



Ontario's Risk Management Program

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

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

Background:

In the spring of 2011, farmer leaders across commodity groups came together with the provincial government to design a made-in-Ontario solution to help bring predictability, stability and bankability to their business operations.

Established with much fanfare, the new cost-shared Risk Management Program (RMP) was created to help stabilize the industry as many costs and prices are global in nature and far beyond the farmer's control. RMP works like insurance to help Ontario producers offset losses caused by low commodity prices and rising production costs.

While the province was an early and eager partner, the federal government decided it had no interest in signing onto Ontario's cost-of-production based model.

Following a successful launch, the absence of federal support, and a growing deficit at the provincial level resulted in changes to the program in the 2012/13 budget. The imposition of a cap limited provincial exposure and farm payouts in particularly difficult years while the creation of a farmer-run Premium Fund created new opportunities to ensure farmer's contributions would always stay in the program.

The province capped its maximum potential contribution to \$100 million, while farmers contribute \$15 million annually through their premiums.

Program Evaluation and Alternatives:

In the fall of 2013, Premier Wynne tasked the Deputy Minister of Agriculture and Food and senior ministry staff, to work collaboratively with Ontario Agricultural Sustainability Coalition (OASC) leaders to review the RMP program and ensure the existing program and its funds were best serving farmers.

After a year of working together, the detailed analysis, measured against clear criteria have led OASC to conclude that the current RMP program is far superior to any of the other alternatives with respect to assisting job creation, bankability and predictability.

The review did however confirm 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.

Through that review, it also became clear the mandatory requirement that all RMP participants also enroll in the federal AgriStability program was doing more harm than good given cuts to the AgriStability program and other challenges with the way AgriStability is currently operating.

With OASC support and encouragement, in November Minister Leal announced the removal of AgriStability cross-compliance linkages. That change will serve to make the program more attractive to farmers and will hopefully serve as a catalyst for federal government action on the weakness of their support programs.

Moving Forward:

Despite our reservations back in 2012, farm leaders stood by the government as it capped RMP. While our joint review with the Ministry demonstrated the many benefits of the program, it also highlighted the fact existing funding levels are far short of meeting true program need.

The existing cap is too low and has eroded the predictability, bankability and timeliness of the program. Additional dollars are needed to improve these important benefits of the RMP program.

While we understand the difficult fiscal challenges the province faces, the importance of maintaining and over the long-term restoring additional potential provincial coverage for RMP cannot be overstated.

Conclusion:

The bottom line is that RMP is making a difference in the success and sustainability of agri-farm businesses across the province. And while the existing cap in provincial exposure has limited the effectiveness of the program, RMP remains one of the most important and popular agricultural safety net.

A decision to increase its maximum potential annual contribution in the Risk Management Program (RMP) insurance fund from \$100 million to \$175 million over three years would have significant impact on the functioning of the program and its continued success in protecting and growing Ontario's Agricultural industries.