Measuring the Economic Impacts of the Ontario Risk Management Program

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Executive Summary

The Risk Management Program (RMP) is among the suite of business risk management (BRM) programs available to farmers in the Province of Ontario. It responds to the well identified need for producers to manage the risks associated with the volatility of market prices for agricultural commodities. The program is the result of a collaborative effort between industry representatives and the provincial government. The Ontario Agriculture Sustainability Coalition (OASC) represents the RMP eligible commodity producers from the Grain Farmers of Ontario, Beef Farmers of Ontario, Ontario Pork, Ontario Sheep Marketing Agency and Veal Farmers of Ontario.

RMP started as a pilot project in 2007 between the Grain Farmers of Ontario and the Ontario Ministry of Agriculture and Rural Affairs (OMAFRA). The full program, open to the five OASC commodity groups, was launched in 2011. In June 2015, OASC commissioned Harry Cummings and Associates to conduct an economic impact assessment of RMP. This assessment provides evidence to OASC on the impact that RMP has on individual operations, on farm production in Ontario and the consequent impacts of the program on the broader economy. The study includes farmer participation through surveys, interviews, focus groups and case studies, and validates these finding through secondary data available through a variety of industry studies, reports and statistics. The report explores provincial level economic impacts through input-output modelling for the Province of Ontario and a sensitivity analysis developed from primary and secondary data sources.

Primary agriculture is the foundation of the Province of Ontario’s food system. The 2015 *Dollars and Sense* report for Southern Ontario estimated the gross value of farm production, food processing and manufacturing at $53.7 billion. An OMAFRA study further estimates that total sales revenues from Ontario agriculture in primary, processing and retail activity accounted for $158.6 billion in 2011. RMP eligible commodities account for approximately 40% of this activity. Market prices for agricultural commodities are subject to wide volatility, with market prices for some agricultural commodities seeing prices peak at levels double those seen during market downturns. In addition to market volatility many producers find themselves competing with producers in neighbouring jurisdictions (such as Quebec and the US) and with supply managed commodities that receive program support at levels unavailable to RMP eligible producers. The Government of Ontario delivers a suite of business risk management programs available to Ontario farmers, including RMP, through the crown corporation Agricorp. Since 2005, gross government payments to Ontario farmers have decreased by more than 65%, while producer contributions in the form of premium payments have seen an increase.

RMP was specifically designed to address the risks and challenges faced by farmers with respect to market conditions that are beyond their control or influence. The program provides partial protection for producers against downturns in market prices. OASC and OMAFRA collaborated to design a program that meets producer needs and interests, in particular through the incorporation of cost of production in the calculation of target prices, the need for timely payments to support producers in times of financial need and the development of the industry managed Farmer’s Risk Management Premium Fund. Since 2013, the program has been restricted to a $100 million annual budget. In each year of the program, gross payments triggered by the program (including those made to the Self-Directed Risk Management Program) have been over or near $100 million. Since the introduction of the budget cap, OASC has

advocated for a raise in the cap by $25 million per year over three years to enhance the program's effectiveness.

A total of 217 producers and commodity representatives contributed to this assessment through surveys, interviews, focus groups and case studies. Survey respondents widely indicated that their farm operation had been supported by RMP. When asked what might have happened to their operation had RMP not been available, 62% of the respondents suggested that without RMP they would not be able to maintain current on-farm employment. Furthermore, 37% of producers suggested that without RMP they may have downsized their operation or left the industry. With respect to how RMP might support new farmers, 72% of respondents indicated that RMP was very important or extremely important for them when recommending new farmers to begin or to continue farming. Finally, producers indicated that RMP supported them in the adoption of better farming practices, including: biosecurity, livestock handling and feeding practices, field/crop management, computerization, and improvements to infrastructure/equipment.

Focus group participants and interviewees acknowledged that the collaboration amongst commodities and with OMAFRA/Agricorp that has been achieved through RMP has been positive and is a valuable contributor to the health of the sector. It was widely suggested that RMP is well designed to address the real risks and needs of producers. The risk associated with market price volatility is a significant threat to farm viability and the timely payments triggered by RMP are said to address this risk in a way that no other program or strategy does. Producers felt that the business risks they face are increased by the imbalance in the financial support provided through supply management and in other jurisdictions. The support provided by RMP was said to provide producers with a sense of confidence that allowed them to persist and in some cases to grow. It was noted that the risks faced by new farmers are higher than for established operations, making the program particularly important for new operations. Since the introduction of the $100 million program cap, it was widely indicated that confidence in the benefits of RMP has decreased (this sentiment was reiterated by case study participants).

Case study participants from both large operations (5000 acres) and smaller operations (150 acres) indicated that RMP was a beneficial program. Farmers reported a wide variety of expenditures ranging from large suppliers (i.e. feed, machinery and fertilizer) to local contractors and hardware stores. The vast majority of these expenditures were being made within Ontario. Case study participants reported using several different BRM strategies, but indicated that RMP addressed very specific risks in a way that other programs/strategies did not. RMP was said to be an important part of helping producers (especially livestock producers) establish guaranteed contracts with suppliers, processors and contract farms. Uncertainty of market prices would likely have compromised these relationships in the absence of the program. Case study participants also noted that RMP allowed them to operate in a more forward thinking fashion, allowing them to invest in on-farm maintenance, innovation and stewardship practices that might otherwise have been overlooked or postponed in tight financial times.

The economic impact modelling in this study was based primarily upon data from Statistics Canada and OMAFRA, as well as the application of input-output economic modelling from the 2015 *Dollars and Sense* report. The modelling in this report uses two basic economic assessment approaches:

1) Measuring the impact of the Government contributions to RMP payments
2) Impact on the provincial economy (sensitivity analysis)

The Province of Ontario contributed an average of $59.5 million in net RMP payments annually to producers from the five OASC commodities from 2011 to 2014. As a result, farmer expenditures of RMP payments would be expected to contribute a total of $133.7 million in gross output (sales & economic activity) annually to the Ontario economy.

Farmers reported that confidence and stability provided by RMP has been invaluable for keeping farm operations viable. Without RMP it is reasonable to expect contractions in the economic activity and employment that are supported by RMP. A sensitivity analysis was used to determine the effect on the Ontario economy of a contraction in the expenditures of a portion of RMP enrolled producers. A modest 5% contraction in economic activity and employment of RMP enrolled producers would result in a loss of approximately $780 million in total sales revenue and 3250 jobs from the Ontario economy. A more significant 15% contraction by RMP producers would amount to a loss of over $2 billion in total sales revenues and nearly 10,000 jobs.

This assessment suggests that impacts of RMP on the Ontario economy go beyond the simple expenditure of the government payments by farmers. Farmers and commodity representatives have expressed that RMP has played an integral role in encouraging industry collaboration, on-farm business confidence, innovation/stewardship and sustainability. These impacts are important considerations for the stability the industry and of the program. The majority of producers in this study were fully supportive of the program and commodity leaders have acknowledged its benefits to producers, as well as to the future of the industry. Ensuring that the program is oriented and empowered to meet its stated objectives of predictability, bankability and sustainability have been identified as the priorities for producers to ensure that the full benefits of the program are realized.

Acknowledgements

The authors of this report would like to thank the staff and leadership of the Ontario Agriculture Coalition for their collaboration and their efforts on this project.

We would also like to express our gratitude for the contributions of the staff at OMAFRA for meeting and discussing with us throughout various stages of this study. Their contributions and willingness to share data and their knowledge has been invaluable.

Finally, we are especially appreciative of all the farmers who gave their time and their insights. Their contributions were essential to capturing the full scope of the impacts of the Risk Management Program.

Thank you!

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1.0 - Introduction

The Ontario Agricultural Sustainability Coalition (OASC) commissioned Harry Cummings and Associates (HCA) to conduct an Economic Impact Assessment of the Risk Management Program (RMP). OASC is a coalition of five agricultural commodity group leaders and staff, with representation from Beef Farmers of Ontario, Grain Farmers of Ontario, Ontario Pork, Ontario Sheep Marketing Agency, and the Veal Farmers of Ontario. The coalition was formed in 2009 with the mandate to develop and implement RMP. The Ontario Ministry of Agriculture and Rural Affairs (OMAFRA) currently contributes $100 million annually to RMP which is managed by the provincial crown corporation Agricorp. The volatility in market prices for agriculture product represents a significant business risk to producers in the agricultural industry. Ontario farmers pay premiums into the Farmer's Risk Management Premium Fund which is managed by each commodity's representative organization. RMP provides partial financial protection for farmers against downturns in commodity market prices. The program has seen a variety of changes in its short history, and currently rests among one of the key business risk management services available to Ontario farmers.

1.1 - Purpose of study

This study is dedicated to ensuring that a farmer perspective is included in the assessment of the impact of RMP on the Ontario economy. OASC is interested in advocating for a raise in the $100 million budget cap on RMP to $175 million (targeting $25 million/year increase over three years). This study will provide evidence to OASC on the impact that the program has on individual operations, on farm production in Ontario and the consequent impacts of the program on the broader economy.

1.2 - Objectives

To the extent possible, this assessment will speak to a broad scope of impacts that can or might be associated with RMP in the Province of Ontario. Key objectives of this study include the assessment of:

- the direct and indirect/induced economic impacts of RMP on agriculture and the broader economic landscape of the Province of Ontario
- the extent to which RMP contributes the sustaining and growing employment in the agriculture sector (including primary and secondary employers)
- the effect of RMP on economic stability and confidence in agricultural production
- the extent to which RMP influences new/beginning farmers to enter and remain in agriculture
- the role RMP has played in farmers' adoption of good stewardship and innovative practices
- RMP in the context of other jurisdictions and its impacts related to agricultural/food imports and exports

2.0 - Background

2.1 - Agriculture in the Province of Ontario

The agricultural sector in the Province of Ontario represents one of the key economic drivers of the provincial economy. In 2013, primary agriculture accounted for $4.3 billion of the Gross Domestic

Product (GDP) in the Ontario economy (with a further $9.2 billion contributed in Food Manufacturing).[1] Primary agricultural production in Ontario is foundational to the provincial food system which contributes annually to $63 billion dollars in sales in Southern Ontario.[2] Accounting for broader relationships in the Ontario economy (inclusive of primary agriculture, processing and retail), it has been estimated that agricultural activity contributed to $158.56 billion in total sales revenues (based on 2011 figures).[3]

In 2013, the five year the federal-provincial initiative Growing Forward 2 (GF2) was launched with an expressed focus on innovation, competiveness and market development. The federal government contributes $1 billion dollars to targeted programs. In Ontario, producers can receive reimbursement of up to 50% of their capacity building initiatives and up to 35% of their innovative stewardship or market development initiatives.[4] Another key component of GF2 is the $2 billion of cost shared investment with the provinces for the provision of business risk management programs (further elaborated upon in section 2.3).[5] In addition to GF2, government commitment to the agriculture sector has been reinforced in Ontario through the Premier's Agri-Food Challenge. In 2013, the Premier challenged the agri-food industry to double its annual growth rate, targeting 120,000 new jobs by 2020.[6]

Agricultural market prices are indicative of the broader economic circumstances, which, along with other primary resource industries (i.e. oil & gas, minerals, forestry) are subject to international market supply and demand. Market price for primary farm products is highly variable, based on the market conditions. In Ontario, since the turn of the millennium, market prices for some agricultural commodities have seen peaks at levels double to those available during market downturns. In 2001, average prices received by Ontario farmers for slaughter cattle had reached $236/100lbs (live weight), only to drop to $154/100lbs by 2004. More recently, the commodity price has seen a sharp increase to an average of $325/100lbs in 2014.[7] It was being speculated that beef prices were beginning to decline in the fall of 2015[8]. In the grain corn industry, prices peaked in 2012 to $242/tonne, only to drop to $184/tonne by 2014.[9] These market conditions are often unpredictable and unforeseeable, exposing primary agriculture producers to significant business risk in times of market volatility and downturn. Market price risks can be further exacerbated by climate conditions (i.e. inclement weather, drought and flood).

While open market risk management practices have been adopted and are in place for many in the primary agricultural production industry, in the interest of jurisdictional economic stability, food security

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[1] http://www.omafra.gov.on.ca/english/stats/economy/gdp_agrifood.htm
[2] Dollars and Sense (2015), Econometric Research Limited, Harry Cummings and Associates, Rod McRae, PhD
[3] http://www.omafra.gov.on.ca/english/livestock/beef/news/vbn0714a4.htm
[4] http://www.bdo.ca/en/Library/Industries/agriculture/Documents/Growing-Forward-2-Ontario.pdf
[5] http://actionplan.gc.ca/en/initiative/growing-forward-2
[6] http://www.omafra.gov.on.ca/english/about/agrifoodchallenge.htm
[7] http://www.omafra.gov.on.ca/english/stats/livestock/price_cattle.htm
[8] https://www.fcc-fac.ca/en/ag-knowledge/publications/fcc-express/fcc-express-archives/20151009.html?anchor=story2&utm_source=Subscribe+to+FCC+Email&utm_campaign=ef40f25e54-FCC_Express_October_09_2015_EN_10_09_2015&utm_medium=email&utm_term=0_ecca3657d7-ef40f25e54-18196505
[9] http://www.omafra.gov.on.ca/english/stats/crops/sd_corn.htm

and agricultural innovation many governmental programs have been established to help producers manage risks.

2.2 - Risk management in other jurisdictions

In the United States (US), agricultural business risk management and insurance programs are overseen by two agencies from within the Department of Agriculture (USDA): the Risk Management Agency (RMA) and the Farm Services Agency (FSA). The Agriculture Act of 2014[10] has committed approximately $134 billion over 10 years[11] to farm business risk management and insurance programs. The RMA administers the Crop Insurance program for the private insurance companies who sell and service these insurance policies.[12] Products that are eligible for insurance include grains, oilseeds, livestock, fruits, vegetable and nuts. THE RMA offers policies under the Crop Insurance program that include coverage for income/revenue protection, loss of gross margin, and risk protection against price declines.[13] The Agriculture Act of 2014 commits $89.8 billion to crop insurance from 2014-2023.[14]

The 2014 Agriculture Act, has further affirmed business risk measures for American crop farmers against fluctuations in market prices. The FSA oversees the Agricultural Risk Coverage (ARC) and Price Losses Coverage (PLC) programs, categorized as 'commodity programs'. ARC and PLC are available for a variety of crops. The government has committed $44.4 billion to commodity programs from 2014-2023. ARC provides producers payments guaranteeing that producer income meets 86% of their benchmark revenues (as per 5 year yield and market averages). The PLC program issues payments to producers when the sale price of a given commodity is below the reference price (based on market year average price or national loan rates). The program covers 85% of the predetermined covered commodity base multiplied by the commodity payment rate.[15]

The government business risk programs for livestock, are not as robust as programs available to crop farmers. In 2011, the estimated insured liability for crop producers was $110 billion dollars, compared to livestock, at $1.1 billion dollars.[16] Similarly, whereas Crop Insurance provides protection against production losses, value, and quality for a variety of animal feeds, livestock insurance solely defends against margin losses and whole farm revenue. Literature indicates that a possible reason for the lack of robust policies available for livestock is that producers have a variety of alternatives to mitigate risks that are unavailable to crop farmers. Additionally, there has yet to be a significant outbreak of a transmittable disease resulting in decreases in livestock production.[17] For livestock, private insurance safeguards from scenarios such as lightening, hurricanes, drowning, attack by wild dogs, and building collapse. Government programs that are available to livestock producers to mitigate risk, include: '*The Emergency Loan Program', 'The Emergency Assistance for Livestock, Honey Bees and Farm Raised Fish', 'The Livestock Indemnity Program'*.

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[10] http://www.gpo.gov/fdsys/pkg/BILLS-113hr2642enr/pdf/BILLS-113hr2642enr.pdf
[11] http://www.washingtonpost.com/news/wonkblog/wp/2014/01/28/the-950-billion-farm-bill-in-one-chart/
[12] http://www.rma.usda.gov/pubs/rme/aboutrma.pdf
[13] http://www.rma.usda.gov/policies/
[14] http://farmdocdaily.illinois.edu/2014/05/2014-farm-bill-the-big-picture-through-spending.html
[15] http://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/arc-plc/pdf/base_acre_reallocate_arc_plc.pdf
[16],[16] http://www.cropinsuranceinamerica.org/wp-content/uploads/Livestock-Insurance-FINAL.pdf

The Province of Quebec has several programs that provide financial support to farmers, including Agri-Quebec, Agri-Quebec Plus, and the Farm Income Stabilization Insurance (ASRA) program. From 2005-2014, the average annual net government payments made to farmers in Quebec amounted to $597.8 million (compared to $395.7 million/year for the Ontario farmers).[18]

The ASRA program was introduced in 2001, and pays a compensation to farm businesses when the average selling price is lower than the stabilized income.[19] ASRA is designed to guarantee a positive net annual farm business income. Farmers can choose to insure one or more of their commodities with ASRA, and pay a premium (which is calculated by measuring the historic average). When farmers enroll in ASRA, they commit to participating in the program for five years. Eligible commodities under ASRA include, animals (lambs, cattle, piglets, hogs, and cows) and plants (apples, potatoes, and cereal, grain corn and oilseed crops). Each commodity has an associated minimum number of insurable units. For example, to insure grain, farmers must cultivate at least 15 hectares of cereal, grain corn and/or oilseed crops. This year, the Financière agricole du Quebec (FADQ) announced that beginning in 2016, milk-fed veal calf operations will no longer be insurable though ASRA.[20] Since 2001, ASRA's net payments have varied widely. In 2007, ASRA net payments reached their highest amounts to date at $595 million, and in 2014, net payments were at their lowest to date at $64 million. From 2010-14, ASRA has made an average of $160.6 million in net payments per year, compared to RMP's $48 million in net payments per year over the same time period.[21]

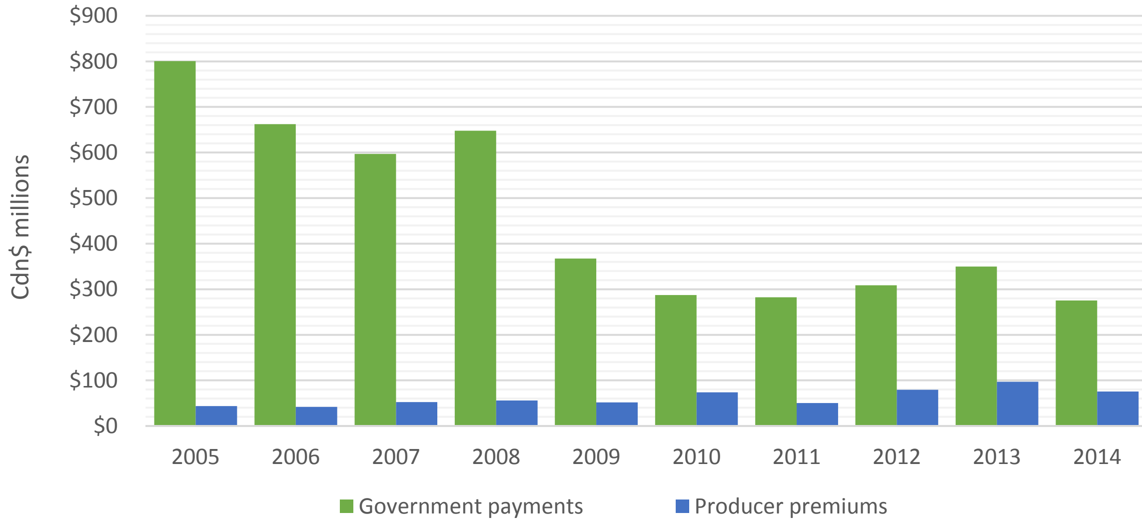
2.3 - Risk management in Ontario

The Province of Ontario and the Government of Canada offer a suite of farm business risk management (BRM) tools for Ontario farmers, including: Production Insurance, AgriStability, AgriInvest, and the Risk Management Program. Each of these programs are managed by Agricorp. With the exception of the RMP, these programs, are funded through a 60%/40% cost share agreement between the Government of Canada and the Province of Ontario. RMP receives a 40% contribution from the Province of Ontario, however to date, the Government of Canada does not contribute any funds to this program. This amounts to producers receiving a maximum of 40% return on production sales losses eligible under the program.

As presented in Figure 1, gross government payments to farmers in Ontario have decreased by over $500 million in the past decade, beginning with over $800 million in gross payments contributed in 2005, down to approximately $275 million by 2014. From 2005-2008, "Other payments" (i.e. ad hoc payments**,** Ontario BSE Recovery Initiatives, Ontario Edible Horticulture Payment) accounted for an average of 71.3% of gross government payments in Ontario, from 2009-2014 the average percentage of "Other payments" had decreased to 6.2%.[22] Over the same time period, producer premiums contributions into the suite of farm business risk management programs has seen an increase, from 2005-2008 the average total producer premium payments in Ontario was $48.4 million per year, whereas from 2009-2014, the average payments contributed had increased to $71.2 million per year.

[18] http://www.omafra.gov.on.ca/english/stats/finance/govpay.htm
[19] http://www.fadq.qc.ca/en/insurance_and_income_protection/stabilization_insurance/program.html
[20] http://www.agcanada.com/daily/quebec-to-halt-asra-for-veal-sector
[21],[22] http://www.omafra.gov.on.ca/english/stats/finance/govpay.htm

Figure 1: Gross Government Payments to Ontario Farmers & Producer Premiums (2005-2014)



Data source: OMAFRA (2015): http://www.omafra.gov.on.ca/english/stats/finance/govpay.htm

The suite of programs is designed to protect farmers against variety of risks faced by producers, primarily associated with climate and market related volatility. From 2009-2014, AgriStability and AgriInvest accounted for the highest percentage of net government payments (a combined average of 71.6% of payments annually), with net payments to Production Insurance and RMP payments varying dramatically from year-to-year.

2.4 - History of RMP

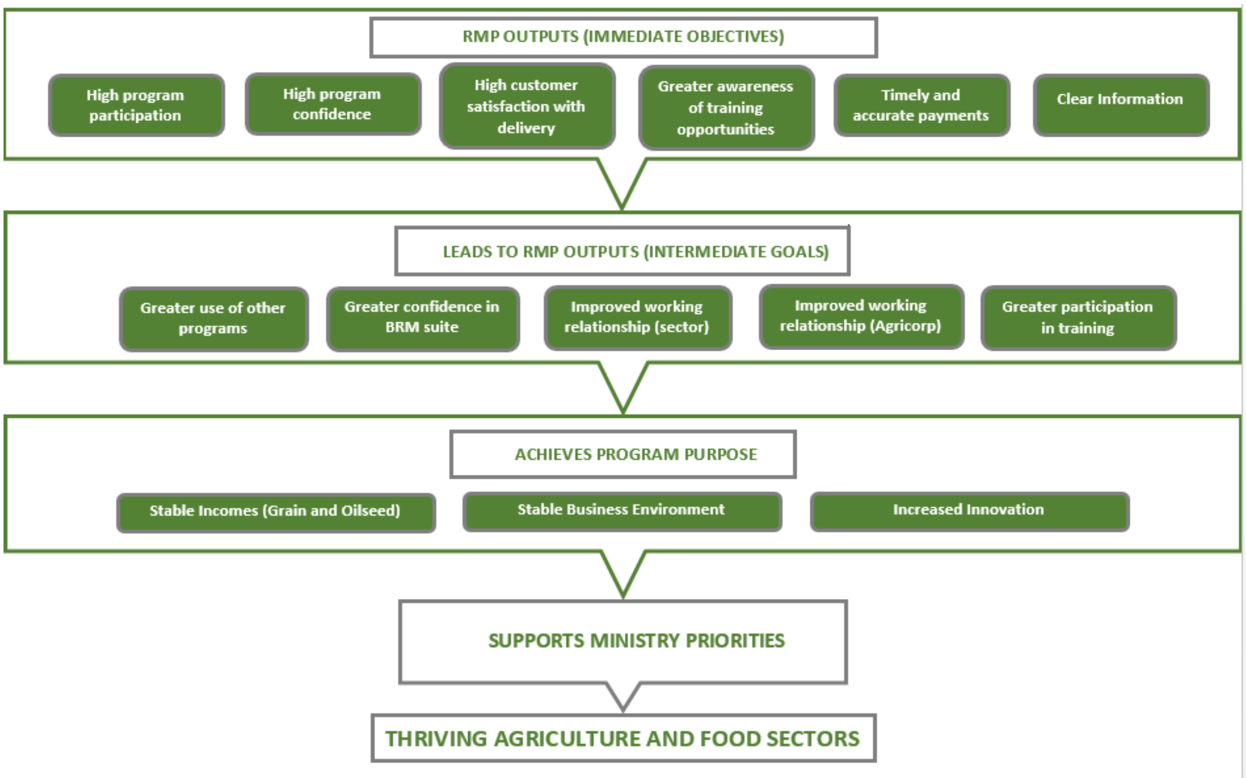
The realities of the variable global agricultural market prices and their effect on producers in the Province of Ontario has long been acknowledged in ongoing discussions between agricultural organizations and OMAFRA. In 2007, OMAFRA conducted a pilot program with grains and oilseeds producers to determine the viability of a new risk management program for the Ontario agriculture sector. RMP, as proposed to OMAFRA by industry, was initially designed to:

- Help stabilize farm incomes of grains and oilseeds producers;
- Create a stable environment in which sound business decisions can be made; and,
- Provide a solid foundation on which grains and oilseeds producers can take new and innovative approaches to productions and marketing that will increase their returns from the market place and/or lower their production costs[23]

The pilot phase also introduced a RMP Logic Model (Figure 2), outlining the outputs, outcomes and achievement of program purposes all designed to support Ministry priorities and ultimately a thriving agricultural and food sector.

[23] OMAFRA (2009), Program Evaluation of the Pilot Ontario Risk Management Program for Grain and Oilseed Producers – Preliminary Report and Consultation Guide

Figure 2: RMP Logic Model – Grain & Oilseed Pilot Project [a]



[a] Formatted from, OMAFRA (2009), Program Evaluation of the Pilot Ontario Risk Management Program for Grain and Oilseed Producers – Preliminary Report and Consultation Guide

The Province of Ontario committed to pay its 40% share of the agricultural support payments triggered by the RMP model. At no point between the pilot program and up to the current operation of the program, has the Government of Canada expressed any commitment to or interest in contributing the 60% cost share toward RMP that it contributes to other farm risk management programs.

Following the three year pilot program with grains and oilseeds producers (concluded in 2009), OMAFRA conducted a program evaluation of the pilot. Participation in the pilot program ranged from 12,200 producers in 2007 to 8,500 producers in 2009.[24] Broadly, the study found that relatively high prices for grains and oilseeds compounded with insufficient time and data resulted in overall findings on the impact of the program that were somewhat inconclusive.

In 2009, following ongoing collaboration with the Province of Ontario, the Ontario Agricultural Sustainability Coalition (OASC) was formed. The coalition brings together leaders and staff of five commodity organizations: Beef Farmers of Ontario (BFO), Grain Farmers of Ontario (GFO), Ontario Pork (OP), Ontario Sheep Marketing Agency (OSMA), and Veal Farmers of Ontario (VFO). OASC's expressed purpose was the development and ongoing implementation of RMP on behalf of producers of their respective commodities. The Self-Directed Risk Management Program (SDRM) was simultaneously being developed for edible horticulture products including fruits, vegetables, herbs and spices, mushrooms, nuts, honey and maple products. The RMP program is inclusive of SDRM, however, this aspect of the

[24] OMAFRA (2009), Program Evaluation of the Pilot Ontario Risk Management Program for Grain and Oilseed Producers – Preliminary Report and Consultation Guide

program works independently of OASC and employs a model that is distinct from the model used for the grains and oilseeds and livestock producers.

OASC had identified three key principles for the program: bankability, predictability and sustainability. Negotiations with the province ultimately resulted in the launch of RMP for a broad range of commodities (grains and oilseeds, beef, veal, sheep, hogs) in 2011. In the first full year of the program, producer premiums were waived for farmers, and the province paid its 40% share of payments triggered by RMP. In subsequent years, RMP saw the introduction of program changes year-over-year. In 2012, RMP registered producers were required to pay premiums. In 2013, the Province of Ontario capped its payment amount to the program at $100 million.[25] Alongside the introduction of the cap, OASC negotiated with OMAFRA in the development of the Farmer's Risk Management Premium Fund.[26] For 2013 and 2014, the program remained unchanged. Prior to 2015, RMP producer registration in the AgriStability program was a requirement for RMP enrollment. This requirement has since been lifted at the request and recommendation of OASC. In 2015, OASC commissioned this study to measure the economic impacts of RMP. In 2015/2016, OMAFRA began the process of conducting a full program evaluation of RMP.

2.5 - How RMP works

Agricorp is the public agency responsible for the delivery of RMP. This brief summary of how RMP works is based on Agricorp's program publications. RMP is fundamentally built around the establishment of target commodity prices, against which producers can receive partial financial return for product sales that are made below target prices according to the producers' support level. Calculation of target prices is based upon commodities' cost of production and is developed by OMAFRA in consultation with each commodity group. Target price calculations are undertaken at different frequencies for different commodities. For grains and oilseeds market prices are calculated twice a year. Cost of production is determined through a sample of grains and oilseeds producers taken from Agricorp's producer database for farmers registered in AgriStability and Production Insurance.[27] For livestock producers market prices are calculated on a weekly basis. Cost of production for livestock is calculated from a sample of livestock producers taken from Agricorp's database for livestock producers registered in AgriStability and takes into account real-time costs of feed and replacement animals.[28] Cost of production calculations for both grains and oilseeds and livestock exclude producers with production costs that are in the highest 30% of all producers. Using average market prices during the payment periods and factoring in the cost of production, compensation for market losses is calculated for the various products in each commodity.

Farmers determine their support level by choosing a coverage level of 80%, 90% or 100% of the target price. Enrolment premium rates are determined by OMAFRA for each commodity and each coverage level. Updated premium rates for each commodity are available through the Agricorp website. For grains and oilseeds, a producers' premium payment is calculated by multiplying their premium rate by

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[25] If the 40% of payments triggered by RMP exceeded this cap, payments would be pro-rated to ensure that total program payments stay within the $100 million budget
[26] http://www.agricorp.com/SiteCollectionDocuments/RMP-InfoSheet-PremiumFund-en.pdf
[27] http://www.agricorp.com/SiteCollectionDocuments/RMP-InfoSheet-CalculatingTargetAndMarketPrices-en.pdf
[28] http://www.agricorp.com/SiteCollectionDocuments/RMP-Livestock-InfoSheet-CalculatingTargetAndMarketPrices-en.pdf

their average farm yield and acreage.[29] For livestock producers, premium payments are calculated by multiplying the producer's premium rate by either the number of head enrolled or the total eligible weight gain enrolled (depending on the commodity that has been enrolled).[30] Premiums paid by producers are placed into the Farmer's Risk Management Premium Fund which is overseen by farm organizations representing each commodity group. The Premium Fund allows industry to partner with the Ontario government, by supplementing RMP payments in years of high market losses, and when available RMP budgeted funds are unable to meet the extent of farm losses.

A payment from RMP is triggered when the average market price for a commodity is below the identified target price over the course of a given period as calculated by OMAFRA. Producers are eligible for a payment up to 40% of the difference between the target price and the market price for products sold over the course of the period (according to their selected support level). Since 2013, OMAFRA's contribution to RMP payments has been capped at $100 million dollars (inclusive of the SDRM program and program operational costs). In the event that eligible RMP payments (as calculated by market losses and producer support levels) exceed $100 million in a fiscal year, actual payments to farmers are pro-rated to ensure that total issued payments remain within the program budget.

Grains and oilseeds have two payment periods annually, a pre-harvest payment and a post-harvest payment. For livestock producers, payments are issued twice per year for the cow-calf category of cattle and for sheep. For feedlot and backgrounder cattle and all hog categories, payments are issued three times per year. For veal producers, payments are issued four times per year. All payment deadlines and schedules are available on the Agricorp website.[31]

3.0 - Methodology

3.1 - Assessment design

This study represents a mixed methods approach to exploring the impact of RMP on the Ontario economy. It was deemed particularly important to ensure that producers' experiences and priorities were heard and incorporated into the findings of the study. The study methods/data sources for this study were as follows:

- Literature/document review
- Discovery and validation focus groups
- Producer questionnaire/survey
- OASC staff and producer interviews
- Producer case study interviews
- Agricultural data for the province of Ontario - Statistics Canada/OMAFRA
- RMP participant data - OMAFRA

The methods used have provided a diverse set of data through which to validate the results.

3.2 - Data collection

The study was initiated through key informant interview discussions with OASC representatives in order to establish a foundation for the data collection process. A total of five commodity group

[29] http://www.agricorp.com/SiteCollectionDocuments/RMP-GandO-Handbook-en.pdf
[30] http://www.agricorp.com/SiteCollectionDocuments/RMP-Livestock-Handbook-2015-en.pdf
[31] http://www.agricorp.com/en-ca/Programs/RMP/Pages/Overview.aspx

representatives participated in the introductory key informant interviews. The objectives and perceived outcomes of the program, as well as the priority objectives for the economic assessment were discussed. A discovery focus group was conducted with representatives from all five commodity groups as a basis for solidifying the producer perspectives of the program and to assist the further refinement of the methodology. A total of 13 producers and staff persons representing the five commodity groups participated in the discussion. The discovery focus group was a key contributor to the addition of the producer case study interviews into the data collection methodology.

Throughout the data collection process, HCA collected and reviewed a variety of reports and data on risk management in Ontario agriculture and in other jurisdictions. HCA also collected and reviewed RMP specific data available through the Agricorp website as well as reports and updates shared by OASC.

Following the discovery focus group an online producer survey was developed and deployed. Staff representatives for each commodity group took responsibility for informing and encouraging their members to participate in the survey. A web link to the online survey platform (Survey Monkey) was shared through emails and newsletters distributed to producers for open access for a period of four weeks. A select number of hard copies of the questionnaire were distributed to producers for whom the web survey did not meet their needs (these results were subsequently entered into the online platform by OASC staff representatives).

Through communication with OASC and OMAFRA staff, HCA was provided province-wide financial and farm profile data for RMP participants. This RMP data was complimented by provincial agriculture data that was accessed through the statistical data available from the OMAFRA website.

Commodity specific focus groups were conducted with two commodity groups, taking advantage of pre-existing meetings scheduled for these commodities. Attendance for the first focus group consisted of 20 participants, including commodity group staff leadership and producers from around the province (including some who were not part of RMP). Attendance for the second focus group consisted of 10 members and consisted of staff and producers that comprised the board of directors for the commodity. Telephone-based validation interviews were held with representatives from one commodity group. A total of 4 producers participated in these interviews. Focus group discussions and telephone-based interviews were used both as a primary data collection method as well as a validation exercise in which findings were discussed with producers for their input and verification.

Telephone-based case study interviews were also conducted with a producer representative from each commodity group. These interviews spoke directly with individual producers in order to assess the specific farm-level effects the program has had on their operation. It was also used as a method through which supply chain relationships for RMP-enrolled producers could be discussed.

3.3 - Analysis

The broad mixed-method data collection approach used in this assessment served as an important source of validation for the findings of this assessment. The producer perspective on the program impacts has been established and reinforced through both the quantitative survey and the qualitative interviews/focus groups. The convergence of these data sources were analysed through the lens of their direct relationship with the broader economy and the priorities for agriculture established by OMAFRA and by producers including: stability/viability, stewardship/innovation, bankability and sustainability.

Data collected through OMAFRA served as the foundation of the economic modelling and the discussion of the economic impacts of RMP on the provincial scale. The modelling presents the scope of agricultural production that is covered under RMP. It further discusses the direct and indirect/induced impact of the actual dollars spent by the Province on the provincial GDP and gross outputs (modelling is based upon the input-output calculations established in the 2015 *Dollars and Sense* report). Building off of the findings from the primary data collection with producers, a sensitivity analysis will discuss the scope of impact that RMP has had on the provincial economy and, using a series of scenarios, presents what the impact on agriculture might have been had the program not existed.

Program findings and economic impacts will ultimately be discussed to present evidence that reflects the real and speculative effects that RMP has upon agriculture and economic activity in the Province of Ontario.

3.4 - Limitations

Producers representing all of the relevant commodity groups participated in the survey. However, participation in the survey was voluntary and the response rates varied across the commodity groups. While the survey results provide important insights on context and the effects of RMP, the response rates were not sufficient to represent all producers involved in RMP.

Some minor discrepancies in data that has been collected from secondary sources have been identified, and put some restraints on the extent to which certain province wide data points could be confidently compared. Such discrepancies included the various presentations of program payments and income and expense data (from Agricorp, OMAFRA and Statistics Canada reports). Challenges of aggregating and disaggregating provincial data into the specific RMP commodity groups were also identified such that more targeted assessments could not be accurately carried out. Data for each aspect of the report have been accounted for in footnotes throughout the report.

The inability to produce a pure comparison (or control) group, led to the necessity of estimating and speculating impacts based on realistic scenarios as posited by primary data as collected from producers and exploring these scenarios through the real economic data with respect to the RMP producers and agriculture in Ontario. It was necessary to estimate some impacts based on secondary data used to approximate the activity of RMP producers.

The relatively short history of the program and the fact that the design of the program has changed in most years of RMP's existence limit the extent to which year-over-year comparisons of program performance can be conducted and to which the real impact of the program can be discussed in a generalizable fashion.

4.0 - Research findings & results

4.1 – Quantitative

4.1.1 - Respondent profile

The RMP producer survey was completed by 160 producers from around the province representing the five commodity groups served by OASC. The participation of producers as categorized by commodity are presented in Table 2.

Table 2: Commodity Participation in Questionnaire

Products Registered RMP	#	%
Beef only	5	3.1%
Sheep only	29	18.1%
Hogs only	38	23.8%
Veal only	6	3.8%
Grains and Oilseeds only	6	3.8%
Livestock + G&O	68	42.5%
Multiple livestock	8	5.0%
Total (N)	**160**	**100.0%**

While nearly half of respondents (47.5%) had multiple commodities enrolled in RMP, when asked about producers' most important source of farm income, hog producers were the most highly represented, followed by sheep producers. Approximately, one third of questionnaire (33.1%) respondents participated in the RMP pilot program from 2007-2010. For the full years of the program, approximately 80% had participated in the 2011 year, while 95% participated in the most recent year of the program (2015). Producers from 33 counties throughout the province completed the survey, with a reported average farm size of 575 acres. This average size was more than double the average farm size for the Province of Ontario of 244 acres[32] as documented in the 2011 Census data.

4.1.2 - Farm Employment

When asked if the producer would have been able to maintain all of their employees if they did not have access to RMP 62% of producers surveyed indicated "No". The total employment numbers and the prospective job losses as reported by the survey respondents are presented in Table 3. Producers suggested that out of 487 full-time positions, they would foresee a loss of 103 of these positions (21%) if RMP was not available to them. The estimated impact on part-time work would have been steeper with a speculated loss of 42% of part-time positions. Seasonal and casual work was also speculated to lose 36% of these positions. Inclusive of all types of employment, questionnaire respondents estimated that 267 of 899 (30%) of employment on their operations could be lost if RMP had not been available to them.

Table 3: Farm employment for questionnaire respondents

Job type	Total jobs reported	Mean	# of respondents
Full-time jobs	487	3.4	144
Part-time jobs	227	2.1	107
Seasonal/casual jobs	185	2.6	72
Job type	**Jobs lost without RMP**	**Mean**	**# of respondents**
Full-time jobs	103	1.9	55
Part-time jobs	95	1.8	54
Seasonal/casual jobs	69	1.7	41

[32] http://www.omafra.gov.on.ca/english/stats/census/summary.htm

4.1.3 - Farm Expenditures

An exploration of farm expenditures highlighted that producers are reportedly contributing RMP payments to their operational costs. The top 10 expenditures, in rank order, where RMP payments were reportedly directed are:

1. Feed, supplements and hay
2. Livestock
3. Veterinary services, drugs, semen, breeding fees, etc.
4. Wages and salaries
5. Seed and plants
6. Fertilizer and lime
7. Herbicides, insecticides, fungicides, etc.
8. Repairs and maintenance to farm machinery, equipment and vehicles
9. Repairs and maintenance to farm buildings and fences
10. All fuels (diesel, gasoline, oil, wood, natural gas, propane, etc.)

These reported expenditures as supported by RMP producers help to reflect the broader economic relationships of producers and the widespread economic activity which is stimulated by farmers. These relationships will be further elaborated upon later in the findings.

4.1.4 - RMP Impacts as Reported by Questionnaire Respondents

Producers were asked what the impact on their operation would have been had RMP not been available to them. Their responses were categorized into seven categories. The results are presented in Table 4.

Table 4: Reported impact on production if RMP was not available

Participant response categories	#	%
Would consider leaving the industry	27	21.8%
Would likely downsize	18	14.5%
Would face more risk and less stability	31	25.0%
Would sacrifice maintenance, expansion and farm improvements	30	24.2%
Would have to rely on supplementary income	6	4.8%
Nothing/minimal impact	6	4.8%
Other	6	4.8%
Total (N)	**124**	**100.0%**

As seen in Table 4, many respondents indicated that without RMP there would have been adverse effects on their operation. Producers who indicated that they would consider leaving the industry or would have downsized accounted for more than one-third of responses. Nearly one-quarter indicated that they would likely need to sacrifice maintenance, expansion and farm improvements. Less than 5% of respondents suggested that there would be little to no impact to their operation.

Questions were asked of farmers regarding support provided by RMP to on-farm innovation and stewardship practices. Approximately one-third of the respondents indicated that RMP payments had supported them in the adoption of bio-security efforts and/or livestock feeding/handling technologies. Approximately 20% of respondents noted that their payments helped in the adoption of computerization and/or improvements to farm equipment. It must be acknowledged that 23% of respondents noted that RMP payments did not contribute to the adoption of innovative practices or improved stewardship. In these cases producers indicated that the payments were not significant enough for this type of investment, or simply that payments were mainly used for operational costs.

When asked how RMP influences new and beginning farmers, out of 37 new/beginning farmers who completed the questionnaire, 60% indicated that RMP was either extremely or very important in influencing them to enter and continue farming. When asked how RMP would influence producers in their recommendation to new/beginning farmers to enter into or continue farming, 72% of all respondents indicated that RMP was either extremely important or very important.

4.1.5 - RMP Summary Data

The Farm Finance branch of OMAFRA, shared RMP data for the 2011 to 2014 years of the program. Table 5 presents the number of program participants, the producer premiums paid and the program payments that were triggered each year, for each of the five commodities. For context it is important to remember that in 2011 (the inception year of the full program), producers were not required to pay premiums or be in the enrolled in the AgriStability Program. In 2012, producer premiums were introduced and enrollment in AgriStability was a requirement for all program participants (the requirement was lifted in the 2015 program year). In 2013, the $100 million program budget was introduced.

Table 5: Summary of RMP Participation, Premiums and Payments[a]

Year	Commodity	# of Farms	Producer Premiums	RMP Payments
2011	Grains & Oilseeds	8,762	-	$1,453,346
	Livestock	4,024	-	$75,173,108
2012	Grains & Oilseeds	5,554	$8,891,132	$29,668
	Livestock	2,082	$20,030,964	$91,334,383
2013	Grains & Oilseeds	5,665	$11,307,209	$32,710,565
	Livestock	2,108	$11,137543	$37,493,706
2014	Grains & Oilseeds	5,516	$8,758,685	$59,351,251
	Livestock	1,922	$9,907,299	$11,300,887

[a] Data reported as provided by the Farm Finance branch of OMAFRA

The large drop in participation numbers from 2011 to 2012 can be primarily attributed to the fact that premium payments were introduced in 2012. It is worth noting that in 2011 and 2012, the vast majority of payments were going to the livestock commodities. However, with the gradual decline in grains and oilseeds prices and the concurrent increase in market prices for livestock (beef in particular) the majority program payments in the 2013 and 2014 years shifted to grains and oilseeds producers.

As of 2014, the annual RMP gross payments to the five commodity groups have remained below the $100 million cap. However, according to the September 2015 Agricorp Program Delivery Update to the Ontario Agricultural Commodity Council, in 2012, when the program was fully funded at 40%, the total RMP payments (including SDRM payments) amounted to $113.73 million. The report further details that in 2013 and 2014, total RMP payments amounted to $90.75 million and $93.69 million respectively. It is important to note that the gross payments do not account for program operational costs, nor do they deduct producer premiums. As such, in each year of the program, gross payments were either over or very near the $100 million program budget.

As shared by the Farm Finance Branch of OMAFRA, the percentages of eligible production enrolled in RMP in 2014 are presented in Table 6.

Table 6: Percentage of eligible production enrolled in RMP by commodity

Commodity	Category	%
Grains and Oilseeds	All	43%
Beef	Feedlot	71%
	Backgrounder	38%
	Cow-calf	10%
Hogs	Early wean	63%
	Feeder	66%
	Growers/Finishers	72%
Sheep	All	27%
Veal	All	93%

4.2 - Qualitative

4.2.1 - Discovery Interviews

Five discovery key informant interviews were conducted with staff/producers from OASC. These interviews included three livestock commodity representatives and two grains and oilseeds representatives. These interviews highlighted not only the perceived value of RMP to producers throughout the province, but also highlighted the important role that this model has played in facilitating relationships between the commodity groups and the Ministry. Several, interviewees noted that the relationship between OASC and Agricorp/OMAFRA has been generally quite positive. Commodity group representatives did express appreciation for the fact that Agricorp itself is trying to be responsible and limit the amount of overhead and administration costs that are being spent in the management of their programs. It was often noted by staff that the ongoing collaboration with Agricorp and OMAFRA is important and valuable.

The commodity group representatives emphasized the priorities of RMP, highlighting the objectives associated with predictability, bankability and sustainability. In the discovery phase, key informants expressed a keen interest in quantifying the impact of the program and demonstrating that they believed to be a crucial tool in the risk and business management toolbox for producers.

Confidence and faith in the program model presented by RMP was expressed by all commodity group representatives. To some extent interviewees expressed pride in the role that OASC has played in ensuring the program is aligned to the needs and interests of producers. Some of the highlighted successes included the incorporation of cost of production in the calculation of target prices, the development of the Premium Fund and the removal of the requirement that RMP enrollment be contingent upon being a participant in AgriStability. Commodity group representatives have also, to some extent, contributed to the discussion with financial institutions regarding the needs and interests of lenders. At least one representative indicated that in discussions with banks, RMP enrolment is viewed favorably through its role in helping to ensure that farm businesses remain liquid.

Addressing imbalances with programs in neighbouring jurisdictions was highlighted by both livestock and grains and oilseeds representatives. For livestock, the impact that Quebec’s ASRA program had upon production in Quebec was said to have made it very difficult for Ontario producers to remain competitive when livestock prices became volatile over the decade from 2000 and 2010. For grains and oilseeds, it was noted that RMP helped to address some of the challenges Ontario producers had competing with US markets, where producers noted that ethanol subsidies were driving the market.[33]

Representatives from the all commodity groups highlighted that while the overall percentage of farm operations in RMP may be relatively low, between 55-75% of the eligible production in the province is covered under the program. This was further supported by large average farm size reported by questionnaire respondents and in focus group discussions when it was noted by several focus group participants that the program is supported by full time farmers and large scale farm businesses.

Of the primary interests for commodity groups is for the province to raise the program cap. Representatives noted that the introduction of the cap is predicated on the belief by the province that payments are unlikely to exceed $100 million. As shown above, this assessment might be supported by the payments that have been made by the program to date, however, it was noted by grains and oilseeds representatives that in the case of a major downturn in the grains and oilseeds prices, the program would need between $175-200 million to be safe in such an environment. As such it was noted that OASC and the commodity groups are actively advocating for a raise to the cap of $25 million per year for three years to an eventual program cap of $175 million.

4.2.2 - Focus groups and validation interviews

A total of three focus groups were conducted. An initial discovery focus group of 13 producers was hosted with representatives from all five commodity groups. A focus group with 20 sheep producers was held as a supplementary evening session during a sheep producer conference hosted in Milton, ON. A focus group with 10 veal producers and staff was held in at the Livestock Alliance office, in Guelph, ON. Finally, a series of telephone-based validation interviews were conducted with 4 grains and oilseeds producers.

During focus group discussions it was widely acknowledged that RMP payments are used almost immediately to cover operational costs. Since payments are triggered when commodity prices are low and the financial burdens on farmers are at their highest, the need for RMP funds are usually needed almost immediately to contribute to operational costs that are strained due to the market price downturn. As noted by survey respondents and case study interviewees, focus group participants also acknowledged that payments are being directed specifically towards primary farm inputs. One of the major strengths of the payments for the program is that funds are received in a much timelier manner than other programs (in particular AgriStability). The responsiveness and timeliness of payments are said to be particularly valuable in terms of meeting the needs of farmers when they are facing tighter financial times.

Business viability and market stability were generally identified as the key benefit afforded by the program. For many producers, particularly livestock producers, the major market downturns within the last 10 years made remaining competitive and viable an extreme challenge. As also reported in the survey, many producers questioned their willingness to persist in producing their commodity as the market risks in the industry were too high.

[33] This study from Iowa State University discusses the history and impact of ethanol subsidies in the US: http://lib.dr.iastate.edu/cgi/viewcontent.cgi?article=1004&context=card_policybriefs

The issue of program reliability and stability was emphasized in the focus groups, sheep producers in particular, noted that many of the program's benefits may be undermined if the program remains inconsistent with its support structure changing year over year. Livestock producers highlighted in focus groups that the challenges faced during the market downturn present a significant risk to the viability of their operations. They suggested that when RMP was fully funded by the province the return was bankable and provided them with the ability to predict the returns on possible losses in the event of a downturn. Focus groups all noted that when the payment amounts were made somewhat unpredictable after the introduction of the $100 million cap, it decreased their confidence to make long term business decisions, as they lost the ability to predict the consequences of a market shock. Increasing the reliability of the program payments was acknowledged as a priority interest of producers. It was noted that the consequences of a lack of predictability is that investment might be slowed and important business decisions might be deferred in challenging times until after a payment is received. Several focus group participants noted that ultimately if farmers lose confidence in the returns they can expect to receive from the program, they may choose to opt out of the program. It was further reiterated by grains and oilseeds producers during validation interviews, that as the largest commodity they had yet to see a dramatic drop in grain prices during the life of the program. While the payments to date may have remained below or near the $100 million cap, given the amount of crop production covered by the program, $100 million would be consumed quickly in the event of a dramatic price drop for grains and oilseeds products.

It was noted broadly by livestock producers, that they were significantly challenged in their ability to compete in the market against the highly supported production in the Province of Quebec. It was widely noted that the volatile market prices for livestock products between 2003 and 2010[34] that the viability and stability livestock production was being lost to Quebec. In these challenging years for Ontario producers, the ASRA program contributed between $139 million and $595 million in net farm stabilization payments. Several producers in focus group discussions noted that livestock production was severely threatened and only stabilized after the introduction of RMP. For many it was a program that was desperately needed in order to remain competitive with producers in Quebec.[35] It was further contributed by grains and oilseeds farmers that incentives and payments made in the United States to ethanol producers are driving the markets for their products. This exposes them to volatile market prices largely beyond their control. Like the challenges with the ASRA program, American agricultural program payments posed challenges with respect to remaining competitive the incentivized production south of the border.

All commodity groups indicated as well that the inequity of support given to various products needs to be considered with respect the suite of business risk management options that are available. Further to the competition with other jurisdictions, the guaranteed income for producers of supply managed commodities (dairy, poultry and egg), provide them with a stability unavailable to RMP eligible producers. These operations compete for land and the guaranteed income for producers of supply managed commodities puts them at an advantage over the RMP eligible commodities.

Discussing the provincial demand for Ontario products, there was a broad sentiment amongst focus group participants that the interest and demand for Ontario-based product is high and growing.

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[34] http://www.omafra.gov.on.ca/english/stats/livestock/index.html
[35] http://www.omafra.gov.on.ca/english/stats/finance/govpay.htm

Volatility in the markets compromises the ability of producers to meet the consumer demand for Ontario product. It was acknowledged that RMP payments are an important contributor to the stabilization of production in RMP commodities and helping to ensure that the demand for “local”, Ontario product can be met. The stable supply of Ontario product was said to not only help meet the consumer demand, but it was highlighted by focus group participants that the value added and multiplier benefits of the sale of Ontario farm products would be lost if Ontario consumers were forced to purchase more imported products. As stated by one producer, “We might as well feed our own province”.

The need for this program was widely acknowledged by all commodity groups and it was suggested by producers in focus groups and validation interviews that the cross-commodity collaboration contributes to the strength of the program and the industry. Livestock producers highlighted the importance of grain prices (especially corn) to their operation. It was suggested by producers in the discovery focus group that “everything is based on the value of corn”. Not only are crop prices directly tied to the cost of production for livestock (i.e. feed prices), they were also noted for their effect on the broader agricultural economy. Livestock producers also represent important customers for many crop producers. Grains and oilseeds producers acknowledged that commodity prices had been relatively stable and hence had not triggered significant payments for crop farmers for the majority of the program years. However, the value of the program and the solidarity amongst RMP enrolled producers was evidenced, according to one grains and oilseeds producer, by the fact that between the 2012 and 2014 years of the program, enrollment had remained fairly consistent, even in years when market prices meant that prospects for payments to grains and oilseeds producers were limited. One grain farmer acknowledged that his decision to remain in the program is both with respect to the long term view of his operation and the broader agricultural sector. This feeling was reinforced during a focus group when it was acknowledged by one producer that his commitment to the program was as much about solidarity in the industry as it was for the welfare of his operation. It was further observed in focus groups and interviews that this commitment by producers has in recent year’s proven wise as grains and oilseeds prices saw a gradual decline from 2013 through 2015.

Several focus groups and interviews discussed the idea that RMP could act as a disincentive for farmers to take on practices that would improve production efficiencies and business decisions. This idea was resoundingly refuted by producers, noting that the need for the program is due to factors beyond their control as a business. As reinforced by case study participants, producers will always be motivated toward efficiencies, profits and stewardship, but market volatility reduces confidence and limits the extent to which producers are willing to make long-term investments that do not result in immediate profits needed to keep the operation liquid. RMP has been said to be an important contributor to their business confidence, allowing producers to have some confidence against market volatility and to be more forward thinking in their business decisions.

Through discussions around the value of the program for new farmers, it was widely acknowledged, that the risks for new farmers and operations are higher than those for established operations. Without access to business risk management strategies, the motivation for and viability of new farmers entering or staying in the industry were said to be compromised. On the other hand, some producers indicated that RMP had influenced them in encouraging and supporting their children to continue in the industry.

Given the aging farmer population in the province (average age of 54 years as of 2011)[36], supporting the business climate for young farmers was acknowledged by focus group participants and interviewees as an important consideration for business risk management programs. It was acknowledged that the income stabilization supported by RMP is an important contributor creating a viable climate for new farmers.

Of the programs available to RMP eligible producers, RMP was acknowledged as a program that met a specific need for the viability of their business. Production Insurance for grain farmers was also noted as a key piece of their business risk management strategy. To maximize the benefit of the program, producers expressed the need for predictability and consistency. Producers repeatedly suggested that if they have confidence in the return they can expect in the face of a market downturn, it will give them the security and confidence to sustain, improve and grow their operations.

4.3 - Case study interviews

A case study interview was conducted with a representative producer from each of the five commodity groups represented by OASC, for the purposes of discussing in an in depth fashion the effect the program is having upon producers at the farm/local level. The case studies discussed farm profiles, producer involvement with RMP, risk management strategies, supplier and customer relationships, and finally some general impressions respecting the RMP program.

Case study participants represented a broad range of farm sizes from livestock operations with fewer than 200 animals to 5,000 acre grains and oilseeds operations. Farm employment for the case study participants included operations with owners working as the sole employees, up to operations that work with custom farm operators employing 25-30 workers. Most of the case study participants (4 out of 5) had been active in farming for more than 18 years, with some representing first generation operations to a generational operation whose lands have been used for farming since the early 19th century. The final participant was a farmer in his 30s, but had been engaged in family farming his whole life as his operation has been passed from his grandfather to his father and him.

Case study participants noted that in 2011, the benefits of joining the program were evident in that, due to the fact the no premiums were required, if the market allowed they would be eligible for compensation at no cost. For all producers, market volatility and risk management were the primary motivations for them to stay in the program. One producer cited an unexpected commodity price drop that was 30% below a profitable price. This volatility was widely agreed by producers to threaten the viability of operations. It was suggested that even at 40%, the coverage provided by the province against these downturns provided some peace of mind and confidence to producers. For one producer it was argued that while Ontario produces efficient, good quality product, they struggled to compete against the highly funded industry in the Province of Quebec, and that RMP was necessary for Ontario producers to remain competitive with the producers who are heavily supported by the ASRA program in Quebec.

Producers from each commodity have a wide variety of strategies to manage risk beyond RMP. Most producers are participating in other financial and risk management support available through

[36] http://www.farms.com/ag-industry-news/statistics-canada-highlights-ontario-agriculture-s-changing-dynamics-from-1991-to-2011-793.aspx

government business risk management (i.e. Production Insurance, AgriStability, AgriInvest). For some commodities, futures trading is a viable financial management option, as well as establishing guaranteed forward-priced contracts with processors. For operators in smaller livestock commodities, the availability of market-based risk management opportunities are not as readily available. As such, producers often cited a variety of income diversification through the sale of multiple commodities, or by managing costs by growing and consuming their own crops to manage feed costs. Ultimately, it was suggested by one producer that in spite of these other options, there is no other risk management strategy available that can replace the support given by RMP.

Small and large producers discussed the relationships they have formed with their local and the broader economy. They highlighted their primary expenditures mirroring the expenditures reported by producers in the survey. Direct farm inputs such as feed, seed, fertilizer and livestock were universally acknowledged as the priority expenses for producers. However, significant relationships and expenditures were also reported with a wide variety of supplies and services, including: equipment/machinery, fuel/hydro, wages, transport costs, veterinary costs, custom farming and contract services.

Feed costs alone for larger operations range in the millions of dollars in grains and supplements annually ($4 million annually was reported by one producer). Seed and fertilizer costs for small (on-farm feed-based) cropping amounted to $5,000-10,000 per year (often from local suppliers), whereas grain and oilseeds producers with thousands of acres of crops, were reportedly spending between $500,000 and $1 million on seeds and fertilizer in a given year. For small operations, farmers are not paying wages (or may hire part-time work on an ad hoc basis). However, large operations are spending hundreds of thousands of dollars in wages to 20-25 employees supported through custom farming and contract farms. Machinery and equipment costs were variable depending on the need for maintenance or new purchases in a given year. At minimum, producers reported $5,000-10,000 per year could go towards maintenance and upkeep, whereas large operations (particularly grains and oilseeds) reported spending up to $500,000 annually on machinery purchases. Trucking/transport costs were reported by larger operations in the range of $100,000-250,000 per year. Veterinary and genetics services were reportedly as high as $300,000 per year for larger livestock operations. Finally, hydro, fuel and natural gas costs amount to tens of thousands of dollars annually (with one producer reporting a Hydro bill of approximately $10,000/month).

Nearly all suppliers identified by the case study participants are operational in the province of Ontario, ranging from national/international brands for supplying equipment, feed and seeds to local purchases of products and services from COOPs, contractors and hardware stores. Livestock purchases by case study participants were reportedly made primarily amongst producers within the province, such as at auction markets or through direct relationships between farms. Veterinary services were also a major expense that relied upon a service that came from Ontario-based veterinarians in their regions (in many cases led by graduates from the Ontario Veterinary College). Fuel, natural gas and electricity were highlighted as a major operating expense that cannot be overlooked. The supply for these inputs also represented major expenses paid to Ontario-based suppliers. Case study participant responses support the notion that vast majority of farm expenditures (those also identified in the survey and focus groups) are contributing directly to a wide scope of local and provincial Ontario businesses.

Several producers discussed the important relationships they have established with their custom and contract farm relationships. They are establishing guaranteed contracts and stable business relationships with these farmers which was said to contribute significantly to the farm income and viability of these contract/custom farming operators. Producers also reported renting property to neighbouring farms and one producer in particular reported how his relationship with the community as a result is invaluable to the community and has contributed to ensuring that the land is productive and well-managed. The farm-to-farm and community level relationships were said to be stable at the moment, but would be threatened in the event of market instability. Without some assurances against market price fluctuation, the ability to guarantee the contracts would be severely threatened, and likely replaced with ad hoc contracts. These ad hoc contracts would dramatically compromise the viability of custom/contract farm operations. In an instable market, it was suggested that rental land would likely need to be sold, which is said not only to reduce prospective income to the land owner, but also that the productivity on these lands and the trusted community relationships would also be compromised. Case study participants reported that RMP was an essential part of ensuring that these relationships could be maintained and stable.

Regarding sales, producers highlighted the necessity to establish consistent relationships with processors. While sale auction markets represented an important customer for one case study participant, the majority of producers highlighted the overwhelming importance of establishing relationships with processors. Guaranteed contracts with these suppliers are not only crucial to farm income, but producers also emphasized the necessity for farms to ensure processors of a consistent supply product. The vast majority of income reported by case study participants was received through guaranteed contracts with large packing and processing plants such as Newmarket Meat Packers, Sofina Foods Inc., Greenfield and Ingredion. The ability to maintain supply at relatively stable prices is extremely important for both producers and processors. Case study participants noted that RMP contributed to their confidence and willingness to establish the existing contracts. The volatility of market prices without some guaranteed protection against potential losses were said to compromise the profitability and consequent employment prospects for farmers and processors.

It was widely reported by case study interviewees that innovation and stewardship advances for farm operations are rarely directly associated with RMP payments. However, it was stated in multiple discussions that producers generally strive for efficiency and stewardship, but that in times of financial hardship, innovations and stewardship practices that are not immediately income producing are often postponed or overlooked. It was stated that the willingness to be more forward thinking and make on-farm investments is supported by the stability that is provided by RMP. Transition to livestock handling equipment, biosecurity initiatives and traceability was suggested by some livestock producers, while contributing to the purchase of new equipment was suggested by a grains and oilseeds producer.

All case study participants suggested that without RMP, they would have been cautious and would likely have had to scale back their operation (in most cases significantly). Some of the suggested effects on case study operations included:

- Selling off rented land
- Ceasing expansion plans
- Shifting investments to a different commodity and/or industry
- Scaling back of operations (by as much as 50%)
- Inability to guarantee contracts with suppliers and customers

- Leaving agriculture all together

In general, all case study participants spoke positively of the program with respect to the effects it has had on their operation. Producers indicated that when the program guaranteed 40% coverage against market-based losses below the producers' coverage level, they felt that the return was bankable and helped contribute to their decision making. Case study participants reiterated the comments made during focus groups, that changes made to the program from year-to-year and ultimately the $100 million cap on payments have contributed to some uncertainty in producer's perceived benefits of the program. All case study participants acknowledged that it provides a valuable service to their operation. Case study participants all suggested that the program is an important piece of the overall risk management and farm management structure that they have built. It was universally acknowledged that program consistency and increased funding would be the keys to ensuring that the benefits of RMP are maximized for producers.

4.4 - Economic impact modelling

The economic impact modelling in this study is based primarily upon data from Statistics Canada and OMAFRA, as well as the application of input-output economic modelling from the 2015 *Dollars and Sense*[37] report.[38] The modelling in this section uses two basic economic assessment approaches:

Section 4.4.1 - Measuring the impact of the Government contributions to RMP payments
Section 4.4.2 - Impact on the provincial economy (sensitivity analysis)

Measuring the impact of government contributions explores the direct and indirect/induced impact that government RMP payments can be expected to contribute to GDP and gross output. Assessing the impact on the provincial economy involves assessing the full size and scope of the agri-food economy in Ontario and the portion of the industry that is impacted by RMP. A sensitivity analysis discusses the extent to which the viability and sustainability of RMP producers could impact the provincial economy. The analysis presumes a variety of scenarios that might have taken place without RMP and assesses the impact that these scenarios would have had on the provincial economy.

4.4.1 - Measuring the impact of the Government contributions to RMP payments

As seen in Table 7, from 2011 to 2014 OMAFRA contributed a total net payment of $238,814,081 to RMP enrolled producers from the five commodity groups represented in OASC. On an annual basis, the average net government payments to the five commodity groups amounts to $59,703,520.

Table 7: RMP Premiums Paid, RMP Payments and Net Government Contribution (2011-2014)[a]

Year	Premiums Paid	RMP Payments	Net government contribution
2011	-	$76,626,454	$76,626,454
2012	$28,922,096	$91,364,051	$62,441,955
2013	$22,444,752	$70,204,271	$47,759,519
2014	$18,665,984	$70,652,137	$51,986,153
Total	**$70,032,832**	**$308,846,913**	**$238,814,081**

[37] Dollars and Sense (2015), Econometric Research Limited, Harry Cummings and Associates, Rod McRae, PhD
[38] This study assumes that the expenditures of RMP enrolled farmers are largely consistent with the expenditures for the all farmers in Southern Ontario (as calculated in the Dollars and Sense report). A more precise estimate could be achieved through a custom calculation using StatsCan or an equivalent input-output model

[a]In its first full operational year, RMP participant producers did not pay premiums

To measure the expected impact of RMP payments on the Ontario economy, this report relies on the calculation of direct and indirect/induced impacts of farm expenditures to GDP as presented in the 2015 *Dollars and Sense* report. The model employed in these calculations represents an input-output model based upon 2011 Statistics Canada data. As defined in the *Dollars and Sense* report direct, indirect and induced impacts are to be understood as follows:

- Direct impact – refers to farmers initial expenditures on equipment, materials and labour – that is their direct costs of operation.
- Indirect impact – refers to purchases by suppliers in the course of providing the goods and services required by farmers.
- Induced impact – refers to the re-spending of income on consumer goods and services by farmers and workers in the sectors receiving the initial and indirect expenditures.[39]

As established through primary data collection (questionnaire, focus groups and case study interviews) producers report that their RMP payments reportedly go directly into operational expenditures. Acknowledging that RMP payments are translated into producer expenditures, Table 8 presents the expected direct and indirect/induced impact on GDP calculations that can be applied RMP payments.

Table 8: Direct and indirect/induced Impacts of 2011-2014 RMP Payments on Provincial GDP

Year	Net RMP Payments	Direct Impact	Indirect/Induced Impact	Total GDP Impact
2011	$76,626,454	$43,906,958	$45,056,355	$88,963,313
2012	$62,441,955	$35,779,240	$36,715,870	$72,495,109
2013	$47,759,519	$27,366,204	$28,082,597	$55,448,801
2014	$51,986,153	$29,788,065	$30,567,858	$60,355,923
Total	**$238,814,081**	**$136,840,468**	**$140,422,680**	**$277,263,148**

Annually, the average net RMP payment amounts contributed by province to the five commodity groups from 2011 to 2014 (including the 2011 year when producers paid not premiums) amounted to $59.7 million. Consequently, the average annual impact (direct, indirect and induced) of net RMP payments to the provincial GDP amounted to $69.3 million. Deducting the average net RMP payments from the average annual impact on GDP results in an annual gain to the provincial economy of $9.6 million above initial expenditure. The total expected impact of net RMP payments on provincial GDP from 2011-2014 would be $38.4 million (above initial expenditures).

These GDP calculations demonstrate that at a basic level, using provincial level GDP impact calculations, it can be expected that the RMP payments are contributing to provincial GDP. Given the much broader nature of the agricultural sector and the Ontario food system it should be expected that the impact on agricultural sales and consequently further contributions to GDP would result. Gross output (i.e. sales and economic activity) is impacted more significantly by expenditure in agriculture than the more modest impacts on the GDP as a whole. The *Dollars and Sense* report has calculated that for each dollar

[39] Dollars and Sense (2015), p. 41, Econometric Research Limited, Harry Cummings and Associates, Rod McRae, PhD

in initial expenditure, a total of $2.24 in gross output will result in the broader economy. [40] Given Ontario's net payments to RMP producers from 2011-2014 of $238.8 million, the total expected gross output in economic activity from these payments would be $534.9 million. Deducting, initial payments, RMP payments (when translated into producer expenditures), would be expected to contribute an additional $296.1 million in economic activity throughout the province from 2011-2014 (contributing an average annual impact of $74.0 million).

4.4.2 - Impact on the provincial economy (sensitivity analysis)

As shown earlier, producer feedback confirmed that RMP makes an important contribution to the stability and viability of their farm operation. According to the 2011 Census, there were a total of 51,950[41] farm operations in the province on Ontario (including all supply managed and RMP eligible commodities). In its first full operational year, 11,381[42] (22% of all Ontario farm operations) were enrolled in RMP. With the introduction of RMP premiums, producer participation in RMP declined to 6,844 in 2012, 6,962 in 2013 and 6,670 in 2014. This amounted to 13.0%, 13.4% and 12.8% of Ontario farms (against the 2011 Census) in 2012, 2013 and 2014 respectively. In spite of the fact that the majority of all farm operations in the province are not covered under the program, primary data collection and OMAFRA data as presented in Table 6 shows that the percentage of RMP eligible production for some commodity groups is quite high (especially for livestock). This is reinforced through RMP farmer expense data that has been provided by and accessed through OMAFRA. Table 9 below shows the reported expenditures of RMP producers compared to the operating expenses as reported by Statistics Canada for the Province of Ontario.

Table 9: RMP Producer Expenses compared to Provincial Operating Expenses in $ '000s (2011-2013)

YEAR	ONT Farmer - Operating Expenses [a]	RMP Farmer - Expenses [b]	% of RMP expenses as compared to operating expenses for all of Ontario
2011	$8,868,875	$6,232,671	70.3%
2012	$9,468,535	$4,718,445	49.8%
2013	$9,719,404	$5,601,454	57.6%

[a]Data Sources - Income of Farm Operators from Farming Operations, 2005-2014 (OMAFRA) & RMP Data as provided by OMAFRA – includes all farm operations (i.e. RMP eligible & supply managed commodities)
[b]Note - Some RMP data from OMAFRA for 2014 had not been updated, hence only 2011-2013 data is used

The higher percentage seen in 2011 can be attributed to the fact that producers were not required to pay premiums which likely contributed to a higher participation rate. It is essential to recognize that the 'Operating expenses' as reported from the Statistics Canada data and the RMP enrolled producer expenses as presented in Table 9 are not directly comparable. RMP expense data is documented based upon taxable expenses as reported to OMAFRA through AgriStability enrollment, and do not align directly with the 'operating expense' data as collected from farmers for the Census. However, these farm expense figures still demonstrate the significant amount of farm expenditures that are covered under RMP. As noted above, when comparing the total number of RMP enrolled operations (from the five commodity groups) to all farm operations in Ontario (including SDRM eligible producers and supply managed commodities), we can see that farm operations from the five commodity groups who are

[40] Dollars and Sense (2015), p. 40, Econometric Research Limited, Harry Cummings and Associates, Rod McRae, PhD
[41] Total number of farm operations in Ontario as per 2011 Census: http://www.omafra.gov.on.ca/english/stats/agriculture_summary.htm#farm
[42] Data provided by OMAFRA regarding RMP participation

enrolled in RMP account for approximately 13% of all Ontario farms. Based upon the calculations in Table 7 and the primary data collected from producers through questionnaires, focus groups and interviews, it seems evident that many of the producers in RMP represent large farming operations. Given this data it seems reasonable to suggest that between 25-50% of all agricultural activity in the province is being directly or indirectly impacted by RMP.

In the OMAFRA study, *The True Value of Beef to Ontario's Economy*, the Ontario GDP, Total Sales Revenue and Total Employment from Primary, Processing and Retail Sectors, Adjusted for Product Imports in 2011 are presented for each agricultural commodity.[43] The report shows that 39.8% of all GDP from agricultural activity in Ontario is attributable to RMP eligible commodities. The GDP, Total Sales Revenue and Total Employment contributions for the RMP commodities are presented in Table 10 (Note: veal production is not distinguished in the report as veal specific data is not available through Statistics Canada, for this report it is acknowledged that veal production is incorporated into the figures for cattle).

Table 10: Ontario GDP, Total Sales Revenue and Total Employment from Primary, Processing and Retail Sectors for RMP Eligible Commodities (2011)[a]

Commodity	GDP Contribution	Total Sales Revenue	Total Employment
Grains and Oilseed	$8.14 billion	$36.27 billion	145,035
Cattle	$2.86 billion	$13.21 billion	61,207
Hogs	$2.39 billion	$12.06 billion	49,693
Sheep	$0.15 billion	$0.77 billion	4,364
Total	**$13.54 billion**	**$62.31 billion**	**259,999**

[a] Adapted from *The True Value of Beef to Ontario's Economy*:
http://www.omafra.gov.on.ca/english/livestock/beef/news/vbn0714a4.htm

In 2011, eligible producers for RMP from the five commodity groups in this assessment contributed $13.54 billion dollars to the provincial GDP and nearly 260,000 jobs. The Province of Ontario's $100 million investment in RMP represents only 0.7% of the total GDP contribution made by RMP eligible production. Using a conservative estimate that 25% of the economic activity of RMP eligible production in Ontario is impacted by RMP, this amounts to $3.39 billion in GDP contribution, $15.6 billion in total sales revenues and 65,000 jobs being impacted by RMP. Given data collected from producers, key informants, and the enrollment and expense data as presented in Tables 6 and 9, it is more likely that at least 50% of all RMP eligible agricultural production in the Province is covered in the program, amounting to an estimated $6.77 billion in GDP contribution, $31.15 billion in total sales revenues and 135,000 jobs being supported by RMP.

In spite of the relatively small contribution of RMP payments to overall scale of the agricultural industry, producers have indicated that it has made a significant contribution to their confidence to sustain and improve their operations. As highlighted in the producer survey, 37% of producers indicated that they might have down-sized or left the industry if RMP was not available. A further 24% suggested that without RMP they would have sacrificed maintenance, expansion and farm improvements. Accompanied with the 62% of producers that indicated that they would not have maintained all their

[43] It is acknowledged here that direct, indirect and induced impacts have already been incorporated into these numbers.

employees without RMP, it is widely suggested by producers that the program has a significant impact on their viability and their business confidence.

The following discussion uses a sensitivity analysis that presumes a number of scenarios presenting the economic impact of contractions in the economic activity RMP producers. For these calculations we will use the conservative estimate that 25% of the Ontario agricultural economic activity by RMP eligible producers is impacted by RMP. Table 11 shows what the impact that a 5%, 10% and 15% contraction by RMP eligible producers would have on Ontario GDP from Primary, Processing and Retail Sectors.

Table 11: Economic Impact on GDP for Contraction in Economic Activity for RMP Producers (figures in Cdn $billions)

Commodity	25% of Total Sales Revenue	5% contraction	10% contraction	15% contraction
	Column A	5% of Column A	10% of Column A	15% of Column A
Grains and Oilseed	$2.04	$0.102	$0.204	$0.306
Cattle	$0.72	$0.036	$0.072	$0.108
Hogs	$0.60	$0.030	$0.060	$0.090
Sheep	$0.04	$0.002	$0.004	$0.006
Total	**$3.39**	**$0.169**	**$0.339**	**$0.509**

Considering these contraction scenarios, in a more conservative scenario of a 5% contraction in the GDP from 25% of RMP eligible producers would result in $169 million loss to the Ontario GDP. Using the more substantial 15% contraction in the GDP resulting from RMP producers would result in a $509 million loss in provincial GDP.

Once again, using the conservative estimate that 25% of Ontario agricultural economic activity of RMP eligible producers is impacted by RMP, Table 10 shows the impact that a 5%, 10% and 15% contraction in economic activity by RMP eligible producers would have on Total Sales Revenue from Primary, Processing and Retail Sectors in Ontario.

Table 12: Economic Impact on Total Sales Revenues for Contraction in Economic Activity for RMP Producers (figures in Cdn $billions)

Commodity	25% of Total Sales Revenue	5% contraction	10% contraction	15% contraction
	Column A	5% of Column A	10% of Column A	15% of Column A
Grains and Oilseed	$9.07	$0.45	$0.91	$1.36
Cattle	$3.30	$0.17	$0.33	$0.50
Hogs	$3.02	$0.15	$0.30	$0.45
Sheep	$0.19	$0.01	$0.02	$0.03
Total	**$15.58**	**$0.78**	**$1.56**	**$2.34**

The calculation of the Total Sales Revenues from agricultural activity is inclusive of significantly more of the dollars that circulate in the economy (for these calculations $1 contribution to GDP is relative to $4.60 in total sales revenue). Consequently, a simple 5% contraction in the economic activity from 25% RMP eligible producers would result in a $780 million loss in total sales revenues. If an economic downturn in market prices resulted in a 15% contraction in 25% of RMP eligible producer activity, the consequent loss in total sales revenue would amount to $2.34 billion throughout the province of Ontario.

Finally, by applying the 25% estimation to total employment numbers attributable to RMP eligible production, Table 13 shows the impact that a 5%, 10% and 15% contraction would have on Total Employment from Primary, Processing and Retail Sectors in Ontario.

Table 13: Economic Impact on Total Employment for Contraction in Economic Activity for RMP Producers

Commodity	25% of Total Employment	5% contraction	10% contraction	15% contraction
	Column A	5% of Column A	10% of Column A	15% of Column A
Grains and Oilseed	36,259	1813	3626	5439
Cattle	15,302	765	1530	2295
Hogs	12,423	621	1242	1863
Sheep	1,091	55	109	164
Total	**65,075**	**3254**	**6507**	**9761**

Building upon the reports from producers indicating the important role RMP has played on both their ability to maintain on-farm employment, as well as their greater confidence in their ability to sustain their supply of product to processors, it is reasonable to suggest that employment is supported by RMP. The modest 5% contraction in total employment resulting from 25% of RMP eligible production would contribute to a loss of 3254 jobs from primary, processing and retail sector jobs throughout the province. Finally, in a scenario where the total employment resulting from 25% of RMP eligible production contracted by 15%, the impacted employment by this contraction would amount to a loss of 9,761 jobs.

5.0 - Conclusions and discussions

Market price and cost of production volatility in the agriculture sector is widely acknowledged as the driving necessity behind RMP. In spite of the scope of risk management strategies employed by farmers they still have little control of the international factors that influence commodity prices. Unlike supply managed commodities or the heavily incentivized/stabilized products in neighbouring jurisdictions, farm operations represented by the five OASC commodity groups are highly exposed to the risks of rising and falling of commodity prices. While business risk management programs such as Production Insurance, AgriStability and AgriInvest, combined with market-based efforts like futures trading and guaranteed forward-priced contracts are invaluable for RMP eligible commodities, it was repeatedly suggested that none of these strategies provide the specific, timely support currently offered by RMP. The income stabilization and the knowledge that they are partially protected against a market downturn was frequently reported as the key influencing factor for producer enrollment in the program. Even in cases where producers to date have received relatively minimal payments (against their premium payments) it was acknowledged that their continued participation the program is forward thinking and contributes to a strategy that targets the stabilization of individual operations and further to the agriculture sector over the long term.

The long-term stabilization is contributed to by the solidarity and collaboration of a wide variety of stakeholders in the industry. The constructive and collaborative working relationship between the commodity groups and OMAFRA/Agricorp was spoken of with optimism. The value of the producer-to-Ministry relationship was acknowledged as a very valuable aspect in the development of RMP that can contribute to the long-term stability and growth of the agricultural sector. Further to this, the cross-commodity collaboration that has been developed through the OASC group has helped to establish an environment of communication and support amongst commodity groups that helps serve the producers within each commodity group, while at the same time contribute to the stabilization of the broader industry. The industry collaboration has resulted in a program that many producers indicated had been truly designed to address their needs.

The key benefit of the program reported by producers is the protection it provided against market volatility. To maximize this benefit, producers stated frequently that a predictable and calculable payment would provide them with a stronger base upon which to make business decisions. When the province initially agreed to the fully funded 40% contribution to the program, the perception of the benefits and predictability was quite positive. With the introduction of the $100 million program cap, it was often indicated that this positive perception had been compromised and that uncertainty about the program benefits had increased. As discussed in the findings, before the cap was introduced, gross payments in 2012 exceeded $100 million dollars. Since the inception of RMP, the largest RMP eligible commodity (grains and oilseeds) has not experienced major commodity price volatility. Producers have highlighted their concern that a significant downturn in market prices for grains and oilseeds would result in eligible payments well in access of the cap. The cap had reduced the predictability of program payments and was frequently said to have reduced confidence on the part of the producers with respect to the benefits of the program. The confidence in the program benefits were also said to be compromised by the fact that the program design had been changed year-to-year leading some producers to question the long term sustainability of the program. Enrolment in RMP was reported by many producers to be seen as favorable by creditors, suppliers and customers, and to be recognised as a valuable part of a responsible business model. However, in order to build confidence and to support the feeling that the program is truly bankable, producers frequently indicated that the assurance of a consistent and predictable benefit over the long-term would be the essential.

Study participants often spoke highly about the fundamental design of the program. Payments were said to be timelier than for other programs, which supported producers in times of financial need and helped to ensure the operation stayed liquid in tight financial times. At a basic level, producers indicated that payments helped to alleviate stress associated with market downturns and attributed directly to operational expenses during times when revenues were limited by the market. Many producers through the survey, focus groups, interviews and case studies indicated that the support they have received through the program has contributed to on-farm maintenance, capital investment and long-term viability of their operation. The volatility of the markets, compounded with the heavily supported production in neighbouring jurisdictions and for supply managed commodities had caused many producers to question the viability of their operation in the years prior to the introduction of RMP. It was acknowledged by many producers that RMP helped to stabilize their operation. Many producers (particularly livestock producers) indicated that it gave them the confidence to establish more stable business relationships with contract/custom farmers, as well as suppliers and customers. For producers that had reported that their payments had not yet been significant enough to have a dramatic impact of farm business decisions (as was the case for many grains and oilseeds producers), it was acknowledged that the long-term perceived benefits allowed producers the confidence to undertake improvements to infrastructure and to make long-term business decisions, allowing them to operate in a less defensive fashion.

On-farm investments and farm improvements were widely reported to have been supported by RMP by participants in this study. It was stated on many occasions that in the face of tight financial times, investments that did not contribute to short-term revenues are likely to be avoided or postponed. The willingness to make investments in computerized equipment (i.e. for livestock handling and feeding), biosecurity efforts, animal traceability, tile drainage, erosion control, manure/fertilizer management were all said to have been supported by the stability offered by RMP. Further to the environmental stewardship and innovation that was reportedly supported by the program, the program was also said to have provided some stability to the risks faced by new farmers in the industry. Producers have suggested that the long-term sustainability of the agricultural sector both through the adoption of innovative practices and the support for new farmers are supported by RMP.

The Province of Ontario committed $100 million annually to RMP from 2013 to 2015. In an industry the size of the Ontario agriculture sector, this represents relatively small investment. In 2011 for instance, $100 million would account for 0.7% of the GDP resulting from primary, processing and retail from the RMP eligible commodities. In 2014, net RMP payments accounted for 15.4%[44] of the net payments made to farmers by the Province of Ontario. Calculating the expected GDP impact of the RMP payments amounts to a relatively modest additional contribution to GDP. However, as we begin to consider the broader economic activity contributed by RMP enrolled producers, we begin to see that billions of dollars in GDP and total sales revenue, as well as tens of thousands of jobs are being supported by the program. Using the conservative estimates in this report, the economic activity of 25% percent of RMP eligible producers is likely directly impacted by RMP. This estimate would amount to $3.39 billion in GDP, $15.58 billion in total sales revenue and 65,075 jobs are affected by RMP. Given the scale of the economic activity that is supported by RMP and the reported influence the program has had upon the producers in the province, it can be argued that the impact of RMP on the agricultural economy of Ontario is substantial.

Providing stability to this segment of the economy has real economic impacts on the Ontario economy. However, the direct impacts of the program on the Ontario economy are only part of the equation. The role that the program has played in encouraging industry collaboration, on-farm business confidence, innovation/stewardship and sustainability are important considerations for the stability the industry and of the program. The majority of producers in this study were fully supportive of the program and commodity leaders have acknowledged its benefits to producers, as well as to the future of the industry. Ensuring that the program is oriented and empowered to meet its stated objectives of predictability, bankability and sustainability have been identified as the priorities for producers to ensure that the full benefits of the program are realized. The ongoing collaboration between producers and OMAFRA will be integral to ensuring that the program meets the needs of all stakeholders impacted by RMP. In the context of the national Growing Forward 2 initiative and the Ontario Premier's Agri-Food Challenge, producers in this study have indicated that RMP supports them uniquely to meet the goals and objectives of these governmental priorities contributing to the long-term stability of agricultural production and the agricultural economy in the Province of Ontario.

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[44] Calculated from Government payments as presented by OMAFRA http://www.omafra.gov.on.ca/english/stats/finance/govpay.htm

6.0 - Appendices

6.1 - Appendix A – Key Informant Interview Guide

The Ontario Agriculture Sustainability Coalition is conducting an economic impact study of its Risk Management Program (RMP) to understand and quantify the economic and other benefits of the program. Harry Cummings and Associates has been contracted to conduct this study.

This interview is intended to provide you with an opportunity to provide feedback on your experience with the program to date. All of the information collected will be summarized and no names will be reported on, so please feel welcome to speak as freely and openly as you wish.

Participation in the interview is completely voluntary, but we hope that you see the benefit of participating.

We need and value your feedback.

The first few questions relate to the program goals and objectives.

1. To start, can you tell me about when (the year) you initially became involved with RMP and what your role / responsibilities are in relation to the program? Are you involved with other business risk management programs (e.g. Agristability program)?

2. Based on your experience with RMP to date, what would you say are the primary goals of the program?

3. Have the goals and/or objectives of RMP changed over the life of the program? If so, in what way?

4. How many/ what percentage of producers in your commodity group have joined the RMP?

5. To what extent is RMP meeting to the needs and interests of your commodity group? Does the program serve producers equally regardless of their scale of production and with respect to any linkages to value added activities?

6. How does RMP fit in with and stand apart from other business risk management programs for your commodity group?

The next few questions relate to the program administration and delivery.

7. Which aspects of planning and implementing RMP have been successful?

8. What are the key challenges associated with planning and implementing RMP? What are the advantages / disadvantages of the RMP for your commodity group?

9. What resources – including human, financial and infrastructure – are needed to ensure the success of RMP (today and in the future)?

10. How do farmers come to know the program and how do they join RMP?

11. How accessible is the program to farmers? Are there any barriers to participation?

12. What support structures are in place to support farmer participation in RMP?

The next few questions relate to program outcomes including the impact the program is having on participating farmers.

13. To what extent do you feel RMP encouraged new job opportunities and sustained growth on farms?

14. Has there been a change in investor confidence resulting in sustained or increased investment in farms that are part of RMP?

15. To what extent is RMP supported by the industry value chain, such that it is complementary to increased research, innovation and technology deployment?

16. Have you noticed that RMP has improved the competitiveness of Ontario Agriculture relative to other jurisdictions (in particular, Quebec and the US where similar support structures exist)?

17. Has RMP provided the security needed to encourage new/young farmers with limited equity to enter into farming and to engage in new farming practices?

18. Have compliance features of RMP encouraged quality assurance and improved industry standards for participants in RMP?

19. Has there been significant uptake of RMP to support sustaining growth? On its current trajectory, do you feel RMP is moving toward a self-sustaining model?

20. Do you have any additional comments on RMP program?

6.2 - Appendix B – RMP Economic Impact Assessment Survey Questionnaire

The Ontario Agriculture Sustainability Coalition has hired Harry Cummings and Associates to undertake an Economic Impact Assessment of the Risk Management Program (RMP).

The goal of this assessment is to determine the impact of RMP on the agriculture sector and the wider economy. We are inviting producers from all five RMP commodity groups (Beef, Grain and Oilseed, Pork, Sheep, and Veal) to participate in this survey. In order to establish a reliable and defensible estimate of the impact of the RMP program your input is essential. Completing the survey is completely voluntary, but we hope that you see the benefit of participating.
All of the information you provide in this survey will be anonymous and confidential.

Thank you in advance for your time and input!

1. Please indicate ALL the years that you participated in the RMP program. Check all that apply. (*Note - from 2007-2010, the pilot program was only available to Grains and Oilseeds producers):

☐ 2015 ☐ 2012 ☐ 2009

☐ 2014 ☐ 2011 ☐ 2008

☐ 2013 ☐ 2010 ☐ 2007

2. For your most recent full year of participation, which commodities have you enrolled in RMP? Check all that apply.

☐ Beef ☐ Veal

☐ Sheep ☐ Hogs

☐ Grains / Oilseeds

3. Did you produce any other commodities and/or provide farm services that were not enrolled in RMP? Check all that apply.

☐ Dairy ☐ Poultry / egg ☐ Beef ☐ Veal

☐ Fruit ☐ Vegetables ☐ Sheep ☐ Other, please specify

☐ Custom farming	☐ Hogs	☐ Grains / Oilseeds	☐ No, all my products/services are enrolled in RMP

Farm Expenditures

4. In order to assess the impact of RMP in the wider economy, it is important to gain an understanding of how RMP payments are being used by producers. Could you identify your top 5 most important types of operating expenditures in rank order (1 being most important) supported by your RMP payments?

Rank	Expenditure Category
	Fertilizer and lime
	Herbicides, insecticides, fungicides, etc.
	Seed and plants
	Feed, supplements and hay
	Livestock and poultry purchases
	Veterinary services, drugs, semen, breeding fees, etc.
	Custom work, contract work and hired trucking
	Wages and salaries (including all employee benefits)
	All fuel (diesel, gasoline, oil, wood, natural gas, propane, etc.)
	Repairs and maintenance to farm machinery, equipment and vehicles
	Purchase farm machinery, equipment and vehicles (new or used)
	Repairs and maintenance to farm buildings and fences
	Rental and leasing of land and buildings
	Rental and leasing of farm machinery, equipment and vehicles
	Construction of new farm buildings and infrastructure
	Electricity, telephone and all other telecommunications services
	Farm interest expenses
	Other farm business expenditure

5. If you indicated, 'Other farm expenditure' in your ranking for previous question, please specify the type of expenditure(s). ____

6. Are there any expenditures that you would have postponed/held off without RMP payments? Please elaborate. ____

Impact of RMP

7. Including yourself, how many people were employed on your farm operation? (for the most recent full year that you participated in the RMP program)

Number of full-time jobs (year round, 30 hours or more per week) ____________________

Number of part-time jobs (year round, less than 30 hours per week) ____________________

Number of seasonal / casual jobs ____________________

8. Would you have been able to maintain all of these employees <u>**without**</u> the payments you received through the RMP program?

☐ Yes (go to Q9)

☐ No (go to Q8)

9. Please indicate approximately how many jobs would have been <u>**lost**</u> on your farm operation if the RMP program was <u>**not**</u> available to you.

Number of full-time jobs <u>lost</u> (year round, 30 hours or more per week) ____________________

Number of part-time jobs <u>lost</u> (year round, less than 30 hours per week) ____________________

Number of seasonal / casual jobs <u>lost</u> ____________________

10. Have RMP payments contributed to your ability to adopt / create on-farm innovations. For example, new technology, computer/software, new production systems, nutrient management systems, renewable and alternate energy systems, value-added / processing capacity, new commodity marketing / promotion activities, land / water stewardship. Please elaborate.

11. If you are a new / beginning farmer, how important did RMP factor into your decision to enter farming?

☐ Extremely important

☐ Very important

☐ Moderately important

☐ Neutral

☐ Slightly important

☐ Low importance

☐ Not at all important

_____ Not applicable

12. How important is RMP as a factor in influencing you to recommend new / beginning farmers go into / stay in farming?

☐ Extremely important

☐ Very important

☐ Moderately important

☐ Neutral

☐ Slightly important

☐ Low importance

☐ Not at all important

_____ Not applicable

13. If RMP was not available to you what impact would this have on your farm production activities?

Farm profile:

14. What is the location of your main farm operation (name of county/district/region)?

15. How many acres of land in total do you operate your farm on (owned and rented combined)?

How many acres are owned?

How many acres are rented?

16. What commodity provides your most important source of farm income?

☐ Beef ☐ Veal

☐ Sheep ☐ Hogs

☐ Grains / Oilseeds

☐ Dairy ☐ Poultry / egg

☐ Fruit ☐ Vegetables

☐ Custom farming ☐ Other, please specify

17. Are there any general comments that you would like to provide about the RMP program in terms of its role in your farm operation as a risk management strategy?

6.3 - Appendix C – Case Study Interview Guide

The Ontario Agriculture Sustainability Coalition has hired Harry Cummings and Associates to undertake an Economic Impact Assessment of the Risk Management Program (RMP).

The goal of this assessment is to determine the impact of RMP on the agriculture sector and the wider economy.

We recently completed a survey of producers from all five RMP commodity groups (Beef, Grain and Oilseed, Pork, Sheep, and Veal) and we're now inviting a small group of farmers to participate in a more in depth interview to gain a fuller understanding of the importance of the RMP program.

All of the information you provide in the interview will be anonymous.

1. To begin, could you tell me about your farm operation in terms of its size (e.g. number of acres, number and type of livestock)?
2. How many years have you been farming?
3. Including yourself how many people do you employ on your farm?
4. What years have you participated in the RMP program (i.e. paid premiums)?
5. What factors influence your decision to participate in the RMP program?
6. Without RMP, what other measures would you take to manage risk?
   (Prompt about off farm income – current use / future use)

A key interest of our research is to understand the economic impact of the RMP program.

In essence, how the RMP payments are being used by farmers to support their farm operations.

7. What are the major partners, suppliers you deal with when purchasing your farm supply/service inputs? (feed, seed, equipment, financial, calves, chicks, new buildings, drainage, consulting, hardware, electrical, equipment repair, custom farm work, other?)
   Another way to think of this is, what businesses account for the bulk of your operating costs?

List **up to** 5 top suppliers (ask for business name, location) - Please indicate the most important as 1 and the least important as 5.

Let's discuss their contribution: volume, frequency, service/product supplied, $ value

8. What are the major partners, customers you deal with when selling your farm products/services? (grain elevator, slaughterhouse, other?)
   Another way to think of this is, what businesses account for the bulk of your farm sales?

List **up to** 5 top purchasers of your services, products: (ask for business name, location) - Please indicate the most important as 1 and the least important as 5.

Let's discuss their contribution: volume, frequency, service/product supplied, $ value

9. Could you talk about where you direct the RMP payments in your farm operation?
10. If RMP was not available to you what impact would this have on the scale of your current production? (For example, would you reduce your production acreage? reduce your herd/flock size? diversify into other farm commodities?)
11. Are there any general comments that you would like to provide about the RMP program in terms of its role in your farm operation as a risk management strategy?
12. Is there anything that you would like to see changed in the RMP program?