



FARM MANAGEMENT CANADA
GESTION AGRICOLE DU CANADA

BUILDING FARM FINANCIAL RESILIENCE

SUMMARY REPORT

Results of targeted discussions held during the
2023 National Agriculture Risk Management Forum



Report prepared by Groupe AGÉCO
and Farm Management Canada

February 16th and 17th, 2023
Head Office of Farm Management Canada
21 Florence Street, Ottawa, Ontario

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EXECUTIVE SUMMARY

CONTEXT

A National Agriculture Risk Management Forum was hosted by Farm Management Canada in Ottawa February 16–17, 2023 to bring together key representatives from the agriculture sector in order to engage in a meaningful dialogue for the exchange and confluence of insights and ideas on how to improve risk management efforts across the sector.

The objective of the 2023 Forum was to reflect on the current domestic and global context in order to identify the impacts of actual, emergent, or potential risks for agriculture given the consequential changes which have taken place, and create a series of recommendations, identifying roles and responsibilities for key players to establish a path forward and make meaningful progress in building on-farm resilience and the capacity to seize new opportunities. The focus of the Forum was managing farm risk by building financial resilience at the farm level. In order to achieve this objective, the 2023 Forum brought together 30 representatives of the agricultural subsectors, including:

- Academia
- Advisors
- Industry Associations
- Lenders
- Producers
- Provincial Governments
- Retailers

RECOMMENDATIONS FROM THE FORUM

- Coordinate and expand farm financial literacy and risk management training and support. Review academic programs to ensure they integrate financial literacy and business and risk management training for agricultural students. Partnerships with industry associations could provide experts and funding to ensure facilities and programs are up to date and prepare students, farmers and advisors for the current realities of farming.
- Support and encourage producer groups and farm organizations to prioritize and invest in education, training, and extension on risk management and work together to share resources to address gaps in risk management. Empower farmers to become champions of change, share their success strategies, and expand their network across geographies and production subsectors.

- Undertake a gap analysis to identify the gaps in Canadian extension services to answer the question of who provides what and where and to ascertain the potential risks and benefits; assessing agricultural extension in the United States could be a way to clarify how these could be applied in the Canadian context, and at what cost. Funding options that Federal and Provincial/Territorial governments could provide to subsidize access to extension services for producers, such as business management and financial literacy training and advisory support, should also be explored. Developing a national extension policy may also have the co-benefit of enhancing research and development and knowledge transfer to increase adoption of innovative and best management practices for Canadian agriculture.
- Prioritize investments into rural connectivity to build the infrastructure to ensure the participative capacity of the agricultural community.
- Investigate the gap in agricultural research and development investment including technologies and practices to support management technologies and business practices in order to innovate and overcome emerging risks and opportunities. Consider establishing a national risk management research network.
- Invest in enhanced mental health resources for farmers to better manage their mental health and implement management practices that support mental health while also building stronger partnerships with farmers to address some of the key drivers of poor mental health, such as high cognitive load, the need to rebuild trust, and to reduce the isolation of farmers.
- Set up a task force of relevant industry players to create a National Risk Management Education and Communication Strategy to identifying present and emerging risks and promote, coordinate and develop risk management tools and resources for producers. This may include coordinating with the National Policy Advisory Committee.
- Undertake a review of opportunities to standardize farm financial statements and streamline financial reporting and other business management processes. This would also include the alignment of Business Risk Management program financial data (and calculations) with the financial principles and concepts normally applied by farmers and advisors to ensure that financial data being collected and calculated on farms (through certified accountants), like Cost of Production, is also being collected and used in a standardized way by government Business Risk Management programs.
- Set up a task force to regroup relevant industry players to identify future data requirements for farms, guide the design of appropriate tools, and ensure farmers will have access to expert advice in a timely manner with respect to the coming guidance and rules about climate-risk disclosure and management in financial institutions, workshops between Farm Management Canada, the Canadian Federation of Agriculture, Agriculture and Agri-Food Canada, insurers, banks, reinsurers, and the Office of the Superintendent of Financial Institutions could be held to identify the coming issues in order to facilitate the transition for farmers.

- Recognize and promote the relationship between economic, social or societal and environmental outcomes (known as the “triple bottom line”) to acknowledge the connection between sustainability, resilience and risk management to better understand and more clearly articulate the practical benefits for farmers and potential trade-offs.
- Undertake greater collaboration with farmers when designing farming policies, programs, and corresponding implementation plans, for example, the Sustainable Agricultural Policy, as well as financial supports to rebuild trust and increase participation and progress.

SUMMARY REPORT BACKGROUND

Agriculture and Agri-Food Canada, Farm Management Canada, and the Canadian Federation of Agriculture co-hosted a Risk Management Education Forum March 18–19, 2019, in Ottawa.

The focus of the Forum was to share perspectives on risk management in agriculture including the current understanding of risk in the agricultural sector, tools and strategies used to mitigate and manage risk, and gaps and opportunities in risk management education. A diverse cross-section of members of the agricultural community was invited to attend the Forum including producers, advisors, academics, industry associations, lenders, insurers, and government representatives.

Some important insights emerged through panel discussions, presentations, and breakout discussions, including:

- There is a wealth of information about risk management but there are also material gaps in what is available, the perceived benefits of these resources, and their adoption.
- Greater coordination between existing risk management initiatives is needed.
- There is difficulty in impressing upon farmers the importance of risk management.
- Incentivizing risk management could promote adoption.
- Additional consultations between key players should be undertaken to advance risk management.
- There is a false sense of security due to relatively stable market conditions, resulting in a lack of proactivity among those producers who had never experienced significant and/or prolonged downturns.

Key messages and recommended next steps were extracted from the Forum and shared in a report to the FPT Ministers of Agriculture in preparation for their July meeting in 2019.

Recommendations included:

1. Explore additional consultations between government, industry and producers to better promote risk management education and the adoption of best practices.
2. Convene collaborative working groups, bringing together industry and government expertise to support the development of best practices in risk management and risk management education.
3. Coordinate with existing initiatives related to managing risk in agriculture as part of the work following the BRM review and engagement with the National Policy Advisory Committee.

A follow-up Risk Management Forum was planned for March 2020 to build on the 2019 Forum and mark the path forward to make meaningful progress in agricultural risk management, education and adoption of best practices. However, the 2020 Forum was cancelled due to the emergence of COVID-19. Many of the risks and concerns expressed during the 2019 Forum materialized, while new risks have emerged. The global pandemic, the increasing urgency for climate action, conflicts and trade disputes, socio-political unrest, inflation, rising input costs, input scarcity, and other notable events have converged to define the 2020s as a period of uncertainty and significant change for Canada's agricultural sector. This uncertainty has had material impacts on supply chains and global markets, and at the farm level, warranting a follow-up national discussion to establish a path forward to improve risk management within the Canadian agricultural sector in light of past, present and future risks.

A second National Agriculture Risk Management Forum was hosted by Farm Management Canada in Ottawa February 16-17, 2023 to bring together key representatives from the agriculture sector in order to engage in a meaningful dialogue for the exchange and confluence of insights and ideas on how to improve risk management efforts across the sector.

The objective of the 2023 Forum was to reflect on the current domestic and global context in order to identify the impacts of actual, emergent, or potential risks for agriculture given the consequential changes which have taken place, and create a series of recommendations, identifying roles and responsibilities for key players to establish a path forward and make meaningful progress in building on-farm resilience and the capacity to seize new opportunities. The focus of the Forum was managing risk by building financial resilience at the farm level. In order to achieve this objective, the 2023 Forum brought together representatives of the agricultural subsectors, including:

- Academia
- Advisors
- Industry Associations
- Lenders
- Producers
- Provincial Governments
- Retailers

In order to increase the openness of discussions, the Chatham House Rule was applied. Plenary presentations, breakout sessions, and plenary discussions addressed the following questions:

- What have we learned about the risk management challenges and needs of Canadian producers since the last Forum?
- What are the current strengths and weaknesses of the Canadian agricultural sector regarding risk management?
- What are future challenges in risk management for the Canadian agricultural sector?

- What management skills, practices and knowledge would help producers better manage these risks?
- What are you doing/could you do to best support producers, from your industry role?
- What tools and resources could/should be in place to help producers manage these risks? And, in turn, support your industry role?
- How can other industry players including governments help producers manage these risks?

The following Summary Report contains key messages, discussion points and recommendations derived from the 2023 National Agriculture Risk Management Forum.

A list of 2023 Forum participants can be found in Annex A.



DAY 1

ROUNDTABLE OF INTRODUCTIONS

Presenter: All Participants

Moderator: Mathieu Lipari, Program Manager, Farm Management Canada

Focus: To provide participants with an opportunity to introduce themselves and role within the Canadian agricultural sector.

PLENARY PRESENTATION

OVERVIEW OF THE PREVIOUS FORUM, PURPOSE, FORMAT AND RULES OF THE CURRENT FORUM

Presenter: Mathieu Lipari, Program Manager, Farm Management Canada
on behalf Heather Watson, Executive Director, Farm Management Canada

Moderator: Mathieu Lipari, Program Manager, Farm Management Canada

Focus: To provide participants with an overview of the previous Forum which took place in 2019, recalling its purpose and outcomes to set the stage for the 2023 Forum. The objectives for the 2023 Forum were also presented.

Key Messages:

- The purpose of the 2019 Forum was: to share perspectives on risk in agriculture, and the tools and strategies to mitigate and manage risk; to identify gaps and opportunities in risk management education; and to mark a path forward for the advancement of risk management education.
- The 2019 Forum confirmed the availability of information and tools for risk management. However, efforts are disjointed, have limited uptake, and impacts are not measured. It was

agreed that a national strategy is needed to promote a comprehensive risk management approach for agriculture and to encourage and support producers to access and use the available tools and resources.

- Recommendations from the 2019 Forum were to explore further consultation with government, industry, and producers to coordinate approaches for risk management education, convene working groups to support best practices for risk management education, and to coordinate with existing initiatives for risk management.
- The objective of the 2023 Forum is to reflect on the current domestic and global context in order to identify the impacts of actual, emergent, or potential risks for agriculture given the consequential changes which have taken place, create a series of recommendations, and to identify roles and responsibilities for key players to establish a path forward and make meaningful progress in building on-farm resilience and capacity to seize new opportunities.
- The focus of the 2023 Forum is on managing farm risk by building financial resilience at the farm level.
- Each morning/afternoon is composed of a presentation from an industry expert, break-out discussion and open plenary discussion.
- In order to increase the openness of discussions, the Chatham House Rule was applied.

PLENARY PRESENTATION

A LOOK AT RISK MANAGEMENT IN CANADA'S AGRICULTURAL SECTOR

- Presenter:** Scott Ross, Executive Director, Canadian Federation of Agriculture
Mathieu Lipari, Program Manager, Farm Management Canada
- Moderator:** Mathieu Lipari, Program Manager, Farm Management Canada
- Focus:** To provide participants with the background and context of agricultural risk management in Canada, including new learnings since the 2019 Forum, an analysis of the strengths and weaknesses of the Canadian agricultural sector, and a look into future challenges in risk management.

Key Messages:

- Within Canada's agricultural sector, the concept of risk is often confined to price and production risk, and risk management solutions are often limited to government support programs and insurance.
- Within the business world, risk is considered in much broader terms, taking into account the management of people, finance and economics, markets, operations, and the business environment, while risk management solutions include planning, assessment and other support tools and programs.
- A number of resources, tools and programs are available from Farm Management Canada and others for Canada's producers to help address specific risks from financial literacy to transition planning.
- AgriShield® was developed in 2018 by Farm Management Canada, in partnership with the Canadian Federation of Agriculture and MNP; it was funded through the AgriRisk Initiative (ARI). AgriShield® is a comprehensive online platform for on-farm risk assessment and planning that is FSA 3.0 Gold Level Compliant.
- Under the Canadian Agricultural Partnership, Farm Management Canada secured support through the Agri-Risk Initiative program for the "Roots to Success" project to provide free risk management training for producers and advisors and establish a national risk management roundtable of diverse industry representatives to help guide the project.
- In 2020, Farm Management Canada launched AgriResponse to share articles and insights about emerging risks and risk management options with the agricultural community and to provide a platform for Canadian producers to ask questions about emerging risks and to receive answers from industry professionals.
- The "Roots to Success" workshops provided free risk management training for producers.

- A “Seeds of Change” report was published in May 2022 and presented insight into the major trends driving or otherwise influence risk in agriculture. Major themes in the report included climate change, changes in dietary patterns, and carbon markets.
- Data collected from the Roots to Success risk management training revealed various risks faced by producers that ranged from low to very high in terms of frequency/likelihood and severity, including: occupational health and safety; contractors and advisors; public trust and consumer advocacy; animal health and welfare; nutrient management; family relations; technology and innovation; personal well-being; hired labour; money management; sourcing, selling and trade; business strategy and development; transition planning; operations; politics, policies and regulations; environment and climate; pest management; and soil, water and biodiversity management.
- The 2020–2022 period established “uncertainty” as the theme of the “new normal” with unpredictable events leading to major supply chain risks, such as the COVID-19 pandemic, shipping delays and obstructions, major protests affecting trade and sociopolitical stability, inflation, and the war in Ukraine.
- The strengths of Canadian agriculture were presented, including efficiency; adoption of technology; stable and efficient financial system; international reputation; domestic fertilizer production; natural capital endowment; cost-shared risk management programming; debt-to-equity ratios and financial indicators.
- The weaknesses of Canadian agriculture were presented, including: business risk management program participation, understanding, and timeliness; limited risk management planning; labour shortages; value-added investment and private capital, regulatory delays and hurdles, low research and development expenditures. On the theme of interest, inflation, and debt, weaknesses were related to data for benchmarking and carbon price-taking. Regarding climate change and sustainability, weaknesses were related to transportation bottlenecks and distance to market; poor agri-environmental data; knowledge translation and transfer; ageing research infrastructure.
- The opportunities for Canadian agriculture were presented, including: growing global food demand; trade diversification (Indo-Pacific); increased public awareness and attention; a strategic role in climate responses; competitive advantage on sustainability metrics.
- The threats for Canadian agriculture were presented, including: non-tariff barriers to trade; pan-Canadian labour tightness; downstream market consolidation; cost of inputs and supply chain disruptions. On the theme of interest, inflation, and debt, threats were related to interest rate exposure and farm indebtedness; the Inflation Reduction Act; capital and talent flight; industry succession. On the theme of climate change and sustainability, threats were related to extreme weather events and climate readiness; emissions reduction obligations; disease and pest risks; pressure on crop protectants.
- Numerous global risks were perceived as likely, ranging from extreme weather and natural disasters to cyberattacks and data fraud and theft.

PLENARY PRESENTATION

A LOOK AT RISKS RELATED TO INPUTS, INCOME AND PROFITABILITY AND THE POTENTIAL IMPACTS ON PRODUCERS

Presenter: Michelle Gemmell, National Grain Advisory Leader, Cargill

Moderator: Mathieu Lipari, Program Manager, Farm Management Canada

Focus: To provide participants with insights on risk related to the theme of “Inputs, Income, and Profitability” and their impacts on producers in order to inform discussion on this topic.

Key Messages:

- Supply chain shortages and inputs costs are increasing, with unprecedented risks and impacts on farm profitability and sector performance; these will increase the risk of existing threats to investment, innovation, and sector continuity.
- 44% of fruits and vegetable growers sold at a loss in 2022.
- A poll conducted by Cargill during events held in Regina, Winnipeg and Red Deer demonstrated that the top three risks to agriculture are weather, market volatility, and crop input costs.
- In order to stay on top of risks, we need to implement risk management strategies as well as financial management strategies; supporting farmers in these areas will be integral to building resilience.
- Questions to think about were posed, including: is farming in Canada profitable, how do we know, are there differences across regions and farm types, and why?; what can be done to support farm profitability and help manage the risk factors affecting profitability?; what needs to happen to help ensure farm profitability for farmers seeking opportunities to grow

BREAKOUT SESSION 1

INPUTS, INCOME AND PROFITABILITY RISK

Focus: To discuss risk management related to the theme of “Inputs, Income and Profitability Risk” in groups composed of producers, lenders, advisors, industry associations, and academics, in order to identify risks and potential solutions.

Questions Posed to Workshop Participants:

- What is the current state of preparedness and resilience in facing inputs, income and profitability risk? How are producers dealing with these risks?
- What new risks do you see emerging in this area?
- What management skills, practices or knowledge should producers have to improve their ability to face these risks?
- What are you doing/could you do to support producers in this context? (From the perspective of your industry role)
- What tools and resources could/should be in place to help producers manage these risks? And in turn, support your industry role?
- How can other industry players including governments help producers manage these risks?

Summary of Points Raised in the Breakout Discussion:

- **Financial literacy** was a major theme which emerged in breakout discussions. The lack of financial literacy among farmers manifests in misinterpreted financial positions and options, misaligned borrowing arrangements, missed opportunities or even crises and is an obstacle to the profitability of Canadian farms. It is also an obstacle to advancing financial planning and taking advantage of available advisory services. An often-cited example of the lack of financial literacy was that Canadian farmers, compared to their counterparts in the United States, do not understand their own costs of production. This lack of financial literacy is compounded by a number of factors, including, for example, the added burden in Canada of having to combine commodity hedging with foreign exchange hedging. Farmers also do not often have an inclination toward seeking this knowledge, since they farm because they love the lifestyle rather than because they enjoy financial management, human resource management, or other business and administrative tasks and soft skills. The true picture of farm financial performance is often skewed by focusing on gross sales rather than the bottom line: net income. Conversely, where a farmer is motivated to seek this training, there is a lack of individualized financial literacy training that takes into consideration the region and sector in which a farmer may be operating. Finally, related to the lack of financial literacy and

understanding the numbers is a lack of marketing skills among farmers, which often yield returns for farms investing in these services.

- **Mental health, trust, and transparency** emerged as a significant risk related to this topic. This manifests as unhealthy competition between farmers, perpetuating a psychology that is not conducive to mental health or sound farm management practices. Moreover, mental health is negatively affected by the increasing issue of information overload and decision fatigue facing farmers, who have few places to turn to find tools which consolidate this information into a centralized location. Farmers facing significant amounts of red tape and regulatory delays also expressed a lack of trust in government and feeling a loss of control, which impacts mental health as well as the adoption of certain programs that may be beneficial. Finally, the issue of perceived versus actual risks exacerbates these issues, resulting in inaction and increasing risk.
- **Lack of industry and government knowledge** infrastructure was a prominent theme in breakout discussions. It was noted that the farming lobby in Canada is much weaker than in the United States, resulting in, for example, government programs that are not offered or well suited to all sectors in all regions and for farmers of all sizes; these programs also do not often favour farms that apply good management practices. The lack of extension services is another example of this lack of knowledge infrastructure, where the United States is perceived of as having an enviable degree of extension services supported by government; these services are seen as essential to supporting farmers, especially those experiencing crisis since advisors of this kind can provide objective feedback. Insurance was cited as beneficial for farm performance in Canada, but the lack of options to secure farms against emerging risks due to climate change was understood as a risk related to this theme. The lack of progressive insurance options has led to situations in which farmers must draw on equity to compensate for a loss, leaving them more vulnerable to future and unpredictable risks such as increased disease and pest pressure or extreme climate events. One related topic that emerged was that of the increasingly complex web of red tape and long regulatory delays which are seen as risks to the return on investment for on-farm innovation and new projects. Finally, there is an opportunity to ensure that agricultural education more earnestly integrates the basics of financial literacy and farm management to provide the next generation of farmers with these skills from the start. Where education, tools, or resources are available, it is not always easily accessible or discoverable for farmers, not least owing to a lack of rural connectivity.
- **Variability and volatility in the industry** was identified as a major risk to profitability. The industry is becoming more and more specialized, but a lack of correspondingly specialized training persists, and the investment of building long-term relationships with farmers to provide support and assistance in this respect increases the issue of time pressure and decision fatigue on farmers who already are unsure where they should go to seek such training. On the topic of variability, it was noted that preparedness and support varies by region and by sector with fragmentation of standards and programs exacerbating this issue; for example, cashflow, balance sheets and financial statements are not standardized, making it difficult for farmers to self-educate and compare their operations to others. While

fragmentation exists in terms of standards and programs, on the buyer side there is also a trend of consolidation which is perceived as a risk for farmers whose options to diversify and build resilience to supply chain disruption is becoming limited, with the fluctuation of fertilizer prices and availability and overall market volatility being a prime example. Moreover, the majority of farmers are price takers (meaning that a purchaser must accept prevailing market prices), which makes volatile crop prices a pertinent risk to the profitability of farmers. This volatility is also becoming more difficult for farmers and farming families to endure. They are seeking off-farm income, which increases workload pressures and limits time available for farm business management practices and family. A factor which compounds this volatility and variability is not only the recent trend of uncertainty but the pace of change which has significantly increased the cognitive load of farmers, leading to inaction, poor well-being, and risks to profitability.

- **Hired labour and investing in automation** also emerged as material risks to profitability, where labour shortages and access to skilled labour put more pressure on farmers, especially those whose operations are large. This labour shortage, and the issues of social distancing and enhanced housing requirements during the COVID-19 pandemic, raised the question of whether automating operations is a viable solution. Automation comes with various risks and rewards, but current market conditions have also increased the costs of investing in new technology with impacts on short- and middle-term profitability for those operations that invest, and potentially longer-term profitability risks for those that do not.

PLENARY PRESENTATION

RISKS RELATED TO INTEREST RATES, INFLATION, AND DEBT, AND THE POTENTIAL IMPACTS ON PRODUCERS

Presenter: AJ Gill, Senior Manager, Agriculture Risk Management Resources, MNP

Moderator: Mathieu Lipari, Program Manager, Farm Management Canada

Focus: To provide participants with insights on risk related to the theme of “Interest Rates, Inflation, and Debt Risk” and the impacts on producers in order to inform discussions on this topic. The use of advisory tools was demonstrated to show how different scenarios may impact farm profitability.

Key Messages:

- Inflation has increased dramatically, from 1% in 2020 to 8.1% in 2022.
- Interest rates had to increase from 0.25% to 4.25% in order to combat inflation.
- In 2021, farmers in Canada held CAD\$129 billion of debt; an increase of 32% from 2017.
- Modelling tools exist which can project revenues and losses for farms during different scenarios.

BREAKOUT SESSION 2

INTEREST RATES, INFLATION, AND DEBT RISK

Focus: To discuss risk management related to the theme of “Interest Rates, Inflation, and Debt Risk” in groups composed of producers, lenders, advisors, industry associations, and academics, in order to identify risks and potential solutions.

Questions Posed to Workshop Participants:

- What is the current state of preparedness and resilience in facing interest rates, inflation and debt risk? How are producers dealing with these risks?
- What new risks do you see emerging in this area?
- What management skills, practices or knowledge should producers have to improve their ability to face these risks?
- What are you doing could you do to support producers in this context? (From the perspective of your industry role)
- What tools and resources could/should be in place to help producers manage these risks? And in turn, support your industry role?
- How can other industry players including governments help producers manage these risks?

Summary of Points Raised in the Breakout Discussion:

- **Generational gaps in knowledge and experience** emerged as a significant theme during these discussions, where advisors and farmers who endured the high interest rates of the 1980s were more cautious during recent volatility, while the younger generation of advisors and farmers did not have this historical perspective and took on more significant debt. This significantly exacerbated the below issues and is related to the theme of a lack of knowledge infrastructure in the previous breakout discussion, underscoring expanded education and access to financial literacy training as a major gap.
- **Upcoming long-term mortgage renewals** were described as a major risk to both new and established farmers. Due to increasing interest rates, uncertainty exists for farmers whose mortgages and loans are coming up for renewal and repayment, with the additional concern of how these costs may trickle down to consumers. Related to this issue is the reality that some of those farming today have not faced increased interest rates, and those who farmed during the 1980s believe we are about to enter into a similar crisis.
- **Conflicting opinions from experts** led to some confusion for farmers, where the Bank of Canada predicted one scenario and the market predicted another. This issue led some farmers, particularly new entrants and young farmers, to take on significant debt, increasing their exposure to higher interest rates. For farmers determined to acquire loans, these conflicting opinions resulted in a situation that allowed farmers to acquire riskier loans when

their preferred lenders cautioned them against borrowing. This issue is related to a theme emerging from the previous breakout session and underscores the lack of trust farmers have in government and some advisors.

- **Pressure on farmers to invest** is increasing their exposure to increasing interest rates. During the pandemic, for example, enhanced housing and working conditions were required for domestic and temporary foreign workers, which required significant investment into on-farm infrastructure. As interest rates climbed, the burden of those costs increased. Pressure to invest in other areas, such as innovative technology, also leads to higher farm debt; there is little venture capital investment into agricultural companies to offset some of these costs. Therefore, in order to free up some liquidity, it may be beneficial for farmers to delay decisions, such as an equipment or building upgrades or purchasing a new tractor or land. As interest rates rise, the trend toward renting rather than buying may accelerate. Access to land is becoming increasingly difficult for younger generations.
- **Policymaking not taking into consideration the impact on agriculture** was a prevalent theme emerging from this discussion. It was felt that certain policies have been drafted on an adverse ideological basis without adequate thought given to the negative impacts on the current agricultural sector. The recent policies affecting dairy farming in the Netherlands were cited as an example that has led to mistrust and fear among farmers in Canada; perceptions which may not only limit adoption of various programs, practices, or technologies, but may lead to riskier decision-making.



DAY 2

PLENARY PRESENTATION

DEVELOPING CANADA'S 1ST AGRI-FOOD SUSTAINABILITY INDEX: “SUSTAINABILITY RISKS, TRENDS and OPPORTUNITIES”

Presenter: David McInnis, Principal, DMci Strategies

Moderator: Mathieu Lipari, Program Manager, Farm Management Canada

Focus: To provide participants with an update regarding the effort to build the National Index on Agri-Food Sustainability Performance for Canadian agri-food in order to answer the question: “Is Canada’s agriculture and food sector sustainable?”

Key Messages:

- 121 partners comprise the coalition to build the Index.
- The Index is built on the premise that global agri-food is not perceived as sustainable, healthy, or inclusive.
- Global goals set by the UN have resulted in five big shifts driving the development of the Index, including (1) trade and market access rules; (2) competition on targets and claims; (3) benchmarking every step in the food value chain; (4) rising calls for standard measures; and (5) upcoming mandatory ESG disclosures.
- The Index represents the first national sustainability index for agri-food among international partners who have advanced similar initiatives; the Index will ensure Canadian competitiveness in the global agri-food sector.
- Canada is ranked 64th for “agricultural sustainability” by the Environmental Performance Index, 36th for “sustainable agriculture” by the Economist Impact Food Sustainability Index, and 29th in the “sustainable development report” for the United Nations Sustainable Development Goals.
- The Index is both a top-down and bottom-up initiative based on international examples and domestic input, including from producers and national organizations.
- The Index captures indicators related to the environment, the economy, food integrity, and societal well-being.

- The Index presents a consolidated national picture of Canadian agriculture and agri-food from farm to retail, aims to be outcomes-based, and will show progress against national and global goals, allowing for greater transparency, leverage, and alignment.
- The Index is not prescriptive or comparative; it does not score individual producers, companies, or Canada; it does not measure consumer diets; and it does not yet provide complete disaggregated views by province, subsector, etc.
- The Index was built based on assessments of global standards and indices.
- The Index includes 20 indicators, 50 sub-indicators, and more than 100 metrics.
- The Index will be piloted in spring of 2023.

BREAKOUT SESSION 3

DISASTER, CLIMATE CHANGE AND SUSTAINABILITY RISK

Focus: To discuss risk management related to the theme of “Disaster, Climate Change and Sustainability Risk” in groups composed of producers, lenders, advisors, industry associations, and academics, in order to identify risks and potential solutions.

Questions Posed to Workshop Participants:

- What is the current state of preparedness and resilience in facing disaster, climate change and sustainability risk? How are producers dealing with these risks?
- What new risks do you see emerging in this area?
- What management skills, practices and knowledge would help producers manage these risks? What are you doing/could you do to best support producers in this context? (from the perspective of your industry role?)
- What tools and resources could/should be in place to help producers manage these risks? And, in turn, support your industry role?
- How can other industry players including governments help producers manage these risks?

Summary of Points Raised in the Breakout Discussion:

- **Current events are prompting paradigm changes** in the farming community, whether or not farmers have been directly affected by an extreme or “100-year” climate event. While competition between farmers is high, climate change has also encouraged a sense of unity among farmers. As a result of increased flooding, fires, droughts, and other once rare climate events, farmers are seeking to diversify their operations, inputs, and management practices to build resilience and improve environmental performance. While climate events have been acute drivers of change, the gradual change in consumer preferences and dietary trends (as well as the Canada Food Guide) have also begun to manifest in changes to agricultural practice. Current events are also starting to build awareness that even if we improve agricultural sustainability and resilience, climate events will continue to happen, so continuous adaptation is really the key message. Meanwhile, the opposite may be true for some sectors which still seem to resist change and have not yet established organizations similar to the Canadian Roundtable for Sustainable Beef, for example.
- **Some sectors and regions are better prepared than others** with dairy as an example of one sector that is already taking significant steps to improve sustainability outcomes and greenhouse-based agriculture as an example of one sector that can be disrupted for years by significant changes, such as a novel pest. Exacerbating the variability in preparedness is the variability in support for the increased prevalence of threats to yield and quality, whether in

crops or livestock. It was felt that insurance companies and banks have not caught up with these changes resulting in farmers feeling greater exposure and that they are “on their own” when it comes to investments and losses related to climate change itself and initiatives resulting from it. In the meantime, financial institutions, insurance companies will soon be subject to new guidance related to climate-risk disclosure and climate-risk-adjusted capital adequacy rules which will impact farmers by changing the terms and conditions of their access to credit and insurance.

- **The impact of climate change on mental health is significant** with some farmers experiencing increased anxiety around climate change. This underscores the message from earlier discussions that poor mental health among farmers and farm workers is a major issue for the sector. Climate change and sustainability are particularly strong influences on the cognitive load for farmers, resulting in anxiety, decision fatigue, and confusion.
- **Pressure from pests and diseases is expected to increase** as global average temperatures increase and local environmental conditions change. This increased pressure may be more challenging for farmers to endure due to the volatility of input costs and shortages of or decreasing access to critical plant and animal protection products. The change in weather patterns will also force farmers to adopt new/different production practices, which for most farmers is seen as a risk, but for others is considered an opportunity.
- **The expectations versus the reality** of balancing economic sustainability with social and environmental sustainability emerged as a contentious topic during discussions. Farmers feel they are often subject to the ideological whims of politicians who do not understand the realities of farming and that policies are often drafted or targets are set with no real implementation strategy, support or advice for farmers on how to adapt, or clear and sufficient support for doing so. This also seems to be exacerbated by the lack of extension services for Canadian agriculture. Moreover, competing claims on the benefits of a certain practice or technology, the high cost and risk of investment in certain changes, and the lack of clarity on measurement and even the definition of sustainability often prompt farmers to ask whether sustainability is an expense or an investment. These points underscore the issue of communication, where misinformation and disinformation are creating resistance and distrust, or even simply uncertainty around “what to prepare for.” Moreover, there are trade-offs and conflicts between certain goals, where progress in one area means losses in another; for example, it is perceived that to achieve food security means increasing production, which can have environmental impacts.
- **Major knowledge gaps exist** that inhibit the adoption of best management practices and better sustainability outcomes. Data is largely unavailable both to back certain claims or to demonstrate progress, prompting the distrust and resistance alluded to above. While general support was expressed for the National Index on Agri-Food Performance initiative, questions were asked about how it may increase the administrative burden for farmers or other agricultural agents, and how we would reconcile being ranked higher by our own index with being ranked much lower by another; the benefit for farmers was also noted as yet unclear.

- **Increasing pressure from public and private actors for more reporting** was also perceived as a risk, especially given the aforementioned knowledge gaps. The complexity of reporting at the farm level, including how, when, and what to measure, increases the issue of cognitive load for farmers and is exacerbated by a lack of support on how to do this; for smaller farmers it is felt that such reporting may not be possible.
- **Tougher access to market and financing (eco-conditionality)** was raised as a risk under this theme. Given there will likely be “green components” tied to financing and insurance options in order to ensure financial institutions and insurance companies comply with their own regulations.

SPECIAL PLENARY PRESENTATION

THE HEALTH AND WELLBEING OF CANADA'S FARMERS

Presenter: Denise Robertson, Project Manager, Farm Management Canada on behalf of Heather Watson, Executive Director, Farm Management Canada

Moderator: Mathieu Lipari, Program Manager, Farm Management Canada

Focus: To provide participants with insight on the health and wellbeing of farmers, and their mental and physical capacity to succeed in improving holistic sustainability outcomes for the environment, society, and the economy.

Key Messages:

- **According to University of Guelph's 2021 Survey of Farmer Mental Health in Canada:**
 - 3 out of 4 farmers are experiencing moderate to high levels of stress.
 - Farmers are generally more burnt out than the general population.
 - 4 out of 5 farmers score as being less resilient than the general population.
 - Suicide ideation is over twice as high in farmers than for the general population.
 - 1 out of 4 farmers felt their life was not worth living, wished they were dead, or thought of taking their life in the past year.
- **According to Farm Management Canada's 2020 Healthy Minds, Healthy Farms Study:**
 - The greatest causes of stress for farmers were found to be unpredictability in the sector and a loss of control; workload pressures and a lack of time; and financial pressures. Women and young farmers report higher levels of stress which is compounded by trying to maintain a family and farm team harmony, and successful farm transitions.
 - The impacts of stress are broad and can cloud judgement, cause cynicism, lack of sleep, increase irritability, lead to substance abuse, and affect a farmer's capacity to manage the operation, workers, and to have healthy relationships with friends and family.
 - Assessment and support measures must be implemented to manage risk and help farmers.
 - 88% of farmers with business plans reported having a greater peace of mind and were more likely to adopt effective coping mechanisms when under stress.

- Supporting risk management and scenario planning, and making these tools more available will help support farmer mental health and wellbeing, and farm resilience.
- **Mental health is a significant factor influencing the sustainability of Canada's agricultural sector.**

BREAKOUT SESSION 4

ROLES, RESPONSIBILITIES AND RECOMMENDATIONS FOR EACH SUBSECTOR BASED ON THE FINDINGS OF THE FORUM

Focus: To discuss the roles and responsibilities, and recommendations for each subsector based on findings from the forum including producers, lenders, advisory services, industry associations, and academia.

Questions Posed to Workshop Participants:

- What can your subsector do to best support farm financial resilience?
- What tools and resources need to be in place to help producers, and in turn, support your industry role?
- What can other industry players including governments do to best support producers and your industry role?

Summary of Points Raised in the Breakout Discussion:

- **Producers can strive to better collaborate** with each other and with other agricultural subsectors and geographies. While producers are more inclined to seek advice from one another, there is also an element of competition which can lead to distrust; this distrust can weaken the sector by limiting knowledge exchange, so producers could explore the benefits of supporting one another through peer groups, social media, industry events, and other ways to connect across different regions or subsectors. Such collaboration and sharing of ideas can serve to better inform producers when assessing risk and making risk management decisions. Producers can also mitigate the risks of information-seeking from a single source or group by expanding their collaboration to incorporate more input from a greater diversity of sources including advisors. There is also an opportunity to enhance relationships with advisors to embrace a more proactive approach to managing risk through resources, tools and expertise available. In addition, farmers who are doing good work are often not “at the front of the parade” and could consider taking a more active role in sharing their strategies for success with their fellow farmers in order to both support the resilience of other farms while also broadening the positive impacts of the sector as a whole. Finally, there is a feeling that the threat of climate change presents agriculture with an opportunity to do things differently; producers could together explore what this means for them and for the sector, and strive to be more unified in this effort.
- **Governments can improve the development and delivery of** programs meant to build resilience. In order to foster positive change, growth, and resilience for agriculture, while rebuilding trust in government among producers, elected officials can engage directly with farmers to co-develop the programs and policies which affect them. Governments could also promote standardization in the industry to reduce the cognitive load on farmers of, for example, having financial statements prepared; both the United Kingdom and United States

have programs which standardize these practices and could serve as a precedent in this regard. There is also room for improvement regarding the efficient adoption of government policies and delivery of funding programs; there is a sense that “red tape” and a lack of funding are barriers for farms looking to adapt or change their production in response to government policies or changing conditions, that government policies and targets have no clear implementation strategy for producers to follow, and that accessing government programs is difficult. Governments could support education and training for financial literacy that could be delivered through various organizations, and efforts should be made to ensure that favouritism of one or only a few organizations is avoided. Finally, governments are starting to explore tying environmental practices to government support and insurance programs, but there is a critical gap between how new practices may benefit producers, so governments have a role to play in conveying this information to producers.

- **Academic institutions can embed more robust risk and financial management training** into their curricula, while also broadening education to include training for advisors on how to work with their farmer clients. However, it can be difficult to change academic programs and there is currently a tendency to add sustainability courses to academic programs, but not agricultural or economics courses. Other barriers to improving agricultural education include competition between institutions, intellectual property, the willingness of producers to pay for continuing education, and the high cost of maintaining up-to-date agricultural education infrastructure in the context of technological advancement.
- **Industry associations can play a positive role in promoting peer-to-peer working groups**, which are well received owing to the preference of producers to seek advice from each other rather than from elsewhere. Associations should ensure they are informed on current events, policies, and programs to facilitate these relationships and access to current and relevant information and resources, so that peer-to-peer relationships are effective. Related to this theme is the importance of identifying leaders, or champions, to foster change, since producers more readily identify with each other and tend to give greater trust to one another than to third parties. When working with such individuals, it will be important for associations to find creative and rewarding ways to incentivize participation, since farmers can be reluctant or simply too busy to participate. Associations could also invest in and support the development of education, training, and extension for risk management; their role could be advocating for producers in order to ensure the training producers receive is effective, current, and fills critical knowledge gaps.
- **Lenders and financial institutions have a shared responsibility with producers** and the relationship can sometimes be tense. It is important for financial institutions to meet producers on their level, and understand that costs have increased, for example the average purchase 10 years ago was \$250,000 but now it is over \$1 million. Producers also value personal relationships, so it will be important for financial institutions to offer advice that is appropriate for producers’ unique circumstances; in this regard, lenders could build more trusting and effective relationships with their clients by educating them on what they assess in their profile in order to ensure farmers are more informed and better prepared to make

an application and understand the reasoning behind unsuccessful applications, especially related to improving risk management.

- **Advisors have a unique role in managing risk for producers.** It could be beneficial for advisors to provide tools that allow producers to input their own programs, supports, and other metrics to model for certain scenarios. Such a tool could funnel them to the right support services, while also identifying other producers with similar metrics to share best management practices and collaborate. Such a tool could resolve some of the issues related to the aforementioned topic of high cognitive load. Moreover, advisors could partner with academic institutions to coordinate on providing producers with financial literacy training.

KEY MESSAGES FROM THE FORUM

- **Academic Curriculum Upgrade:** Academic programs have a critical role in the education and training of both the next generation of farmers and the continuous professional development of the current generation of farmers. Academic programs could better incorporate financial resilience and business management training including risk management. There are administrative and funding gaps, as well as issues of competition between academic institutions associated with making changes to or developing academic programs, but this investment is perceived as essential to the future resilience of the sector. Partnerships with industry associations are seen as beneficial to this effort, where such associations could provide experts and funding to ensure the success of these programs. Moreover, academic agricultural programs and the institutions providing them could benefit from industry partnerships especially when it comes to upgrading facilities and sharing intellectual property in order to ensure that the training students receive is current with the present and future realities of farming, and in order to better equip them with knowledge to improve the environmental, social, and economic performance of agriculture.
- **Extension Services:** The lack of extension services is perceived as a major risk for Canadian agriculture. The significant degree of extensions services available in the United States is viewed as enviable and its lack in Canada as a major obstacle to resilient and sustainable farm profitability and performance. As the nature of farming continues to change and the demands on farmers become more complex, this gap in extension services also contributes to the increased cognitive load of Canadian farmers and producers who are required to do more and more administration, management, and learning than ever before.
- **Champions of Change:** Given the preference of producers to work with each other, empowering them to become champions of change and to share their success strategies should be prioritized. By raising up producers and creating space for them as leaders to advocate, educate, and participate, producers could support one another as well as collaborate with industry associations and governments to build greater resilience into their individual operations and into the sector as a whole. Producers and producer organizations could more actively self-organize in this capacity in order to ensure that their voices are heard during policy and program development, but also to work together to share resources to address gaps in risk management.
- **Financial Literacy Training and Support:** Education and training for financial literacy should be centralized or coordinated, and expanded in order to ensure farmers and advisors understand the programs, resources, and market conditions which may influence farm investment decisions.
- **A National Risk Management Education and Communication Strategy:** Various subsector representatives may be unaware of the risk management tools and resources available to producers offered by, for example, Farm Management Canada. This highlighted a need for both greater distribution of these tools and resources, as well as more education for

producers about risk management, its importance to their businesses, and to the sector as a whole.

- **Rural Connectivity:** Rural connectivity is a major risk for Canadian agriculture. As trainings shift more and more to an online format, rural connectivity issues severely limit farmers' access to continuous professional development and self-education that could ensure continuous resilience to increasing volatility and variability in the market. Moreover, as technology and innovation increasingly makes its way onto farms, a lack of connectivity in certain areas puts some farms at risk of reduced competitiveness due to higher labour costs and the potential for penalization due to poorer environmental impacts and subsequent penalization.
- **Farm Financial Statement Standardization:** A lack of standardization of, for example, financial statements makes it difficult for farmers to understand their financial positions, especially in comparison to other farmers. Standardizing financial reporting was noted as beneficial for the whole industry in order to improve both the efficiency of this process as well as the quality of the data it yields.
- **Research and Development:** Limited investment into research and development puts Canadian agriculture at risk of losing competitiveness with other countries; in this respect, it was expressed that stronger investments are needed into innovation in order to remain competitive and to meet increasing demand for sustainable production. A key element to this discussion was that "innovation" need not necessarily be restricted to new technology, and also includes incremental changes on the farm which can be achieved through doing things differently using technology that already exists. Research, development and innovative technology includes that which supports farm business management, risk management and decision-making. Extension has a role to play here in facilitating knowledge mobilization to bridge the gap between research and application as well. In this way, progress can be made toward improving resilience, sustainability and profitability.
- **Mental Health Support:** Poor mental health for farmers and farm workers is a major risk to Canadian agriculture. It is a complex and multifaceted issue facing farmers in all regions and all sectors. The effects of negative mental health are largely invisible, along with most other aspects of farming in the modern day, given the rural nature of farming, which may exacerbate poor mental health among farmers. The increasing unpredictability and volatility in markets, environment, and politics are also issues which complicate and worsen mental health for farmers. Access to services and resources to manage mental health is becoming increasingly important to ensure farmers' and farm workers' well-being is protected.
- **National Coordination:** The need for coordination between all agricultural players emerged as integral to effectively managing risk for agriculture in Canada. There is a present disjointedness among subsectors that has repercussions for farm management and resilience. Coordination need not necessarily manifest as close relationships or communication on every level, but an emergent theme was the need for greater centralization of the tools, resources, programs, networks, and other items available to

farmers to manage risk and resilience. Access to these tools is proving to be more critical than ever as uncertainty pervades the 2020s and, as global market conditions become more and more complex and variable, there is a significant need for consolidating information into an easily accessible source. Engagement with the National Policy Advisory Committee could be an effective means of developing an industry-wide understanding that risk management goes beyond BRM and environmental sustainability.

- **Sustainability Dialogue and Support Mechanism:** Sustainability is a critical concern for all agricultural subsectors, but ideological differences and major knowledge gaps create resistance to what is upheld as progress and to what is presently understood as sustainable. This could be alleviated by efforts to develop more tangible steps for farmers to take when policies are made or targets are set, as well as greater financial supports for the agricultural sector to respond to these initiatives. A key facet of this effort is focusing on what the word “sustainability” actually means in terms of applied risk management, and the connection between economic, social or societal and environmental outcomes. In order to build and maintain trust between producers and decision-makers, the practical side of sustainability, beneficial practices, and potential trade-offs must be more clearly elucidated for producers, such as emphasizing adaptation to climate change, meeting market demand to demonstrate environmentally, socially, and economically responsible production, and how these actions also benefit the farmer.

RECOMMENDATIONS FROM THE FORUM

- Coordinate and expand farm financial literacy and risk management training and support. Review academic programs to ensure they integrate financial literacy and business and risk management training for agricultural students. Partnerships with industry associations could provide experts and funding to ensure facilities and programs are up to date and prepare students, farmers and advisors for the current realities of farming.
- Support and encourage producer groups and farm organizations to prioritize and invest in education, training, and extension on risk management and work together to share resources to address gaps in risk management. Empower farmers to become champions of change, share their success strategies, and expand their network across geographies and production subsectors.
- Undertake a gap analysis to identify the gaps in Canadian extension services to answer the question of who provides what and where and to ascertain the potential risks and benefits; assessing agricultural extension in the United States could be a way to clarify how these could be applied in the Canadian context, and at what cost. Funding options that Federal and Provincial/Territorial governments could provide to subsidize access to extension services for producers, such as business management and financial literacy training and advisory support, should also be explored. Developing a national extension policy may also have the co-benefit of enhancing research and development and knowledge transfer to increase adoption of innovative and best management practices for Canadian agriculture.
- Prioritize investments into rural connectivity to build the infrastructure to ensure the participative capacity of the agricultural community.
- Investigate the gap in agricultural research and development investment including technologies and practices to support management technologies and business practices in order to innovate and overcome emerging risks and opportunities. Consider establishing a national risk management research network.
- Invest in enhanced mental health resources for farmers to better manage their mental health and implement management practices that support mental health while also building stronger partnerships with farmers to address some of the key drivers of poor mental health, such as high cognitive load, the need to rebuild trust, and to reduce the isolation of farmers.
- Set up a task force of relevant industry players to create a National Risk Management Education and Communication Strategy to identifying present and emerging risks and promote, coordinate and develop risk management tools and resources for producers. This may include coordinating with the National Policy Advisory Committee.
- Undertake a review of opportunities to standardize farm financial statements and streamline financial reporting and other business management processes. This would also include the alignment of Business Risk Management program financial data (and calculations) with the

financial principles and concepts normally applied by farmers and advisors to ensure that financial data being collected and calculated on farms (through certified accountants), like Cost of Production, is also being collected and used in a standardized way by government Business Risk Management programs.

- Set up a task force to regroup relevant industry players to identify future data requirements for farms, guide the design of appropriate tools, and ensure farmers will have access to expert advice in a timely manner with respect to the coming guidance and rules about climate-risk disclosure and management in financial institutions, workshops between Farm Management Canada, the Canadian Federation of Agriculture, Agriculture and Agri-Food Canada, insurers, banks, reinsurers, and the Office of the Superintendent of Financial Institutions could be held to identify the coming issues in order to facilitate the transition for farmers.
- Recognize and promote the relationship between economic, social or societal and environmental outcomes (known as the “triple bottom line”) to acknowledge the connection between sustainability, resilience and risk management to better understand and more clearly articulate the practical benefits for farmers and potential trade-offs.
- Undertake greater collaboration with farmers when designing farming policies, programs, and corresponding implementation plans, for example, the Sustainable Agricultural Policy, as well as financial supports to rebuild trust and increase participation and progress.

CONCLUDING REMARKS

As uncertainty pervades the 2020s, risk management is emerging as increasingly critical; this is particularly true for agriculture, given the prevalent influence of more frequent and extreme climatic conditions, shifting geopolitical dynamics, and high inflation. As regulatory and economic conditions continue to change, agricultural producers are charged with more responsibility to expand their knowledge and skills and address the technological, social, environmental, and financial resilience of their farms. Developing risk management strategies can support farmers to reduce this cognitive load, ensuring they have already explored their options and strengthened those areas of their businesses which require greater focus. Preparedness can also be crucial to improving mental well-being for farmers and farm workers, which is emerging as a keystone for the success of their businesses both in a financial sense and regarding the social and environmental impacts for agriculture.

With farmers on the front lines, there is much that governments, industry associations, lenders, advisors, retailers, and academia can do to support farmers as champions of change and their efforts to ensure agriculture prospers into the future and is resilient to whatever changes will certainly come. In this regard, we sincerely thank those who contributed to the 2023 Forum for sharing their invaluable experiences and insight. Their contributions pave the road ahead for embedding sound risk management practices into Canadian agriculture and represent a united effort of targeted coordination, greater transparency, and positive collaboration for the sector as a whole.

ANNEX A - WORKSHOP PARTICIPANTS

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