CANADIAN CATTLEMEN'S ASSOCIATION

National Voice Of Cattle Producers

Statement

Prime Minister announces initial payment to beef producers and commits to provide more

May 5, 2020

Calgary, AB

The Government of Canada (GoC) announced its initial support today for Canada's beef industry amongst other agriculture announcements. The portion of the announcement pertinent to the beef industry includes:

- $50 million in funding for a set-aside program through AgriRecovery, of which the Federal Government covers 60 per cent of costs and the provinces have the option to fund the remaining 40 per cent
- $77.5 million to support business continuity within agriculture processing facilities (including but not limited to beef facilities), including personal protective equipment for workers and other safety related investments
- AgriStability interim payment increase from 50 per cent to 75 per cent as well as extending the deadline to July 3, 2020

The Canadian Cattlemen's Association (CCA) is deeply disappointed that this initial announcement falls well short of the comprehensive approach needed to help Canadian beef farm families manage through the COVID-19 crisis. Only one of CCA's three immediate recommendations to address the beef industry's challenges was partially funded in today's announcement. The CCA will continue to urgently advocate for the comprehensive approach needed to support Canadian beef producers and the long-term viability of Canada's food system. An unprecedented crisis requires unprecedented responses.

The CCA acknowledges the important investment in processing facilities. "Addressing the current challenges at packing facilities is fundamental to our long-term success in recovering from this crisis," states Bob Lowe, CCA President. "Investments that will support worker safety and business continuity at processing facilities is essential and we applaud this important investment. But until such capacity can be brought online, Canadian beef producers will continue to carry the financial burden of feeding and caring for animals that should have been harvested already."

Reductions in processing capacity have resulted in a backlog of 100,000 head of cattle that are ready for market with nowhere to be processed. An additional 6,000-9,000 head of cattle per day are being added to the current accumulation due to continued reductions at processing facilities. These 100,000 head of cattle alone cost $400,000 a day to feed and care for and the value of a market ready animal has dropped over $500 per head since the start of COVID-19. The CCA estimates that left unaddressed, the Canadian beef industry will lose half a billion dollars by June on market ready cattle alone.

The CCA recommended a set-aside program which would help producers pay for the unexpected cost of feeding and sheltering cattle beyond their targeted harvest dates. Today's announcement provided a fraction of already incurred and anticipated expenses.

Additional recommendations were for government to share the skyrocketing livestock price insurance premiums and enhance the Advance Payments Program (APP) in addition to broader recommendations for the suite of business risk management (BRM) tools available to Canadian farmers and ranchers. As currently designed, the AgriStability program does not provide meaningful protection to most Canadian beef producers. The Government provided no response to CCA's further recommendations in today's announcement.

"We need insurance, it's our main risk management tool, it is especially important for our young and new beef producers," continued Lowe. "Without these tools I am concerned that many beef operations particularly our young producers, will fail or be forced to sell their cattle."

"The Prime Minister committed that the Government would do more if it is needed. My response to the Prime Minster is: Thank you for acknowledging the need and more is certainly needed."

For further information, contact:
Michelle McMullen
Communications Manager
403-275-8558 **|** mcmullenm@cattle.ca

Questions and Answers

What are CCA's recommendation for AgriStability?
CCA recommends enhancing AgriStability by removing the $3 million payment cap, removing the Reference Margin Limit and by increasing the AgriStability trigger to 85% for 2019-2020 program year and for the remainder of the Canadian Agricultural Partnership.

These enhancements would help beef producers across Canada manage impacts of COVID-19 by improving coverage of price and production risk and providing more equitable treatment of farms under the program. CCA believes implementing these changes would also increase participation in AgriStability by beef producers, an objective shared by industry and government.

What are the CCA's recommendations for the Advance Payments Program?
The CCA also recommend adapting the Advanced Payment Program, similar to what was done for Canola producers last year, to provide added liquidity and flexibility. This will enable cattle producers to market their commodity at the best time and actually make reinvestments in their herd. 1) increasing the interest free portion for beef cattle to $500,000; 2) increasing the overall cash advance limit to $3 million; and 3) extend repayment terms for beef cattle to 36 months. Changes to the APP program can be made quickly through amendments to the Agricultural Marketing Programs Regulations as seen with Canola in 2019.

Why is livestock price insurance so important for young and new beef producers?
The Livestock Price Insurance Program (LPIP) is of particular importance to young and new beef farmers who have higher debt and are particularly susceptible to market fluctuations. The extreme market volatility due to COVID-19 has made the premiums for the LPIP increase extraordinarily. For example, price insurance in February, pre-COVID, could be purchased for $10-$15 per animal, where today it is around $70 per animal. This increase has obliterated enrollment in the program. The reason that this creates problems, especially for young, new and smaller producers is that they do not have sufficient equity built up in their operations to borrow money against. Price insurance enables them to borrow money from banks as without the price insurance leverage they may not be able to borrow money or have to borrow money at much higher rates and consequently may be forced into selling cattle at the bottom of the market or worse exiting the industry and joining other unemployed Canadians.

How does a set-aside program work?
The objective of a set-aside program is to delay the marketing of cattle when processing capacity isn't available. The program would be designed to encourage farmers to hold cattle on maintenance rations (i.e. removed from the value chain for at least eight weeks). This would allow cattle marketings to stretch out over a longer period of time and be managed by existing packing capacity, until slaughter capacity can be regained. The program was originally developed in concert between governments and the Canadian beef industry during the BSE era and considered successful.

The mechanics of the BSE era program were relatively simple. A committee of beef industry and government representatives monitored the beef market and the cattle supply situation. Periodically, when the committee determined that holding back some cattle was required, the program was opened for bids from producers who specified the dollar amount they would be willing to accept to hold back cattle on a maintenance ration. The dollar amount reflected the additional cost being taken on by the producer. The committee established a ceiling on both the number of cattle that would be held back in any single period and a cap on the compensation producers would receive. Should the market improve materially, the committee could release enrolled cattle from the program early. There were qualification restrictions, cattle identification requirements, on farm audits and measures to ensure compliance and eliminate slippage. The program evaluation stated that the random audits conducted during the program failed to uncover a single incident of program abuse. The evaluation concluded that the program was a success as fed cattle prices increased during the term of the program.