

Agriculture Ministers agree on new Sustainable Canadian Agricultural Partnership

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The federal, provincial and territorial Ministers of Agriculture across Canada agreed in principle upon a new framework for the Sustainable Canadian Agricultural Partnership (SCAP) at their annual meeting held in Saskatoon, Saskatchewan the week of July 22, 2022. This new five-year agreement will build upon the existing Canadian Agricultural Partnership (CAP) by providing an additional \$500 million of funding over the \$3 billion already invested in the Canadian agriculture, agri-food and agri-based products sectors under CAP. The SCAP will also include a number of new industry targets focused on moving Canada's agricultural sector in a more sustainable and equitable direction.

Background – The existing Canadian Agricultural Partnership (CAP)

Project-Based Funding

The current CAP is a five-year, \$3 billion initiative between the federal, provincial and territorial governments aimed at bolstering economic growth and innovation in the agricultural industry^[1] and offering farmers, non-profits, and other agricultural stakeholders access to federal, provincial and territorial funding to assist in getting certain projects started. In Alberta, the CAP allows interested parties to access funding for projects in the following key areas:

- **Agricultural and food sustainability assurance initiatives:** this category includes projects aimed at enhancing compliance with sustainability certification or assurance systems^[2].
- **Efficient grain handling:** this category includes technical solutions that lower the energy intensity and carbon footprint of grain handling operations^[3].
- **Emerging opportunities:** this category includes projects that involve equipment installation, initiatives to explore new market opportunities, and initiatives to promote collaboration among companies involved in the Alberta agriculture, agri-processing, and

agri-based product sectors^[4].

- **Farm technology program:** this category involves projects that support the implementation of technologies in the farming industry that minimize agricultural waste, optimize efficiency, and encourage best management practices. Examples of eligible technologies include electronic sensors, data collection and storage units, livestock ID readers, GPS equipment trackers, and remote monitors^[5].
- **Water:** this category includes both on-farm irrigation projects and on-farm water supply projects^[6].
- **Youth agriculture education programs:** this category includes educational programs hosted by agricultural groups, commodity groups, and educational institutions^[7]

Business risk management

The current CAP includes several business risk management (BRM) initiatives aimed at mitigating risks faced by the agricultural industry:

- The **AgriStability program** provides support, in the form of financial compensation, to Canadian producers who experience sharp annual declines in farming income.
- The **AgriInvest program** is an investment savings account that is designed to help with smaller declines in income.
- The **AgriInsurance program** is a cost-shared insurance program that insures against losses due to natural disasters.
- The **AgriRecovery program** aids in providing disaster relief for serious losses resulting from natural disasters.
- The **Advance Payments Program** allows farmers to take out low interest loans with a maximum of \$1 million per year to help with farming expenses^[8].

The new Sustainable Canadian Agricultural Partnership (SCAP)

The new SCAP is to take effect and replace the CAP on April 1, 2023 and will make a number of important improvements to the BRM programs and set a number of new goals and targets.

Improvements to the BRM programs:

- **AgriStability:** To enhance sustainability in the agriculture industry, the Ministers of Agriculture agreed to improve the coverage of the existing BRM Programs. One key decision was to increase the AgriStability compensation rate from 70% to 80%. Under the current CAP, farmers are able to access AgriStability funds when they experience a production margin decrease of more than 30% due to production loss, increased costs, and market conditions^[9]. The Ministers agreed to raise the compensation rate from 70% to 80% to ensure greater stability under increasing market uncertainty. The Ministers also agreed to continue to work in conjunction with the industry to create a new AgriStability

model that will be faster, simpler, more predictable, and more reliable.

- **AgriInvest:** In order to receive an AgriInvest contribution under the new SCAP, the Ministers agreed that producers whose Annual Net Sales (ANS) exceed \$1 million must complete an agri-environmental risk assessment by 2025.
- **Resistant Agriculture Landscapes Program (RALP):** Notably, the Ministers agreed to allocate \$250 million toward the RALP to support carbon sequestration, adaptation, and environmental co-benefits in the agricultural sector^[10]. Currently, the full extent of what will be covered by the RALP has not yet been fully determined, but will be tailored to regional needs and conditions and would be cost-shared and administered by the provinces and territories. Similar existing provincial programs include PEI's Alternative Land Use Services Program (ALUS) and Manitoba's Growing Outcomes in Wetlands (GROW). It is expected that, in Alberta, the program would function similarly to the now-defunct Environmental Stewardship and Climate Change – Producer Program^[11].
- **One-year review:** The Ministers agreed to conduct a one-year review on how to best integrate climate risk and readiness into BRM programs. For the one-year review, provinces will identify potential incentives and then launch pilots for producers who adopt environmental practices that also reduce production risk^[12]

New goals and targets

- **The Guelph Statement and stronger targets:** The federal and provincial Ministers have reaffirmed their commitment to setting new tangible targets and objectives that are in line with the priorities set out in the Guelph Statement^[13]. The priorities in the Guelph Statement include:
 - tackling **climate change and environmental protection** to support GHG emission reductions and the long-term vitality of the sector while positioning producers and processors to seize economic opportunities
 - targeted investments in **science, research and innovation** to address key challenges and opportunities
 - supporting sustainable agriculture and economic growth by creating the conditions for Canadian businesses to meet evolving challenges of the interconnected **domestic and global marketplace**
 - building **sector capacity and growth** through realizing the potential of value added agri-food and agri-products
 - enhancing **resiliency** to anticipate, mitigate and respond to risks, including a robust suite of business risk management programs
- **Overall emissions:** The new SCAP sets stronger goals for emissions reductions targets. In principle, the Ministers agreed to reduce greenhouse gas emissions in the agricultural sector by 3-5 MT of CO₂ per year.
- **Indigenous equity:** The Ministers expressed interest in increasing diversity in the agricultural sector and strengthening relationships with Indigenous Peoples.
- **Fertilizer Emissions:** Although the Ministers of Agriculture discussed the importance of

lowering the total emissions associated with the production of fertilizer, they agreed that maintaining the viability of Canada's agricultural sector is a priority, and that the goal of lowering emissions from fertilizer production should not come at the expense of the viability of the agricultural sector. The Ministers re-iterated that their focus was on the emissions associated with the *production* of fertilizer, and not on its *use*. The Ministers discussed ways to develop voluntary means of curbing emissions from fertilizer production 30% below 2020 levels by 2030. The exact measures have not yet been fully detailed, but could include additional incentives for adopting low-carbon and carbon capture technologies at existing fertilizer production facilities or constructing new low carbon fertilizer production facilities.

Implications and outstanding details

While the SCAP further builds out the federal, provincial and territorial commitments to the agriculture sector, important details remain outstanding, including how funds will be allocated and projects selected, as well as the extent to which other measures will be used to meet these new goals and targets. Over the coming months, market participants and other stakeholders should watch for details of the SCAP's implementation as they become available, along with steps to implement its new goals and targets.

[1] Information on CAP – <https://cap.alberta.ca/CAP/AboutUs>

[2] Agriculture and Food Sustainability Insurance –
https://cap.alberta.ca/CAP/program/PUBLIC_ASSURANCE

[3] Efficient Grain Handling – <https://cap.alberta.ca/CAP/program/EGH>

[4] Emerging Opportunities – <https://cap.alberta.ca/CAP/program/EMERGING OPPORT>

[5] Farm Technology Program – https://cap.alberta.ca/CAP/program/PRGM_NAME_3

[6] Water Projects – <https://cap.alberta.ca/CAP/program/WATER>

[7] Youth Agriculture Education Programs – [Canadian Agricultural Partnership – Programs \(alberta.ca\)](https://canadianagriculturalpartnership.ca/programs)

[8] CAP Business Risk Management Programs –
<https://agriculture.canada.ca/en/agricultural-programs-and-services/business-risk-management-programs>

[9] Agri Stability Program – [AgriStability: Step 1. What this program offers – agriculture.canada.ca](https://agriculture.canada.ca/programs/agristability)

[10] Investing in sustainable agriculture to fight climate change – [Investing in sustainable agriculture to fight climate change – Canada.ca](https://investinginsustainableagriculture.ca/)

[11] Environmental Stewardship and Climate Change – Producer program –
https://cap.alberta.ca/CAP/program/STEW_PROD

[12] Newswire – Report on Meeting of FTP Ministers of Agriculture –
<https://www.newswire.ca/news-releases/federal-provincial-and-territorial-ministers-of-agriculture-reach-a-new-partnership-agreement-and-inject-new-funds-to-support-the-sector-880396062.html>

[13] Guelph Statement –
<https://agriculture.canada.ca/en/about-our-department/key-departmental-initiatives/meetings-federal-provincial-and-territorial-ministers-agriculture/guelph-statement>