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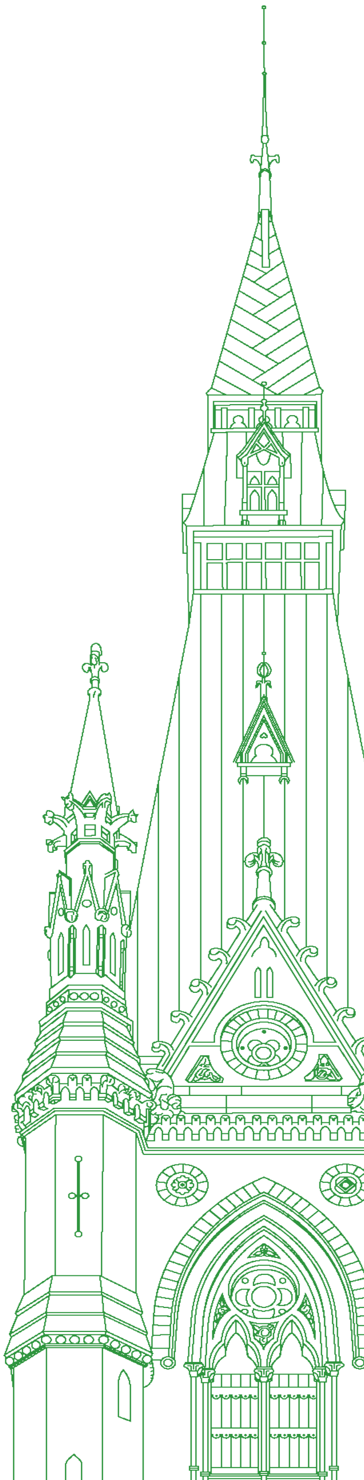

Chair: Mr. Pat Finnigan

Standing Committee on Agriculture and Agri-Food

Wednesday, July 8, 2020

● (1505)

[*English*]

The Chair (Mr. Pat Finnigan (Miramichi—Grand Lake, Lib.)): Welcome, everyone. Hopefully everyone had a chance to get a little rest. We're back. Welcome to meeting number 21 of the House of Commons Standing Committee on Agriculture and Agri-Food.

We will spend the first hour of the meeting on our business risk management program study, and the second hour in camera to provide drafting instructions to the analysts for the study's report.

For the meeting to go smoothly, I'd like to outline a few rules to follow.

Interpretation in this video conference will work very much like it does at a regular committee meeting. You have the choice at the bottom of your screen of floor, English or French. When you intervene, please make sure your language channel is set at the language you intend to speak, not the floor. This is very important. It will reduce the number of times we need to stop because the interpretation is inaudible to our our participants. It will maximize the amount of time we can spend on exchanges with each other.

Especially to our witnesses, could you let us know with a nod that you understand this and you can find the function on your screen? I see some heads nod. Monsieur Daigle, everything's good. Okay, we'll proceed.

Before speaking, please wait until I recognize you by name. When you're ready to speak, you can click on the microphone icon to activate your mike.

[*Translation*]

Make sure that your microphone is turned off when you aren't speaking.

We're now ready to begin.

I want to welcome the witnesses who are participating in today's meeting.

[*English*]

For our first hour we have, from the Beef Farmers of Ontario, Rob Lipsett, president, and Richard Horne, executive director. From the Canadian Young Farmers' Forum we have Paul Glenn, the past chair, and Julie Bissonnette, regional representative, Ontario-Quebec. From the National Cattle Feeders' Association we have Janice Tranberg, president and chief executive officer, and Michel Daigle, chair of the board of directors. Welcome to all of you.

We will start with your opening statements for up to seven minutes between both of you.

Beef Farmers of Ontario, go ahead.

Mr. Rob Lipsett (President, Beef Farmers of Ontario): Good afternoon. My name is Rob Lipsett. I'm a beef producer from Grey County, Ontario, and the president of Beef Farmers of Ontario. I also sit as the co-chair of the Canadian Cattlemen's Association's domestic agriculture policy and regulations committee. Joining me today is BFO's executive director Richard Horne.

Firstly, we believe that the shared objective of both industry and government is to truly modernize our BRM programming and create an optimal suite of programs that support our collective goal of becoming a global agricultural powerhouse. To achieve this, BRM programs must be designed to be timely, responsive, affordable and equitable.

The beef sector in Canada has the potential to be a key driver of our country's economic recovery from the COVID-19 pandemic. However, one thing that COVID has exposed is the significant inadequacies of our business risk management programs and their ability to address market risks and disruptions beyond an individual farmer's control.

Not only are current programs inadequately funded, untimely, but most importantly, they also lack equity. The structure of our current business risk management suite of programs is a significant contributor to the current system of have and have-not sectors in agriculture. Unlike provinces, under our federal system of government, there's no effective system of equalization for agricultural sectors.

The climate of imbalance has become apparent in Ontario, where we have established supply-managed operations and thriving crop farmers rotating corn, wheat and soybeans. Ontario's beef cow herd has dropped by 32.5% over the last decade. At the same time, corn and soybean production has increased more than 30%, while pasture and hay production has also decreased by more than 30%.

A major factor contributing to this imbalance is how our suite of BRM programs treats different farm operations and sectors. Beef farmers must compete for land, labour and financing with other sectors that have far greater support. While we do not fault our neighbours for the security they have access to, we do need action on the commitment governments have made to improve the equity in our BRM programming, to ensure that all farm sectors have the tools needed to remain viable and grow.

The continued inequity in programming, we believe, has gone ignored for far too long and has manifested itself in the beef sector's current climate of uncertainty, risk and continued marginalization. We are keen to work with the governments to quickly address these challenges by implementing program-specific recommendations.

BFO and our counterparts across the country have recommended a number of changes to AgriStability to improve program equity and effectiveness for beef cattle producers. These include the removal of the reference margin limit, addressing payment cap limitations, and returning the trigger back to 85% of the reference margin.

I would like to place additional emphasis on the reference margin limit. Operations that have reference margin limiting applied require an extensive if not devastating drop in their program year revenues to trigger benefits. This significantly decreases the value of AgriStability to many producers, especially those with low-cost structures, such as cow-calf producers, who typically produce their own feed and have minimal eligible labour expenses. The removal of the RML will make the program predictable, bankable, and ultimately more equitable for Canada's cattle producers, especially the cow-calf sector.

I would like to point out that the Ontario government has committed to implementing these important changes to AgriStability. Given the current climate of uncertainty and risk that has been amplified by the COVID-19 crisis, the delay in implementing these enhancements, which have broad support across agriculture, is certainly disappointing. Ontario is standing up for its farmers, and we expect our federal government to do the same.

With respect to production insurance, the insurance products offered to livestock producers for hay and pasture pale in comparison with the coverage traditional crop insurance provides to annual crops. Low participation rates in forage insurance, compared with high enrolment in crop insurance, helps tell the story of two very different product offerings.

Hay and forage producers deserve access to yield-based programs designed to insure individual production, similar to what is currently offered to grains and oilseed producers under the various crop insurance programs administered through AgriInsurance. Pasture and forage insurance programs should also be equipped with a mechanism that helps producers account for increased feed prices during times of shortages.

● (1510)

These program design improvements could alleviate calls for AgriRecovery during times of drought or flooding. The inequity between traditional crop insurance and forage or pasture insurance is significant.

Finally, a number of provinces offer provincial insurance programs to help address some of the gaps left by the federal suite of programs. Ontario's risk management program is one example of a provincial-only program that could benefit from federal participation. More consideration by the federal government to contribute to programs like this would be welcomed.

With the significant volatility in world markets due to COVID-19, along with typical risks ranging from weather to trade and production, access to well-designed and sufficiently funded business risk management tools has never been more critical for cattle producers. With these tools in place, the beef industry is well positioned to keep growing the economy and also to support strong rural communities and conservation outcomes from the agricultural landscape.

This concludes our formal remarks. We welcome any of your questions.

The Chair: We'll move to our next.... Hang on.

[*Technical difficulty—Editor*]

[*Translation*]

Mr. Yves Perron (Berthier—Maskinongé, BQ): Am I the only one who has lost the connection with the chair?

Mr. Richard Lehoux (Beauce, CPC): It's really frozen.

[*English*]

Mr. Kody Blois (Kings—Hants, Lib.): John, is this you? Can you step in here?

Mr. John Barlow (Foothills, CPC): Yes, if he doesn't come back on, I can.

Mr. Kody Blois: I think he's frozen.

Mr. John Barlow: Give him a second here.

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): He's always been a good man of stature.

● (1515)

Mr. John Barlow: He knows when to drop the mike and just leave at the height of his show.

The Chair: Can everybody hear me now?

Mr. John Barlow: There he is.

The Chair: We're all having connection issues, I guess.

Mr. John Barlow: Just so you know, Mr. Chair, you have been voted out as chair.

The Chair: Okay, well, I want to see a recorded vote, please.

Did I interrupt you, Mr. Lipsett? Did you have a chance to finish?

Mr. Rob Lipsett: I completed my presentation.

The Chair: Okay. I wasn't sure.

We'll move to the Canadian Young Farmers' Forum.

Mr. Glenn or Ms. Bissonnette, you have up to seven minutes. Go ahead.

Mr. Paul Glenn (Past Chair, Canadian Young Farmers' Forum): Thank you, Mr. Chair.

Thank you to the committee for inviting us to be with you today.

Nothing is more important to young farmers across Canada today than BRM programs. There are increasingly higher risks to grow crops and raise livestock. Be it weather, markets or politics, the forecast for bringing young bright minds into agriculture is becoming a more and more distant dream for many.

The decline in participation in BRM programs isn't difficult to understand when margins and competition in global markets intensify. Global buyers of Canadian goods can change their minds when ships come to port, causing great strain on the commodity stream and pricing. As farmers we plan many years in advance to mitigate risks that we cannot control, only to have the best planning practices still not be enough.

Strong BRM programs are needed if we intend to wake the sleeping giant that is agriculture in Canada. BRM is an investment in Canada and should not be looked at as a handout to the many struggling farmers across Canada.

I know that the committee has talked at length about AgriStability. I don't claim to be an expert, but from a young farmer's experience it is nothing short of confusing. There are more non-qualifying expenses than qualifying, and we likely could talk at length on just those things.

One in particular I will point out is the family wage not being a qualifying expense. If we are going to encourage young people in agriculture, don't you think their salaries should qualify as an expense? I understand the reasoning behind that decision, but I don't think the masses should be punished by a select few who would have the capacity to do so.

Raising the reference margin payment trigger would ensure that the program is responsive to new farms facing higher overhead costs associated with debt servicing, which is another ineligible program expense. Honestly, one of the biggest improvements would be to simplify the calculation by removing the reference margin limit so that farmers don't need to question whether they're getting a 70% payment on 70% of the reference margin, or a 70% payment on 70% of 70% of their reference margin. I'm sure that was confusing to you, because it's confusing to farmers across Canada as well.

Removing the RML looks to be the most logical step towards improving program simplicity. This would not only help predictability, but would also encourage more participants in the program. Most importantly, it would support agriculture in Canada. I think that's a choice that we as Canadians are going to have to make in the not-too-distant future. Do we want to eat Canadian-grown and raised food? Do we want to produce prosperity in rural communities across the country?

AgriInvest's limit and matching percentage on allowable net sales should also be increased if you want to encourage young farmers in the program. This potentially could be addressed through a different percentage of allowable net sales that qualify for matching funding for those in the first five years of operation, such as for new entrants.

AgriInsurance varies province to province. It's an important tool to mitigate risk, especially for young farmers. Weather is changing, and our programs will have to change to match it. Premiums are high, and that's the reason some choose to self-insure. In a lot of cases, young farmers don't have a choice but to insure, even with the high cost, to make sure they can even make it to five years of operations.

Having the crop loss years included in the five-year average should be reconsidered. I'll give you an example. Having eight bushels of soybeans is a disaster. Put that against your 50-bushel average over five years and you drop your average by 17%. By having multiple claims in five years, your average is so low you might not participate in the program and/or continue farming.

You don't have to look far to see how other countries support agriculture. I'm not saying that we want these countries' systems, but that we need to update our programs. Canadian agriculture is one of the most diverse in the world, and complicated in itself; that, I think, we can all agree on.

From here I'm going to pass to my colleague, Julie.

[*Translation*]

Ms. Julie Bissonnette (Regional Representative, Ontario-Quebec, Canadian Young Farmers' Forum): Thank you, Mr. Glenn.

Good afternoon, Mr. Chair and members of the committee.

My name is Julie Bissonnette. I represent Quebec and Ontario at the Canadian Young Farmers' Forum. I'm also the president of the Fédération de la relève agricole du Québec and a board member at the Financière agricole du Québec. In addition, I'm a dairy farmer in L'Avenir, near Drummondville.

I want to suggest some other solutions that we, as young farmers in Canada, have considered. First, I want to talk about the AgriStability program. Mr. Glenn spoke about it. When we start farming with the knowledge that we must absorb 30% of our losses before we can obtain government support, it's not very reassuring. If the coverage rate is reduced to 85%, young farmers will take on less risk.

Second, we can all agree that the first five years are the most financially demanding for any start-up business. In our opinion, a rebate for the various federal government programs would ease the pressure on businesses. For the first five years, the government would cover a portion of the young farmers' costs or contributions. This would also encourage young people to participate in the program, and they would get to know the program better.

Third, the programs must be simplified. We've consulted with some young people regarding risk management programs. In short, the programs are complex. Most young people don't use them because they don't understand them. That's unfortunate, because these programs are there to support us. Each program has a good foundation that meets our needs. However, the complexity limits the use of the programs.

We mustn't forget the supply management system. The system works very well for risk management, as long as the system is protected and fully maintained.

In conclusion, the agricultural sector must be supported. Young farmers who are starting out in farming, whether they're launching a business or taking over an existing business, need to feel supported and equipped. Any means to improve the cash flow of the business are welcome. Young farmers in Canada all have one thing in common. They love farming and they're passionate about the occupation. However, with good risk management programs, our passion will become even more enjoyable, and our stress will decrease.

● (1520)

The Chair: Thank you, Ms. Bissonnette.

[*English*]

Now we have the National Cattle Feeders' Association, for up to seven minutes.

Go ahead.

[*Translation*]

Mr. Michel Daigle (Chair of the Board of Directors, National Cattle Feeders' Association): Good afternoon.

My name is Michel Daigle. I'm the chair of the National Cattle Feeders' Association, or NCFA. I live in Sainte-Hélène-de-Bagot, Quebec, in the Saint-Hyacinthe area. I want to thank you for the opportunity to speak to you today.

The NCFA is the voice of Canada's cattle feeders, who finish approximately three million head of beef cattle each year. Today, we'll provide a brief update on the COVID-19 situation, along with recommendations to improve Canada's business risk management programs.

The COVID-19 pandemic has affected Canada's beef industry in numerous ways, but two in particular stand out. First, a reduction in beef processing has caused 130,000 head of fed cattle to back up on feedlots. This is costing cattle feeders over $500,000 a day in extra feed costs. Another 30,000 head of dairy and beef cull cattle are also backed up.

Second, the prices of fed cattle have fallen dramatically. The price of a fed steer is $20 to $30 per 100 weight lower than the five-year average, depending on the province. This translates into a drop of $300 to $450 per head for cattle feeders. From mid-March to the end of June, cattle feeders have lost $275 million.

The Government of Canada has responded by providing $50 million in AgriRecovery funding to help offset the feed costs of backed up cattle. Set-aside programs are up and running in Alberta and Saskatchewan, and Ontario is readying one as well.

Also, $77.5 million has been made available to food processors for investments to mitigate COVID-19 and protect workers. Lastly, interim payments under AgriStability were increased from 50% to 75%, and an additional $5 billion in lending has been made available through Farm Credit Canada.

COVID-19 has presented cattle feeders in the beef industry with an unprecedented challenge, and we applaud the government's support. This support is critical to managing the fallout from the pandemic. However, COVID-19 has also brought into sharper focus some gaps in Canada's suite of business risk management programs. I'll turn the floor over to our president and chief executive officer, Janice Tranberg, who will speak about this issue.

[*English*]

Go ahead, Janice.

● (1525)

Ms. Janice Tranberg (President and Chief Executive Officer, National Cattle Feeders' Association): Thank you, Michel.

Government support to manage agricultural risk comprises four programs. These include AgriInsurance, AgriInvest, AgriRecovery and AgriStability. Together, they provide about $1.6 billion annually to producers, but very little of that is for, or can be accessed, by ranchers and cattle feeders.

First, about $1 billion is paid out through AgriInsurance for crop production failures. This has little relevance for cattle.

Second, about $250 million is a government match for producers who make deposits into their AgriInvest accounts. These can be drawn upon in times of need, and the average size of a cattle account is only $13,000. That would cover the $450 per head price drop of a herd of only 28 animals. This is not much considering that an average cow-calf herd is about 70 head, and feedlots have thousands of heads.

That leaves about $350 million annually for AgriStability, which is one of the most important BRM tools for all of agriculture. However, there are a number of challenges that work against participation by ranchers and cattle feeders.

This explains why the beef industry made such a strong appeal to the federal government for special COVID-19 support under the fourth BRM program, AgriRecovery. It was the only tool to help us effectively handle the processing slowdowns, the backed-up cattle and the crash in prices. While it is appreciated, we fear it is not enough, and producers will be looking towards AgriStability.

We need to make sure that programs like AgriStability work, and work well. Currently, only 31% of agricultural producers are enrolled in AgriStability. In 2012, that figure stood at almost 45%. Why is there a change? I think there are two reasons.

First, a number of changes were made to the program in 2013. For example, payments used to trigger “after farm” net income fell by 15%. Today, payments are triggered only after net income falls by 30%. This has simply made the program less attractive as a risk management tool.

Second, there are a number of structural issues with the program that work against participation, particularly for beef producers. For cattle feeders, a key issue is the $3-million cap on payments. For cow-calf ranchers and backgrounders, the practice of limiting the reference margin used to calculate a drop in net income likewise reduces and limits their payouts.

What exactly does this mean for a cattle feeder? We reached out to Meyers Norris Penny to do some analysis for us. The work is still under way, but I can share some preliminary findings.

Based on the results of the modelling, given everything that has happened this year, and the potential threat of a second wave of COVID, we can expect a 25,000-head feedlot to generate a loss in the range of $6.5 million to $28 million in accrued income. Even in the best-case scenario, less than half that anticipated loss is covered by AgriStability. The payment caps out at $3 million very quickly, leaving a feedlot of this size exposed to potential losses in the tens of millions of dollars.

The current $3-million cap on AgriStability payments has not changed in approximately 20 years. Yet, there has been a 47% increase in the consumer price index, a 50% increase in the average annual price for finished cattle, and a 70% increase in feedlot input costs.

The Chair: Thank you, Ms. Tranberg. Unfortunately, we're out of time for your opening statement, but I'm sure you'll get questions.

We'll start the round of questions right now, beginning with Mr. Barlow for six minutes.

Go ahead, Mr. Barlow.

Mr. John Barlow: Thank you very much, Mr. Chair. I'm going to be splitting my time with my colleague Mr. Ruff.

I want to start with Ms. Tranberg. You and Monsieur Daigle had a chance to talk about it briefly. With the backlog of more than 100,000 head of cattle and the processing just starting to get back up to its full capacity, I've heard a lot of concern from cattle producers about the fall calf run and the impact this is going to have. We're not through this yet.

I'm wondering if you could just briefly touch on what you're anticipating this fall when feedlots are full and cow-calf operators are going to start selling their calves here in the next couple of months—and that's not even considering if we have a second wave. What kind of position is the industry in to be able to handle that?

● (1530)

Ms. Janice Tranberg: Michel, I can start on this.

As we've said, right now, we're already backlogged by about 130,000 cattle in western Canada. As I just mentioned, the loss that's going to cause for the cattle feeders in a best-case scenario for that 25,000 head is around $6.5 million. The set-aside programs that are up and running have just started now. They do appear to be moving cattle fairly well, but I think the biggest issue for cattle feeders is the price volatility they're looking at and, like we've said, with drops of $300 to $450 per head, that's quite significant.

Michel, maybe I'll let you fill in.

[*Translation*]

Mr. Michel Daigle: There are really two significant effects. First, as long as the fed cattle remain in the feedlots, there isn't any room for calves. This specifically answers the question about the fall.

Second, as Ms. Tranberg just said, when there's a $350 or $400 price drop per head, the cash flow really isn't enough. We're short on money to fill up the feedlots. That's why we need support, and not in a year and a half. We need a program that supports us now.

[*English*]

Mr. John Barlow: Yes, that does, and I think it pushes on the fact that the $50 million for the set-aside is not going to address the fall calf run, when you're going to have to look at making some hard decisions on whether you sell your calves or try to put them on some sort of maintenance diet if there's no buyer. When you're losing that $400 per head, I'm very concerned that it's going to get worse in the fall.

I want to pass the rest of my time to Mr. Ruff. Thank you very much, Mr. Chair.

Mr. Alex Ruff (Bruce—Grey—Owen Sound, CPC): Mr. Chair, does everybody hear me? Super.

First off, thanks for allowing me to participate in the committee today. My questions will be for the Beef Farmers of Ontario.

Mr. Lipsett, it's always good to see you and Mr. Horne.

I agree a hundred per cent with some of your comments to start. Things have fundamentally changed in the last decade, not only in the difference with where the market is, specifically within the beef sector, and the inequality that exists within the different risk management programs. Bottom line, it needs updating.

For those who aren't aware, I'm an ex-military officer. The last step of mission analysis is, has the situation changed? If it has, it means that you go back and you re-evaluate the whole program. That's ultimately what I think has currently been laid out already today in the testimony. The programs need to be updated.

The other statement I'd agree with is that I'm a big believer that our ag sector is fundamental in our economic recovery coming out of COVID-19, so I have some quick questions for you, Mr. Lipsett and Mr. Horne.

Why are farmers facing such difficulty triggering payments through the AgriStability program? Also, what benefits would come from changing it from the current 70% back up to the 85%? What would be the benefit, really, in growth, development and income for our beef farmers?

Mr. Rob Lipsett: Thanks for the question, Alex.

I guess the best description I could give is that at the 70% trigger level, using the Olympic averages for our income reference, over the past four years our beef income levels have been so low that our high and low are almost identically the same thing. We're in a position where our trigger levels have dropped low enough that by the time we get down to 70% of our reference margin, we are so close to bankruptcy that the program is not effective at all.

Part of that plays into why there is not a participation rate as high as the government would like to see, but bringing that level back up to 85% will entice people to get back into the beef business, knowing that we have some kind of cost recovery and cost protection moving forward.

Maybe Richard wants to add a bit to that.

● (1535)

Mr. Richard Horne (Executive Director, Beef Farmers of Ontario): Yes. Thanks, Mr. Ruff.

I think Paul touched on it. Janice did as well.

I don't proclaim to be an expert in the intricacies of the AgriStability program. Paul's “70% of 70%” when discussing the reference margin limit is one of the reasons why the program is so complicated, but the work that Janice from the National Cattle Feeders pointed out, which MNP has done, clearly shows that producers would receive far greater benefit by putting that trigger back to 85%. When you combine that with the RML, it would allow the program to trigger more frequently and at a greater extent, so it would be—

The Chair: Thank you. Unfortunately, we're out of time on that one.

We'll go to Mr. Blois for six minutes.

Go ahead, Mr. Blois.

Mr. Kody Blois: Thank you, Mr. Chair.

Thank you to all of the witnesses for their testimony here today.

As one of the youngest members of the House of Commons, I'd like to direct my questions today to the Canadian Young Farmers' Forum. I'll start with Mr. Glenn.

You mentioned some of the Olympic averages, the thresholds, as part of AgriStability. For new entrants into agriculture, the young farmers, particularly around AgriStability, can you give us a sense how that five-year average is established if you haven't been in the industry for five years? This also applies to programs like the advance payments program, which I understand takes averages to decide how much money might be available. Do you have any thoughts on how that might impact young farmers and any thoughts on how those programs work for you?

Mr. Paul Glenn: I can start on the advance payments program. Initially, when we were discussing how it could be improved, even for new entrants maybe for the first five years, raising the limit to $150,000, say, rather than the $100,000 currently.... A hundred thousand dollars doesn't go a long way anymore, unfortunately, especially for young farmers when they're starting out. That's something that we talked about that would help with the advance payments program.

To be quite honest, I've been farming for longer than five years, so I don't know the direct effect of the Olympic average starting in the first five years.

I touched a bit on the crop insurance side. When you include that loss year into your Olympic average when you have multiple weather events like drought to heavy rain, it's very detrimental to your average over your five years. I think that could be improved. If it were just removed from the five years and you're just including the four years that weren't averaged, I think that would be of great benefit.

I know I didn't totally answer your question there, but—

Mr. Kody Blois: No, it's fine. I have to keep moving on. I'm going to switch over to French for Madame Bissonnette.

[*Translation*]

Ms. Bissonnette, how could we enable young farmers to receive subsidies so that they can access business risk management programs? Could this option be available to new farmers, or could it also be available to people who are taking over the family farm? I can think of some scenarios, such as young farmers inheriting very profitable farms and having to pay compensation.

Ms. Julie Bissonnette: Thank you. That's a good question.

Clearly, the most significant impact is absorbed by start-ups in the initial period, from year zero to year five. We've often talked about the increasing debt load. These farmers are really in this situation right from the start. The ideal approach would really be to focus on the farmers who are in this initial phase and who are starting from scratch.

In terms of transfers, as the value increases, it can become more complicated to transfer these businesses. It would be good to provide the rebate to these farmers as well. We started with these businesses. However, if all young people can be supported with the right tools, it will be beneficial in every way. The more assistance that young people receive, the better the agriculture sector will fare. Both situations are very good examples.

[*English*]

Mr. Kody Blois: Thank you, Mr. Chair. I'd like to turn the rest of my time over to Mr. Louis, please.

Mr. Tim Louis (Kitchener—Conestoga, Lib.): Thank you, Mr. Chair.

Ms. Bissonnette, would you mind continuing your line of reasoning? I was looking forward to hearing it. If you could continue it, I'd appreciate that.

● (1540)

[*Translation*]

Ms. Julie Bissonnette: I've pretty much covered everything. It's also about obtaining the cash flow. The more cash a young person starting a business has, the better off they are. Debt is like a spinning wheel. All the tools available to help them will be useful. The more cash that they have, the better things will be for them. Whether they're starting up or transferring farms, the more assistance that young people receive, the better off they will be.

[*English*]

Mr. Tim Louis: I appreciate that.

Maybe I'll keep this line of reasoning going, because I think we'd all agree that our young farmers across all sectors, as diverse as everyone is, are going to be the future of our agriculture sector.

I know from speaking to many young farmers that capital acquisition is very difficult. You mentioned helping subsidize young farmers and helping them with liquidity in the first five years. Do you have any specific ideas that could help with the first few years? I know we've mentioned increasing the advance payments for the first five years. Do you have anything else specific?

[*Translation*]

Ms. Julie Bissonnette: Yes, I have other ideas. For example, a rebate could be provided on the crop insurance contribution. The government could then pay the administration costs for the AgriStability program. In terms of AgriInvest, the government could ensure that farmers wouldn't need to make their contribution in order to obtain the matching contribution.

In short, anything that affects cash flow, such as rebates on the contribution or on administration costs, can work. In Quebec, we have a 25% rebate. This works, and the figure could be used as a reference. However, the government must take care of this.

[*English*]

Mr. Tim Louis: That's my time. Thank you very much.

The Chair: Thank you, Mr. Louis.

[*Translation*]

Mr. Perron, you have the floor for six minutes.

Mr. Yves Perron: I want to thank the witnesses for joining us today.

Ms. Bissonnette, I'll continue with you. When you spoke about funding for the early years, you mentioned some good options. For example, you spoke about a 25% credit to cover administration costs.

Would you go so far as to suggest that full contribution credits might be feasible, or is that too much money for the government?

Ms. Julie Bissonnette: There are a number of programs from both governments. Perhaps the risk should be well distributed. As far as we're concerned, the more cash the company has, the better off the company is. A 100% contribution rebate would obviously be ideal.

Mr. Yves Perron: I gather that any improvement would be welcome and would make a difference.

When you spoke about cash flow and the AgriInvest program, you suggested that the government advance the funding, the 1% match, without requiring the young farmer to make their core investment.

Is that what you said?

Ms. Julie Bissonnette: Yes, that's correct.

Mr. Yves Perron: Okay.

If the matching contribution provided under AgriInvest were increased from 1% to 5%, as several stakeholders have requested, would that also help farmers a great deal?

Ms. Julie Bissonnette: Yes, it would.

It would help not only businesses that are zero to five years old, but also the entire next generation of farmers.

Mr. Yves Perron: Okay.

You spoke about security in agricultural production. Certainly, you take a big plunge into the unknown when you take over or create a business. You said that the margin should be set at 85% in the case of AgriStability. I think that we all agree on this. However, you didn't speak about the reference margin.

Do you think that this margin should be eliminated?

● (1545)

Ms. Julie Bissonnette: Mr. Glenn spoke about this earlier. We agree on this as well.

Mr. Yves Perron: Okay.

With regard to the insurability and security of the production, you spoke about supply management. I presume that you would be very much in favour of legislation to protect supply management in the upcoming trade negotiations. Is that correct?

Ms. Julie Bissonnette: I'll go back to what I said earlier. When we start a business, supply management ensures that we can sell our milk at a given price anywhere in the area and that we can transport the milk. This collective approach is perfect. The approach has its flaws, but for young people starting their business, it's ideal. The supply management system must certainly be fully maintained.

Mr. Yves Perron: In a crisis such as the COVID-19 crisis this year, several witnesses have told us that the supply management system has been particularly successful in terms of stabilization.

Do you agree with this statement?

Ms. Julie Bissonnette: Yes, I agree.

It has really been a collective effort. A month ago, we experienced some turmoil, and everyone pulled together and did their part. Everyone tried to reduce their production. The next month, we were already in a better position. The efforts were successful.

Mr. Yves Perron: Would you be open to the idea of exploring other ways to support agriculture? I'm thinking in particular of more proactive support that would take into account land use and environmental protection.

Do you think that it's time to start thinking of other ways to support farmers without forcing them to absorb losses?

Ms. Julie Bissonnette: We're talking about a policy that affects the next generation of farmers or the farming community in general. Land use and the environment are key issues for us because they're part of our daily lives. That's why we're farmers. All the visions and action plans that can be developed are certainly good for us.

Mr. Yves Perron: That's fine. Thank you. Your comments are very useful.

I'll now turn to Mr. Lipsett.

Mr. Lipsett, you said that the margin, the insurability of the program, must be set at 85%, because 70% brings us very close to bankruptcy. I believe that there's also the matter of the time frame involved in running the program.

Is there any way to improve the program's administration and to reduce the paperwork in order to speed up the compensation process?

[*English*]

Mr. Rob Lipsett: I'll turn that over to Mr. Horne. He can make a comment on the administrative side of things. I'm not familiar enough with overhead expenses at the administrative level to comment on that properly.

Mr. Richard Horne: One of the concerns is the delay in the program payments that go out. The government has done a good job of increasing the percentage of interim payments that go out, and I think that's an excellent move, but when we're still processing AgriStability claims from 2018, it really signals there's a problem with the timeliness of that program. It's not a program designed to handle a situation like COVID, because support is needed immediately, not down the road. My only comment on that is that there are ways.

[*Translation*]

Mr. Yves Perron: Okay.

I have a question for Mr. Daigle regarding the creation of an emergency fund.

The Chair: Mr. Perron, your time is up.

[*English*]

Now we'll have Mr. MacGregor for six minutes.

Go ahead, Mr. MacGregor.

Mr. Alistair MacGregor (Cowichan—Malahat—Langford, NDP): Thank you so much, Chair.

Welcome to our witnesses. Thank you for your testimony and helping us compile a report to deliver some recommendations to the federal government later this year.

I'd like to start with the Canadian Young Farmers' Forum.

Mr. Glenn, you mentioned in your opening remarks that nothing is more important to young farmers than having a stable suite of programs under business risk management. When we look at the demographics of those involved in farming and agriculture, we see that they tend to skew slightly to the older side. There will be a real need to have a lot of farmers step in and fill the gap when we start seeing large-scale retirement.

When young farmers are looking at the landscape and all of the risk that's present, are they really looking at the suite of business risk management programs? Is that a real item for them to look at in their consideration on whether they're going to make farming a profitable business venture? I'd like you to elaborate on that a bit.

• (1550)

Mr. Paul Glenn: There's no doubt that some of the programs are a bit confusing, and I think there should almost be a marketing push to show that there are programs out there for young farmers. A lot of farmers I talked to in gathering information for this meeting aren't aware of the programs. That's unfortunate because as diverse as agriculture is, having these programs.... We're very thankful, obviously, for these programs from the government, but because agriculture is so diverse, supporting beef farmers and crop farmers at the same time under one program is very complicated. That's why one year one's working and one year it's not. When you're a young farmer trying to mitigate your own risk by doing multiple things, you're almost penalized for doing multiple things to mitigate your risk, rather than just doing cattle or crops.

Mr. Alistair MacGregor: Yes, for sure. Thank you for those comments.

I'll turn now to the National Cattle Feeders' Association.

The forecasts that are in place for prices and the backlogs that you talked about, especially in your exchange with Mr. Barlow, are all very concerning. Given your conversations with the processing facilities we have in Canada and the measures that they've put in place, will we have enough processing to get through this backlog? What's the forecast, especially with the cow-calf season coming up?

Ms. Janice Tranberg: Again, Michel, if that's okay with you, I can start on this and then you can take over where I have left off.

As you've said, the processing sector has put a lot of measures in place to ensure that they can move the cattle through as quickly as possible. They've done a lot of work and right now things are moving quite well. They've put measures in place like opening up extra shifts to try to pull the backlog through, so they're certainly not running at 100%, but they're certainly getting close to 85% to 90%. That's positive.

Of course, everyone is concerned that there could be a second wave of COVID, that we're still not completely out of the woods yet. There is still a possibility that more measures will be needed, but if everything runs as smoothly as it is, we hope to get through the backlog, probably by some time in October.

Mr. Alistair MacGregor: Okay.

Moving on to a specific question on the suite of programs, you talked about the price cap under AgriStability not being sufficient, especially given the losses you predict will occur.

Given that AgriStability has that specific federal-provincial formula in place to make amendments to it—and the federal minister is not going to meet with her provincial and territorial counterparts until October—it seems to me the only viable program right now to continue offering assistance is AgriRecovery.

Can you provide us with some recommendations on how we can make that a better program? I know the Pork Council has definitely made some recommendations on that and have said that the program doesn't live up to its name. Given that it was a vehicle to transfer cash to producers to help them with the crisis, are there any ways we can make that a better program in the short term while we wait for amendments to AgriStability? This may take some time, unfortunately.

Ms. Janice Tranberg: Under AgriStability the $6.5 million in losses have already been incurred, so if it goes forward, we're looking at more increases. You're right, AgriRecovery certainly is the way we need to manage this.

There has not been a lot of flexibility under AgriRecovery, and we have said that the biggest part of the issue is the price drop. The prices dropped because of an excess supply. As a processor, they have tons of supply and don't have to pay the price they need, so they can pay a lower price. Already we've had to hold back cattle. We've had to pay feed costs, all of these extraordinary costs, and then on top of that you're dealing with this price drop. AgriRecovery can't cover that price drop; it can only cover the feed costs. So yes, that's a help for sure, but it's not where the biggest losses are being incurred.

Being able to have more flexibility around that would certainly be helpful under AgriRecovery.

• (1555)

Mr. Alistair MacGregor: That's great. Thank you for underlining that point.

Mr. Chair, I think that's my time.

The Chair: That's about it, so thank you.

That's about all the time we have for this round.

I want to thank all of our witnesses who took the time to be with us today: from the Beef Farmers of Ontario, Mr. Lipsett and Mr. Horne; from the Canadian Young Farmers' Forum, Mr. Glenn and Madame Bissonnette; and from the National Cattle Feeders' Association, Janice Tranberg and Michel Daigle.

I'm sure it will help us when we do our report.

We will have to break for about 15 minutes, but as we move in camera, I'll remind the members and their staff that they have to log off this meeting and then use the credential provided in the separate email that was sent earlier today to log back in. I remind you that it may take up to 15 minutes to set up the new virtual meeting space, so to all the members, come back in 15 minutes at the maximum. You can come before, but it could take up to that time before we are ready to go.

I'll suspend the meeting, and we'll see you in 15 minutes. Thank you.