



## Ontario Agriculture Sustainability Coalition: Pre-Budget Submission January 2016

### Budget 2016 Request

Farmers across the province are calling on the Ontario Government to begin increasing its maximum potential contribution in the Risk Management Program (RMP) from \$100 million to \$175 million over three years, with the first \$25 million coming in Budget 2016.

While this additional insurance coverage would only need to be spent in exceptionally difficult years, the availability of those funds will have significant impact on the proper functioning of this insurance program and its continued success in protecting and growing jobs in Ontario.

### Background

The Ontario Agriculture Sustainability Coalition (OASC), comprised of the Beef Farmers of Ontario, Grain Farmers of Ontario, Ontario Pork, Ontario Sheep Marketing Agency, and the Veal Farmers of Ontario, was established in 2009 at the request of the Ontario Government to develop and implement the Risk Management Program (RMP).

RMP is a cost-shared insurance program designed to help stabilize the industry by providing partial financial protection for farmers against downturns in commodity market prices by triggering payments (of up to 40%) when market prices fall below a producer's support level. The program is among the key business risk management services available to Ontario farmers and aids in offsetting losses caused by low commodity prices and rising production costs that are global in nature and beyond farmers' control.

Farmers contribute \$20 million annually through premiums and the industry-run Farmers' Risk Management Premium Fund supplements RMP payments in years of high market and cost of production losses. However, with the absence of federal participation in the program (as it was originally designed) and a growing deficit at the provincial level, the Ontario Government capped its maximum potential contribution to RMP at \$100 million in the release of its 2012/13 provincial budget.

In the fall of 2013, Premier Kathleen Wynne responded to OASC's concerns around the imposed cap and tasked the Deputy Minister of Agriculture and Food, and senior ministry staff, to work collaboratively with OASC leaders to review RMP and ensure the existing program and its funds were best serving farmers. After a year of working together, the detailed analysis, measured against clear values, led to the conclusion that the current RMP program is far superior to any other program alternatives for farmers with respect to assisting job creation, bankability and predictability.

### Economic Impact Assessment of RMP

Underscoring its belief in the value of the Risk Management Program to farmers and the need for the provincial government to increase its maximum potential contribution to RMP, OASC commissioned an economic impact assessment of RMP which was undertaken by Harry Cummings and Associates during the summer of 2015. The study examined the economic value of RMP to Ontario farmers and the broader Ontario economy.

The economic study found that:

- Without RMP, 62% of producers indicated they would not have maintained all their employees; 36% might have down-sized or left the industry, while a further 24% reported they would have sacrificed maintenance, expansion and farm improvements.
- Without RMP, even a modest resulting contraction in economic activity and employment would lead to a loss of approximately 3,250 jobs from the Ontario economy.
- Over the past four years, every dollar in payments generated \$2.24 in positive economic activity.

This economic study confirms what farmers know all too well: Ontario's RMP program is helping farmers grow Ontario's economy and protect good farm and agri-food jobs through volatile and unpredictable markets. RMP provides participating farmers with the financial confidence needed to make new investments and grow their businesses. The review did confirm, however, the decision to cap provincial exposure in the insurance fund at \$100 million had forced farmers' claims to be significantly scaled back at a time when they needed their insurance the most and limited the program's potential to achieve its objectives in years when more than one of the larger commodities is particularly hard hit.

## Conclusion

RMP is making a difference in the success and sustainability of agri-farm businesses across the province. And while the existing cap to the province's participation in the program has limited the effectiveness of the program, RMP remains one of the most important and popular agricultural safety net.

A decision to increase the Ontario Government's maximum potential annual contribution in RMP would have significant impact on the functioning of RMP by ensuring the program continues to provide Ontario farmers with predictability, bankability and stability to make long-term investments in their farm businesses and grow Ontario's economy.

On behalf of Ontario's farmers, the leaders of the Ontario Agriculture Sustainability Coalition respectfully request that **the Ontario Government's maximum potential annual contribution in RMP be increased from \$100 million to \$175 million over three years, with the first \$25 million coming in Budget 2016.** This incremental increase honours the Ontario Government's current economic climate that requires fiscal restraint while strengthening a valued and important program for Ontario farmers.

While this additional insurance coverage would only need to be spent in exceptionally difficult years, the availability of those funds will have significant impact on the proper functioning of this insurance program and its continued success in protecting and growing jobs in Ontario.

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