AgriStability: what removing the reference margin limit means for your farm

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2021-2022 Changes to AgriStability

Producers and producer groups across Alberta and Canada, identified the reference margin limit (RML) as a key irritant of the AgriStability program and advocated to governments for its removal. In March of this year, the federal, provincial and territorial agriculture ministers came to an agreement to remove the RML, retroactive to the 2020 program year and extending the 2021 deadline for producer enrollment to **June 30, 2021.**

The removal of the RML is intended to make AgriStability simpler, more predictable and more equitable across all agriculture sectors. It continues to provide producers with a whole-farm risk management program that offers protection against disasters and margin declines of 30 per cent or more that threaten their farm viability.

In order to better understand the impact on your operations the Alberta Wheat and Barley Commissions worked with AFSC to provide additional examples as to what this change might mean for your farm.

AgriStability Statistics

AgriStability annually paid out between $35 million and $220 million to Alberta producers (2014-2018).

Alberta grains and oilseed producers, based on five-year averages [2014-2018]:

- Made up nearly 55 per cent of Alberta farms participating in AgriStability;
- Accounted for roughly 40 per cent of the total number of payments;
- Received roughly 30 per cent of the total value of payments;
- Accounted for 65 per cent of all farms that had the RML applied;
    - Within the grains and oilseed sector, 64 per cent of producers had the RML applied.
- Had an AgriStability payment rate of 10 per cent or a payment once in 10 years.

What does removing the RML mean for Alberta's grain oilseed farmers?

It is estimated that:

- The total number of payments to grains and oilseed producers would increase by five to six per cent;
- The grains and oilseed sector would receive roughly five per cent more of the total value of AgriStability payments;
- There would be an increase in the payment rate of eight to 10 per cent or the possibility of receiving a payment closer to once in every five to seven years.

*Payment rates are not a guaranteed payment but an estimate based on the number of payments made compared to the total number of producers enrolled in the program.

Here's an example to help compare an AgriStability scenario with removal of RML:

Alex is a grain and oilseed producer. His AgriStability fee is calculated by using the Olympic margin of $375,000 X 0.315%, or $315 for $100,000 coverage. The Olympic margin eliminates the highest lowest margins over a five-year period. In order to participate in AgriStability, Alex would have to pay a reference margin fee of $1,181.

What Alex needs to know is that AgriStability is a margin program that takes into account fluctuations in incomes and expenses. In this situation, his business had a revenue decline of 30 per cent and an increase in expenses of 19 per cent, which resulted in an overall current year margin decline of 57 per cent compared to his Olympic margin.

In this scenario, Alex's coverage under AgriStability increases from $183,000 to $262,000 and the payment as a result goes from $16,000 to $71,000.

***When eliminating the reference margin limit, Alex's grain and oilseed farm would receive $55,125 more in program benefits.**

AgriStability Support

Without limiting:

Revenues:	**$410,000**
Expenses:	**$250,000**
Program year margin:	**$160,000**

Alex's Olympic margin (Five-year average with the high and low margins removed):

Revenues:	**$585,000**
Expenses:	**$210,000**
Olympic margin:	**$375,000**

The payment trigger is 70 per cent

Olympic margin:	**$375,000**
	X 70%
Payment trigger value	**$262,500**

In order to trigger a payment this producers' margin would have to decline by $112,500.

This is a 30% program year margin decline compared to the Olympic margin.

Payment trigger value:	**$262,500**
Less program year margin:	**$160,000**
Loss eligible for payment	**$102,500**

With limiting:

Revenues:	**$410,000**
Expenses:	**$250,000**
Program year margin:	**$160,000**

Alex's Olympic margin (Five-year average with the high and low margins removed):

Revenues:	**$585,000**
Expenses:	**$210,000**
Olympic margin:	**$375,000**

Olympic margin:	**$375,000**
	X 70%
	$262,500

Application of the RML

Historical expenses of $210,000 are less than 70% of Olympic margin ($262,500) which triggers the application of the reference margin limit.

Payment trigger with RML applied is 70 per cent

Applied RML (70% of Olympic)	**$265,000**

Loss eligible for payment $102,500 Compensation rate X 70% Alex's payment $71,750	X 70% RML payment trigger value: $183,750 In order to trigger a payment with the RML applied this producer's margin would have to decline by $191,250. $78,750 more than without the RML applied or a 51% program year margin decline compared to the Olympic margin. Payment trigger value: $183,750 Less program year margin: $160,000 Loss eligible for payment $23,750 Loss eligible for payment $23,750 Compensation rate X 70% Alex's payment $16,625

Alex's farm is based on the average of 10 grain and oilseed farms enrolled in AgriStability that had the RML applied and received a program payment.

For more information:

See additional information provided by AFSC: AgriStability sees significant changes with removal of the reference margin limit.

Contact AFSC at: 1-877-899-2372; info@afsc.ca or Find Your Branch