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Canada

Agricultural Situation

New Three Year Safety Net Agreement for Canadian Agriculture 2000

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Report Highlights:

The Canadian government will provide C\$3.3 billion over the next three years, or C\$1.1 billion per year to safety net programs. C\$665 million per year will go towards basic safety net programs while C\$435 million per year will be available in income disaster assistance. This represents an increase of 83% above 1997 safety net funding levels. Safety net funding will continue to be cost-shared on a 60:40 federal-provincial basis.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

Agriculture Ministers Strike Three-year Agreement on Safety Nets

The following was taken from a Government of Canada March 23 news release. Please note that all funds are in Canadian currency. Begin text.

Ottawa, March 23, 2000 – Federal and Provincial Ministers agreed to a plan for farm income safety nets over the next three years. The plan includes basic safety net programming and an income disaster component.

The Ministers will now take this plan back to their respective Cabinets to be ratified. The Ministers said they hope to accomplish this as soon as possible for the good of farmers, who have been waiting anxiously to find out the support they can expect.

The Ministers also stressed the agreement is designed to provide the greatest degree of farm income stabilization possible and that they are very pleased with the progress made over the past two days.

The tentative agreement would provide \$665 million for basic safety net programs and access to \$435 million in income disaster assistance in each of the next three years.

Provincial allocations under the tentative agreement will be based on the size of the industry in each province.

The Federal Minister of Agriculture and Agri-Food will be seeking funding to ensure no province receives less than its current share. He will also be seeking Cabinet approval for the third year of disaster assistance funding. This would bring the total Federal commitment to safety net funding to more than \$3.3 billion for the next three years.

Ministers expect to meet following ratification to deal with specific program details and the terms of reference for evaluation of the safety net programs.

The Ministers said the talks over the past two days were an excellent example of cooperation among the provinces and the Government of Canada and that the deal reached meets the needs of Canadian producers.

All federal funding under the new agreement will be cost-shared with provinces.

BACKGROUND:

Elements of the Safety Net Plan

Federal-Provincial Ministers agreed to seek concurrence of their cabinets for safety nets over the next three years:

- The Federal Minister agreed to seek re-profiling of the \$1.1 billion in federal safety net funding to \$665 million for basic safety nets (Fall Cash Advances, NISA, Crop Insurance and Companion Programs) and \$435 million for the income disaster program component.
- The income disaster component of safety nets will be funded at \$435 million annually
- The federal Minister of Agriculture and Agri-food will seek Cabinet authority for additional funding to ensure that no province receives less funding from the basic safety net envelope than the level established in 1999-2000.
- Provincial allocations under the tentative agreement will be based on the size of the industry in each province.
- All Ministers committed to substantial review of the NISA program to ensure that the program better responds to the needs of farmers and is integrated more directly to the disaster program.
- The Federal-Minister of Agriculture and Agri-food will seek authority for the third year of funding for disaster assistance.
- Ministers will seek to ratify the agreement as soon as possible and meet to finalize the specific program details for safety nets.
- Terms of reference for review and evaluation of the three-year safety net arrangements will be prepared for agreement of all Ministers as soon as possible.
- The Ministers agreed on an allocation for Newfoundland and Labrador of \$2.35 million annually.

Comments

According to industry analysis, the new agreement provides substantial flexibility to the provinces in the design of safety net programs at the provincial level. Overall, safety net funding will now be based upon overall farm income receipts by province, and not according to agricultural risk, as was the case under the old safety net funding allocation formula. Under the old safety net agreement, the Canadian government provided \$600 million per year to the agricultural safety net envelope which was matched by \$400 million in sum from the provincial governments.

In December 1998, Agriculture and Agri-Food Canada announced the creation of the two year temporary \$900 million Agricultural Income Disaster Assistance (AIDA) program for the 1998 and 1999 claim years (an additional \$107 million was added later in 1999 to bring total AIDA funding up to \$1.07 billion). The provinces contributed \$710 million in sum, bringing total available AIDA funding up to \$1.78 billion dollars. The province of Saskatchewan withdrew from the AIDA program for the 1999 claim year early in 2000 (see GAIN report CA0018). The Government of Canada then announced \$240 million in federal funding to Saskatchewan and Manitoba, contingent upon

Saskatchewan resuming participation in the AIDA program (see GAIN report CA0021). As a result of the provinces of Saskatchewan and Manitoba receiving the \$240 million in federal funding, the province of Alberta announced \$145 million in financial assistance to Alberta farmers (see GAIN report CA0028). Alberta has requested that this be cost-shared with the Government of Canada on the traditional 60:40 federal-provincial basis. It is unclear at this point whether or not the Canadian government will agree to cost share the \$145 million, or if this amount will later be wholly classified as falling under the 40% provincial contribution by Alberta to safety net funding.

The new safety net arrangement means that spending for traditional safety net programs such as NISA, Crop Insurance, the Cash Advance program, and companion programs has increased by almost 11%, while safety net funding aimed at targetting income-related disaster assistance will no longer be provided on an ad-hoc basis but rather has been set for the next three years. This three year safety net agreement builds upon and replaces the arrangements mentioned in GAIN report CA0003. Overall, federal safety net funding will have increased by 83% in Canada above pre-AIDA (1997) program spending levels.

For related information on Canadian safety net programs, please visit the following Agriculture and Agri-Food Canada February 25 news release: <http://www.agr.ca/cb/news/n000225ae.html>

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