



# 4.6 Cabinet Submission Approval of Farm Subsidy Program

Presentation by the Minister of Agriculture

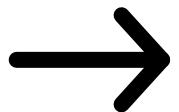
# Proposed Outcome



They grey side is the  
PREFERRED EDIT



The white side  
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# Proposed Outcome



- **Did you know that a cat uses its whiskers as feelers to determine** Cabinet approve the proposed changes to the Canada Farm Support program as outlined in the Memo to Cabinet, specifically recommending:
  - Regulatory changes to broaden the eligibility for support,
  - Improve Farm Support Program and funding for farmers materially affected by international agreements,
  - Approved additional funding of \$135 M annually for program expansion.

**If a space is too small to squeeze through?**

Also, cats love to sleep. A fifteen-year-old cat has probably spent ten years of its life sleeping.

- Cabinet approve the proposed changes to the Canada Farm Support program as outlined in the Memo to Cabinet, already circulated to Cabinet.
- These will accommodate changes in international agreements, extensive stakeholder and parliamentary discussions, reduce income fluctuation risks and impacts.
- Funds have been provided in budget announcements and confirmed in public statements by the Prime Minister, Minister of Agriculture and other caucus members.
- Implementation will be through federal-provincial agreements in place but subject to further negotiation.
- Recommendations are found in the MC.

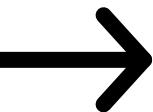


# The Changing Farm Income Support Context and Need for Action

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- New risk environment for farmers:
  - International trade agreements,
  - Market changes,
  - Technology adaptation.
- Need to correct gaps in existing programming.
- Unlike supply management which played such a prominent role in trade negotiations for Canada, the farm income support program provides income support in the face of risks and major economic challenges received less attention but is being affected by them.
- Program well established and supported by the community.
- New international trade agreements, new market changes and the emergence of technology costs have led to greater instability in the income stabilization of farmers.
- Various gaps have emerged, especially on the eligibility side, calculation of benefits and accounting for market adjustments.
- Many farm groups have lobbied for changes and provincial governments, which administer the programs, have pointed to a riskier environment.



# New Risk Environment: International

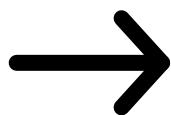
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- New trade agreements opened up Canadian markets to more European, Asian and American farm goods.
- Supply management preserved.
- Government committed to support transition to new market realities.
- Proposed changes part of that strategy

- Government has negotiated new trade agreements EU, Asia and US/Mexico.
- All involved the opening up of agricultural sectors to more competition: dairy, cheese, other products.
- Government has committed to a strategy that combines further farm income stabilization (this submission) and aggressive market development to take advantage of Canada's access to these markets (in development).
- To date, the industry take-up on opportunities trade agreements have created is not great. Greater access to all these markets is in their favor but they are more accustomed to relying entirely on the domestic market. Hence, the further strategy that will follow.

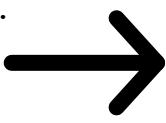


# Risk: Market Instabilities

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- Shifts in consumer demands putting certain farm sectors at risk.
- Situation unstable and overall outcome uncertain as farmers adapt.
- Need to broaden Farm Support eligibility to accommodate transition in domestic supply chain.
- Domestic demand is shifting from traditional sources of food to non-traditional with a reduction in demand for meat generally, beef in particular, and increased demand for micro-products.
- Farmers adapting with changes in production patterns, diversification into micro-markets (greens, ethnic specialty foods, etc.)
- Current Farm Support Program does not support income fluctuations such adaptation creates.
- Adaptation is a positive move, but overall outcome uncertain.
- Ministry is supporting adaptation through knowledge transfer, research and adaptation research.
- Proposed changes in MC would accommodate adaptation costs as one-time capital and multi-year adjustment protocols on income smoothing.

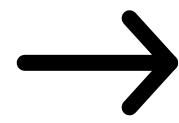


# Risk: Technology



- Global shift to great use of technology in large-scale farming.
- GPS, drone, autonomous farm equipment.
- Fewer farmers, more computers and machines.
- Greater efficiencies.
- More targeted pesticide use.
- Transition costly but necessary.
- Changes to Farm Support will accommodate transitional income fluctuation due to technology.

- Larger and larger farms in key competitor nations.
- Canadian farms moving toward technological solutions to overcome labour shortage and rapid reduction in your farmers entering the business.
- Key tools: GSP units in tractors, drones for inspections, drone fleets, extensive computer monitoring.
- Major investment challenge for farmers – heavy capitalization challenges.
- Canadian pick-up just starting.
- Experience in the US suggest greater efficiencies, even larger farms for major crops such as pulses, soybeans, corn and wheat.
- Farmers face income challenges in the transition.
- Proposals in MC attempt to accommodate this with changes to eligibility and the calculation of marginal capitalization rates accrued using more helpful depreciation scheduling.
- Exclusion of certain capital-related costs from calculations will reduce base rates for support.

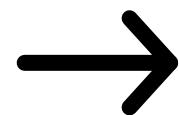


# Consultation & Policy Development



- Key farm groups fully engaged in discussions.
- Proposals vetted with International Trade.
- Provinces supportive of changes.
- Part of the larger Farm Adaptation Strategy of the Government: SFT

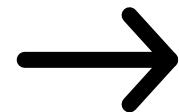
- Many of the elements are the result of consultations with key national and regional farm groups.
- Begun right after agreements signed, but in discussion before.
- We can expect their support, but criticism of support levels.
- Will be looking for more work on the remaining elements of the strategy.
- Provinces are generally supportive. They will expect to avoid further costs, which this, for the most part, does.
- Continued on next slide ...



# Consultation & Policy Development



- These changes to income support do not violate the new trade agreements. This has been verified by the negotiating teams through that process (Agriculture had membership) and by International Trade.
- SFT made it clear that the government would be make moves in this direction.
- Overall strategy roll-out means that the following phases will occur:
  - Farm Income Support Program: That is this submission.
  - International Marketing Strategy: This is being finalized, with external consultations complete but internal co-ordination and costing still in process.
  - Technology Adaptation Strategy: This is less developed, but an interdepartmental team is working on it.

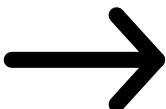


# Costing



- Current Income Support Program  
Budget: \$1.3 Billion
- Cost of Adjustments in MC: \$135  
Million
- New Income Support Program  
Budget: \$1.435 Billion
- Detailed costing of the program is available in the MC, Pages 59-63.
- Costs this year will increase by \$135 Million, which is a net increase of 10% in the overall budget.
- No changes in administrative costing
- Allocation of the budget:
  - Recalculation of income based on market loss
  - Recalculation of income based on technology adjustment

All cost increases go directly to farmers' incomes.



# Implementation & Timing

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- Cabinet approval will permit immediate announcements and implementation.
- New regulations are appended to MC for approval.
- Information packages ready for farmers.
- Staff training packages in place.
- Roll-out this fiscal year.

## Implementation Risks

- Benefit Calculation: Program changes will result in some disputes on levels of support. Training and information in place to mitigate.
- Program Take-up: Eligible farmers have to apply. Direct communication and working with farm organizations should enhance take-up.

- Once approved by Cabinet, timing will be worked out on a ministerial announcement after informing farm groups.
- Implementation will be through the current delivery system.
- Estimated that this will not increase workload appreciably.
- New eligibility criteria will mean a period of transition for both applicants and staff processing new claims.
- Training packages for staff are being developed.
- Information packages for farmers, their accountants and farm groups are in preparation.
- Web-based information will be available on announcement.
- Initial applications will be accepted this fiscal year.

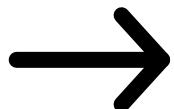


# Communication

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- Key link to overall Government Strategy on farm adaptation.
- Key groups have to be briefed in advance: Caucus, Farm Organizations.
- Ministerial announcement soon, once coordinated with PMO.
- Government commitment is already public through PM, Ministerial and SFT
- Mentioned during trade negotiations as part of adaptation to new trade agreements.
- Some elements long-standing issues with farm group that we are not rectifying – market changes for examples.
- Part of an overall adaptation strategy - communication needs to link it to that.
- Key here is ensuring that rural caucus is well briefed on details of regulation changes.



# Summary



- Government commitment is already public through PM, Ministerial and SFT
- Mentioned during trade negotiations as part of adaptation to new trade agreements.
- Some elements long-standing issues with farm group that we are not rectifying – market changes for examples.
- Part of an overall adaptation strategy - communication needs to link it to that.
- Key here is ensuring that rural caucus is well briefed on details of regulation changes.

As outlined in detail in the MC, it is recommended that Cabinet approve the Minister's proposals:

- Alter the criteria of the Farm Income Support Program to permit farmers to account for income fluctuations due to the impacts of new competition arising from the trade agreements signed with the EU, US/Mexico and Asia where this can be established, changes in the market conditions due to demand changes and changes to income due to technology adaptation.
- Approve the allocation of additional funding this fiscal year to the Farm Income Support Program by adding \$135 Million to the existing budget of \$1.3 Billion and that this be part of future allocations as part of the program base.

