective:** Expanding insurance-based approaches would provide more opportunities for proactive risk management, while improving flexibility. Annual support would reimburse producers who purchase their own government and private risk management products.

**Challenge:** Currently, there are few private risk management programs for agriculture offered in Canada. The availability of risk management products will vary by commodity and likely be more widely available for larger commodities.

#### Margin-based Savings Program

**Objective:** Offer producers predictable support by providing matched savings relative to the protected margin. Individual margin support would be for the whole farm and would cover price, production, and cost events.

**Challenge:** One significant event could deplete a producer's fund. A margin-based savings program may be insufficient for multi-year events.