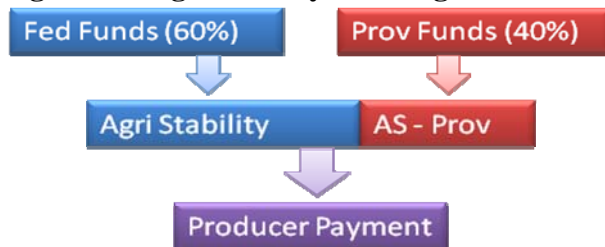


Proposed Business Risk Management Program – AgriStability Linkage

AgriStability Current Structure

Currently the only protection Ontario farmers have against a drop in profitability comes from the AgriStability program. The program is cost shared using the traditional funding formula using 60% federal and 40% provincial funds (Figure 1). While the program has been helpful for many producers, it hasn't met the needs of diversified farmers and the program provides diminishing returns as reference margins shrink.

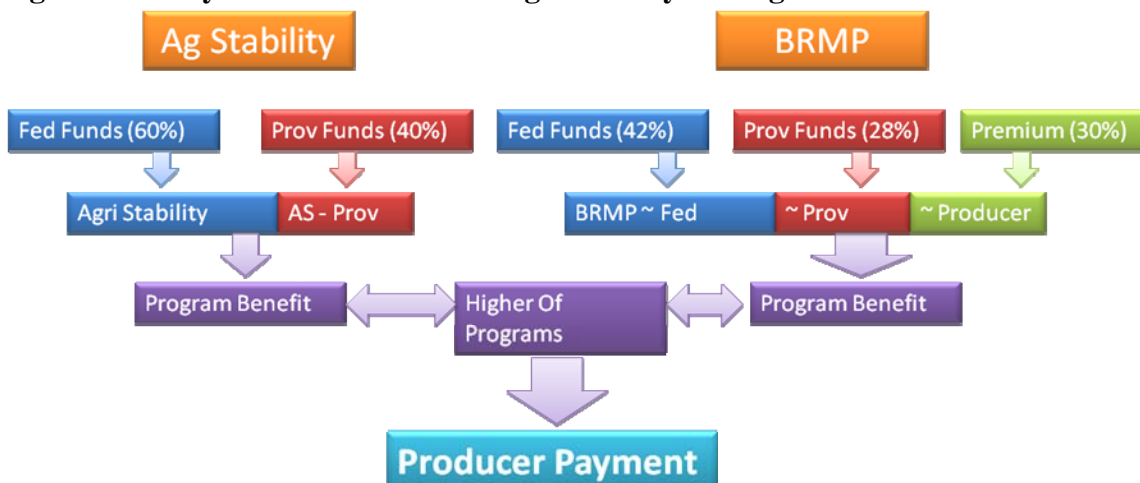
Figure 1 – AgriStability Funding Flow



Proposed BRMP Structure

The Ontario Agricultural Sustainability Coalition (OASC) is proposing a cost of production based Business Risk Management Program (BRMP) to run as a companion to AgriStability. The proposal would fund 100% of the difference between the average market price and a floor price that's calculated based on the cost of producing each commodity. Producers would pay premiums that would equate to 30% of the long run costs of the program. Governments would split the remaining program cost using their traditional 60/40 cost share so that the federal government would pay 42% (60% * 70%) and the provincial government 28% (40% * 70%) of the total program costs. Figure 2 describes the cost share and the linkage with AgriStability

Figure 2 – Fully Funded BRMP and AgriStability Linkage



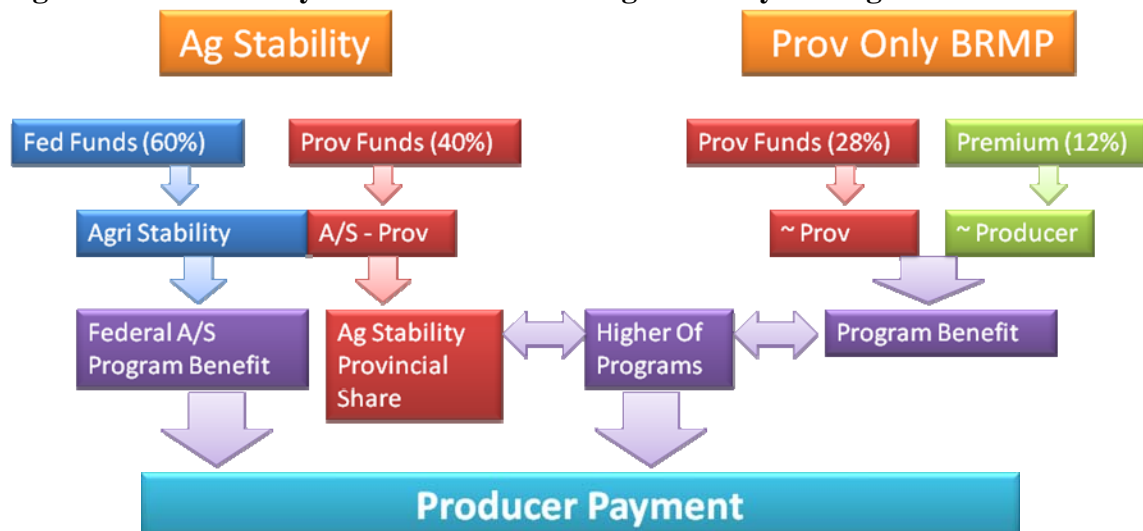
Producers would receive the BRMP payment as soon as the industry average prices are calculated. AgriStability benefits would be calculated when producer applications are submitted. If the AgriStability benefit were greater the producer would receive the AgriStability payment less any BRMP payment already made. If the BRMP payment were higher the producer would not receive an AgriStability payment. In most cases, the BRMP payment would be higher than AgriStability.

Provincial Only BRMP Structure

There has been no firm commitment from the Federal government about funding the BRMP, so OASC has asked the provincial government to fund their share of the BRMP before there is a commitment from the federal government. In that case only 40% of the losses would be covered. The provincial government would have the same cost (28% of long term losses) but producer premiums would be reduced proportionally to 12% of long term losses. (30% * 40%) OASC has also discussed the possibility of reducing producer premiums even more under a partially funded program – this detail could be discussed further if the province endorses the program.

Under a provincial only program, the linkage between AgriStability and BRMP would be only on the provincial portion of the AgriStability payment. The producer would receive the full value of the federal portion of AgriStability and the higher of the BRMP payment or the provincial portion of AgriStability. Figure 3 illustrates the funding flow to producers and the linkages between a provincially funded BRMP and AgriStability.

Figure 3 – Provincially Funded BRMP and AgriStability Linkage



Diversified Farms

One shortcoming of the Grains and Oilseeds pilot RMP was that producers who were diversified found that 100% of their RMP payment was held back from their AgriStability payment. In situations where losses in non covered commodities such as livestock drove up AgriStability payments so that they were larger than the RMP

payment, producers found themselves paying premiums but receiving no benefits. In Table 1 column A shows an estimated AgriStability payment column B shows the net benefit to a producer receiving AgriStability and a grains only BRMP payment. Column C shows the net benefit to a producer receiving AgriStability and a BRMP payment for grains and livestock. Column B illustrates how a producer with livestock and grains would be better off not participating in a grains-only BRMP, however, column C shows that the producer would receive more government funds under a multi-commodity BRMP. Table 2 describes the funding flow of a provincially funded BRMP.

TABLE 1:
Illustrative Example ONLY - Mixed Farm Farrow to Finish and Grains - Fully Funded Program

	(A)	(B)	(C)
	AgriStability Only	Grains Only RMP and AgriStability	BRMP and AgriStability
AgriStability - Whole Farm	\$47,550	\$47,550	\$47,550
BRMP - Grain - Premiums		\$3,900	\$3,900
BRMP - Grain- Payout (1)		\$10,800	\$10,800
BRMP - Hogs - Premium			\$12,180
BRMP - Hogs - Pay Out			\$110,000
Net Benefit	\$47,550	\$43,650	\$104,720

TABLE 2:
Illustrative Example ONLY - Mixed Farm Farrow to Finish and Grains - Provincially Funded Program

	(A)	(B)	(C)
	AgriStability Only	Grains Only RMP and AgriStability	BRMP and AgriStability
AgriStability - Federal	\$28,530	\$28,530	\$28,530
AgriStability - Provincial	\$19,020	\$19,020	\$19,020
BRMP - Grain - Premiums		\$1,560	\$1,560
BRMP - Grain- Payout (1)		\$4,320	\$4,320
BRMP - Hogs - Premium			\$4,872
BRMP - Hogs - Pay Out			\$44,000
Net Benefit	\$47,550	\$45,990	\$70,418

It should be noted that the figures in Tables 1 and 2 are estimates based on current AgriStability program design and a model mixed farm in 2009 and are intended to demonstrate the linkage between BRMP and AgriStability, however, the relative size of the value difference may not be reflective of all farms and long run BRMP premiums are expected to be 30% of long run payouts.