

Risk Management Program Proposal by Grains & Oilseeds Sector

A CFFO Response and Policy Statement

Whereas the Ontario Grains & Oilseeds Sector is proposing a new Risk Management Program that is commodity specific and triggered by low prices.

Whereas CAIS (Canadian Agricultural Income Stabilization) does not work satisfactorily for grain and oilseed commodities because it does nothing about the long-term declining margins that almost all producers in this sector are experiencing.

Whereas Ontario grain and oilseed producers are located between Quebec and the U.S. grain belt. Both these areas receive generous support. The proposed RMP matches the generosity of governments in the U.S. and Quebec to their grain and oilseed sectors.

Whereas Ontario's food processing sector benefits greatly from access to local low-priced raw product.

Whereas good safety net programs support the economics of rural communities.

Whereas Ontario is a net importer of grain. Imports are increasing faster than exports. A commitment to food security means more support for agriculture.

Whereas the proposed RMP has a number of encouraging features:

- Basing payments on 10-year average yields makes it possible to make payments on a timely basis.
- The premium is a premium – you pay it no matter what.
- An individual's long-term average yield is a factor in the amount of the premium to be paid and the level of support provided.
- Farmers are encouraged to manage their risks.
- Participating farmers are required to enrol in Production Insurance thus reducing risks further.
- Participating farmers are required to enrol in CAIS thus encouraging a high level of participation in whole farm stabilization.
- The CAIS levy is included in the premiums for this program.
- Participating farmers will face premium surcharges if they do not participant in training for managing market risks.

Whereas CFFO has one major concern about the proposed program:

- Payments triggered under the proposed RMP are capped at \$325,000 per enrolled entity per program year with a maximum of 3 entities (i.e. total payment cap is \$975,000 relating to one enterprise).
- This is much too high. No one person or entity should have annual access to the public purse in these large amounts. Public support should support the many. An appropriate cap would focus the program on small and medium-size farms.
- The vast majority of grain and oilseed producers will be fully covered by a much lower cap – two-thirds of grain and oilseed producers gross less than \$100,000 annually.

Therefore be it resolved

That CFFO endorse the basic concepts of the Risk Management Program as proposed by the grain and oilseed groups with the exception of the proposed cap on payouts.

That CFFO endorsement is dependent on the cap on payouts from the program being reduced to a maximum of \$100,000 per entity or person – no entity and no person accessing more than one cap.

That the cap on the maximum payout be indexed in the same way that the support price options are indexed using the Farm Input Price Index.

Further be it resolved

That CFFO give further consideration to the following discussion points:

1. The choices of support prices need review. The choice of opportunity price for both prior to harvest and post-harvest support level understates the actual prices received by many producers. This results in payments being triggered more frequently than supported by actual prices received.
2. There is concern about public money supporting grains and oilseeds that are exported. Initial response: As long as Ontario is a net importer of grain and oilseed the proposed full support is appropriate. If, in the future, production exceeds Ontario consumption further discussion will be needed on adjusting the level of payout to eliminate support for exports.

3. Can we expect generous support for grain and oilseed commodities without participating in some kind of management of supply? Initial response: Not as long as Ontario is a net importer of grain and oilseed commodities.
4. Should participants be required to make environmental improvements as part of eligibility and participation in the program? Initial response: No. Let's keep the concept of payment for environmental goods and services focussed on society paying for the real benefits that society gets from stewardship on actively farmed lands. However the ecological consequences of a generous program need to be monitored.
5. Those who market by the truckload may, in some years, be able to get a reasonable price in the marketplace and still be able to trigger payments from the program.
6. The existence of four levels of support is of questionable merit. We expect that the highest level of support will be the dominant choice.
7. High variability in farm gate prices may cause high variability to government financial obligations to meet the payouts triggered by the proposed RMP. Is lowering the payout cap in such years a good way to manage total payout levels?
8. If individual farmers expand grain and oilseed production should they immediately be able to enrol expanded production?

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Provincial Council
Christian Farmers Federation*