



September 2, 2020

Re: Enhancements to the AgriStability program

Dear Ministers,

On behalf of Canada's 7,000 pork producers and 60,000 cattle ranchers and feedlot operators, we are writing to urge you to make targeted enhancements to fix AgriStability.

Producers are facing unprecedented volatility and losses due to COVID-19, and fixing AgriStability is essential to helping farmers manage the extreme volatility of the global market as they struggle to produce the high-quality, affordable protein that Canadian families want and need.

Since 2018, federal and provincial governments have been conducting a comprehensive review of business risk management (BRM) programs with a key focus on improving program equity amongst agricultural sectors. As currently designed, given the size of the AgriInsurance program, the suite is weighted towards crop producers.

Canada's beef producers have advocated that removing the "reference margin limit" (RML) under AgriStability is an effective program amendment to narrow the equity gap. Operations that have reference margin limiting applied require an extensive, if not devastating, drop in their program year revenue to trigger benefits. This significantly decreases the value of AgriStability to many producers, especially those with low cost structures such as cow-calf producers who typically produce their own feed and have minimal eligible labour expenses.

We also believe that the \$3 million payment cap under AgriStability must be addressed as it severely limits support for cattle feeders and larger pork operations. When modelling the impacts of COVID-19 and the potential threat of a second wave, we are forecasting that a 25,000-head feedlot could generate a loss in the range of \$6.5 million to \$28 million in accrued income. Even in the best-case scenario, less than half that anticipated loss is covered by AgriStability. The payment caps out at \$3 million very quickly, leaving a feedlot exposed to potential losses in the tens of millions of dollars.

The current \$3 million cap on AgriStability payments has not changed in approximately 20 years. Yet, there has been a 47% increase in the consumer price index, a 50% increase in the average

annual price for finished cattle, and a 70% increase in feedlot input costs. The cap should be removed or increased to at least \$20 million.

Pork and beef producers are concerned that the cost of increasing the trigger to 85% has created a barrier to movement at the FPT table. As a result, while the pandemic drags on and more farms are pushed to near financial collapse, there has been little action from governments to help them stay in business. Inaction cannot be an option — the consequences for Canadian farm families will be too severe. We believe the time has come to consider alternatives.

The beef and pork sectors recommend that the trigger remain at 70% but the compensation rate be increased to 85%. This retains AgriStability as a disaster program, respects Canada's trade obligations, significantly reduces the cost to governments, but still provides additional support to those facing extreme loss.

Throughout the pandemic, the federal government has suggested that Canadian farmers and ranchers need to utilize the current suite of BRM programs before additional support can be considered. Canada's beef and pork producers would support this position if the suite of BRM programs were properly designed to meet our needs. As currently constructed, AgriStability — the core BRM program — does not meet these needs due to the unfair limiting of reference margins, payment caps, and the current compensation threshold.

Our recommendations, if implemented, would help make the AgriStability a more predictable, bankable and equitable risk management tool for the Canadian beef and pork producers.

We ask that all Ministers of Agriculture work collaboratively to quickly address these shortfalls within the AgriStability program. Making the necessary changes will enable pork and beef producers to better mitigate risk and confidently invest in their operations for years to come. We would be grateful for the opportunity to meet with you and further discuss the nature of our request.

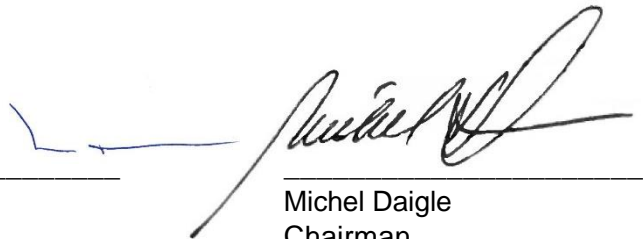
Sincerely,



Rick Bergmann  
Chair  
Canadian Pork Council



Bob Lowe  
President  
Canadian Cattlemen's Assn



Michel Daigle  
Chairman  
National Cattle Feeders' Assn