

WHAT WE HEARD: APRIL 20, 2018 BUSINESS RISK MANAGEMENT DISCUSSION SESSION

The 2018 Business Risk Management (BRM) Discussion Session was held April 20, 2018, in Regina. Representatives from producer groups and organizations from both the crops and livestock sectors were invited. Officials from Saskatchewan Crop Insurance Corporation, Agriculture and Agri-Food Canada and the Saskatchewan Ministry of Agriculture participated in the event. The Honourable Lyle Stewart, Minister of Agriculture, was present to hear feedback from participants.

Participants were presented with updates on the work of the federal-provincial-territorial BRM review Task Team. Lane Stockbrugger, a Saskatchewan producer on the BRM review External Panel, shared his perspective on the discussions of the Expert Panel. Following the presentations, producers had an opportunity to ask questions and engage with one another on the ideas being considered by the Expert Panel.

Executive Summary

Industry affirmed that the BRM programs, while not perfect, continue to be important for the sector. Five key themes emerged:

1. BRM Programs Facilitate Innovation and Growth
 - The BRM suite provides the necessary backstop for innovation and growth. The programs are important for the agriculture sector and especially for young producers.
2. Value of Crop Insurance and AgriInvest
 - Crop Insurance and AgriInvest remain valuable programs for producers. Although there is interest in improving AgriStability timeliness and predictability, changes should not come at the expense of other programs in the BRM suite.
3. Need to Evaluate Changes under CAP
 - Changes made to the BRM suite of programs under the Canadian Agricultural Partnership (CAP) moved programs in the right direction. Producers wish to evaluate changes before further changes are made.
4. Exploring New Ideas
 - Participants were curious about the various concepts being discussed by the Expert Panel (e.g., index-based approach, producer-paid top-up options, and alignment between premiums and best practices). Participants were open to these ideas being further explored.
5. Future of the BRM Review
 - Participants noted that the BRM review is progressing in the right direction and that there is value in continued work. BRM programing should not be changed in the meantime.

1. Facilitates Innovation and Growth

Throughout the discussion, participants confirmed that BRM programs are relevant to their operations. In particular, they help mitigate risks such as price volatility and extreme weather events. Some participants suggested that BRM programs are not only relevant for new entrants, but essential. Participants cautioned that the suite of programs is becoming less relevant for bigger operations. However, they noted that more established farming operations may be able to self-manage the risk their operations are facing. Participants felt that BRM programs should provide a backstop for their farming operations and help the industry build resilience. Programs available should enable producers to better grow their operations.

When asked if BRM programs hinder or support innovation, it was suggested that risk management programs do not necessarily drive innovation. Participants, however, agreed that BRM programming provides a necessary backstop for innovation, allowing producers to take on additional risks associated with an innovative initiative. Notwithstanding, they cautioned that BRM programs should not encourage irresponsible risk taking. Participants also indicated that they consider BRM programs when making investment decisions, at least indirectly. They indicated that without BRM programs, producers would play it safer when investing and making innovation and/or growth decisions.

2. Value of Crop Insurance and AgriInvest

Participants emphasized the importance of Crop Insurance and AgriInvest to their farming operations. When they were asked for their views on changes to the BRM suite that would make it more effective, they indicated that many of the programs do not require wholesale changes. Participants suggested that Crop Insurance and AgriInvest generally work well and remain valuable to producers. They noted that enrollment in Crop Insurance has become a requirement by many lending institutions.

It was also suggested that AgriInvest drives investment, which could lead to innovation since producers have the flexibility to make personalized investment decisions with the funds they receive. Participants suggested that there should be a move towards making AgriStability more predictable and timely. However, they cautioned that this move should not come at the expense of other programs in the suite.

3. Need to Evaluate Changes under CAP

Participants acknowledged that changes made to AgriStability under CAP were a step in the right direction. In particular, they suggested that the maximum, or limits on reference margin limiting (RML) in AgriStability makes the program more predictable. It ensures that sectors with low cost structures, such as cow-calf operations that grow their own feed, will receive the support they need to help them manage their risks.

Given that changes made to the BRM suite under CAP have been recently implemented, participants suggested that the effect on the industry should be evaluated before further changes are made. They indicated how important it is for producers be consulted throughout the review process. Producers want an opportunity to provide input before any further changes are made to the suite of programs.

4. Exploring New Ideas

When presented with concepts such as index-based programs, producer-paid top-up options and premium rating approaches for Crop Insurance, participants were open to further exploration of the Panel's ideas. Some participants suggested that an index-based approach could work as a top-up to the existing programs. Others, however, suggested that the index-based approach could hinder innovation. This concern was based on the idea that if payments are based on industry averages, then there would be no reason for producers to take above average risks.

Some participants advocated that core BRM programs producers use should remain available, even if new program options are developed. Participants also indicated that the cost neutrality constraint will be difficult to maintain if the program suite is to meet their risk management needs. Although it is important to build programs that cater to producers in the different stages of their careers, it is essential that the core programs remain viable. There was also a general consensus that producers are able to choose the right programs to help them manage their risks effectively when presented with programs that are flexible and predictable.

5. Future of the BRM Review

Participants noted the BRM review was progressing in the right direction and they wanted the process to continue. There was also a consensus that, in the meantime, there should be no wholesale programming changes. This is to allow for a thorough evaluation of the suite and the changes that were already made going into the CAP framework. Finally, participants suggested there should be a long term vision for the review and the target for changes should be the next agricultural framework (post-CAP).

List of Industry Participants

	Participants	Organization
1	Ray Orb	Saskatchewan Association of Rural Municipalities
2	Bill Huber	Saskatchewan Association of Rural Municipalities
3	Todd Lewis	Agriculture Producers Association of Saskatchewan
4	Donovan Howden	Agriculture Producers Association of Saskatchewan
5	Rick Toney	Saskatchewan Cattlemen's Association
6	Ryder Lee	Saskatchewan Cattlemen's Association
7	Mark Ferguson	Saskatchewan Pork Development Board
8	Doyle Wiebe	SaskCanola
9	Wayne Truman	SaskCanola
10	Laura Reiter	SaskWheat
11	Kelsey Tollefson	SaskWheat
12	Greg Sundquist	SaskFlax
13	Marla Carlson	SaskOrganics
14	Garry Johnson	SaskOrganics
15	Terry Kremeniuk	Saskatchewan Bison Association
16	Brent Johnson	SaskBarley
17	Elroy Trithardt	Saskatchewan Oat Development Commission
18	Lane Stockbrugger	Saskatchewan External Panel Representative