

Farmers Asking How Program Changes Impact Their Operation

With just weeks remaining for Alberta farmers to enrol in AgriStability for 2013, many producers are asking how upcoming changes to the program will impact their farms.

“Some farmers are asking if it’s still worthwhile to participate in the program because they say ‘Commodity prices are high and times have been good on my farm, so I haven’t collected a payout for a few years. Why do I need AgriStability?’” says Vicki Chapman, with Agriculture Financial Services Corporation (AFSC). AFSC administers AgriStability on behalf of the federal and provincial governments.

We remind farmers that all it takes is one catastrophic event – such as a livestock disease like BSE or a sudden economic downturn – and the profitability many are now enjoying can turn on a dime,” says Chapman. “The producers our field analysts have been talking to haven’t forgotten those big events, so they get the importance of having a backstop like AgriStability to compensate them for major losses on their farm. That’s where the program continues to offer the most value.”

April 30 Enrolment Deadline

AFSC AgriStability field analysts have been meeting one-on-one with farmers and holding AgriStability information sessions across the province. “It’s their job to ensure farmers understand the new program changes and the risk level it still covers on their farms – so they can make informed decisions before the April 30 enrolment deadline passes. The worst scenario would be if someone opts out of the program without having a clear understanding of what they’re saying ‘no’ to, and then experiences a disaster that threatens the financial future of their farm,” explains Chapman.

The federal-provincial AgriStability program will continue providing whole farm protection against severe drops in farm income caused by factors such as production losses, falling commodity prices, rising input costs and market interruptions, says Chapman. However, coverage is now being reduced in some areas and expanded in others.

Coverage Reduced in Some Areas; Expanded in Others

“Beginning in 2013, producers must experience a larger drop in farm income before triggering payments under AgriStability,” she explains, noting the changes will not affect 2012 AgriStability claims.

“Payouts under the new rules will now trigger when a producer’s margin – their allowable income minus allowable expenses – drops below 70 per cent of either their ‘Olympic’ margin over the last five years or their average allowable expenses during that time frame, whichever is lower,” says Chapman. She explains Olympic margins are calculated by dropping the highest and lowest margins over the last five years, and averaging the remaining three.

“The trigger point for payments was previously at 85 per cent,” says Chapman. “Limiting coverage to a producer’s average allowable expenses when it’s lower than their Olympic margin is also new.”

Once payments trigger, producers will be paid 70 cents for every dollar of loss. They were previously paid up to 80 cents on losses above a zero margin, and only 60 cents on losses below a zero margin – known as a negative margin, says Chapman. “Now if farmers suffer a big hit and drop into a negative margin – where they typically can no longer cover their input costs – they’ll receive a bigger payment at that 70 cent level. The changes provide more money where losses are deepest and transfer some of what’s considered ‘normal’ business risk back to producers.”

The changes to AgriStability are driven by higher crop and livestock prices over the last few years, which have made producers more profitable, says Chapman. “Greater profitability means many have built significant margins under the program that have increased the liability to government at a time of budget restraint.”

Greater Profitability Drives Changes

“If the payment trigger had remained at 85 per cent, those higher margins could easily trigger claims to producers who are still profitable – just a little less profitable,” adds Chapman. “AgriStability is meant to help farmers when they’re hurting, not when they’re making money.”

The upcoming changes realign AgriStability coverage to provide disaster assistance when producers need it most, rather than compensating reduced profits, says Chapman. AgriStability fees are also being lowered to \$315 per \$100,000 of coverage to reflect program changes, adds Chapman. “It’s relatively cheap protection for the coverage it offers.”

Forrest Wright, an accountant with Luchak, Wright, Wnuk in Leduc, encourages his farm clients to sign up for AgriStability. “It’s basically disaster insurance, and we’ve had both BSE and drought in the last 12 years,” says Wright. “Farming is risky business. My clients are making money right now but that can change.”

Rob Boras, who farms 1,000 irrigated acres of mixed grains and sugar beets near Picture Butte, says he understands the rationale behind the AgriStability changes, and plans to sign up again this year. “It’s protection that would be foolish for us not to take part in. It’s a backstop that gives us some peace of mind in case there’s a substantial shortfall from one year to the next.”

Field Staff and myAFSC Make Paperwork Easier

Farmers who view paperwork as an obstacle to participating in AgriStability can contact their local field analyst who will sit down and guide them through the process, says Chapman. Producers can also fill out AgriStability forms electronically with myAFSC, a simple online tool that speeds up turnaround times on claims, she says. “It loads directly into our system, prevents keying errors, and inputs information from last year’s forms for you.”

AgriStability is part of the Growing Forward 2 suite of risk management programs that includes AgriInsurance – known as crop insurance, AgriInvest – a producer-managed savings account where government matches eligible producer contributions of up to \$15,000 annually, and AgriRecovery – assistance that covers extraordinary expenses following a disaster.

Producers with questions about AgriStability should contact a field analyst at their AFSC District Office, visit www.afsc.ca , or phone the AFSC Call Centre at 1-877-899-AFSC (2372) before the April 30 deadline.