



## Farm Support Programs

### 2017 Value-for-Money Audit

#### Why We Did This Audit

- To determine whether the design and delivery of farm-support programs are effective in providing appropriate financial support to farmers to help them manage their risks.
- From 2013 to 2017, the Ministry spent over \$1.06 billion on farm-support programs, and has budgeted or committed another \$275 million until 2018.

#### Why It Matters

- Ontario's 49,600 farms account for one-quarter of all farms in Canada. In 2016, Ontario's agricultural sector contributed \$4.4 billion to the provincial economy and employed almost 78,000 people.
- Farm-support programs, when effective, can help farmers manage production and price risks that can affect the quality and quantity of the commodities they produce and their sustainability.

#### What We Found

- The \$100-million-a-year Ontario Risk Management Program often pays farmers with little regard to individual need because payments are not based on farmers' actual costs. As a result, some farmers received payments even though they did not incur any loss or reduction in income, which is contrary to the intent of the Program. On average, 30% of payment recipients from 2011 to 2015 reported higher income in the year they received the payment than the prior year. The Program's design also benefits large farms who receive payments based on industry-average production costs rather than on their actual—usually lower—costs.
- AgriStability compensates farmers for significant drops in their farm income. However, the program's ability to provide support is limited by low farmer participation. Farmers have cited insufficient support and delays in payments as reasons for dropping out. Farmers also do not benefit equally from AgriStability. Of the over 21,000 grains and oilseed farmers who applied for AgriStability from 2013 to 2015, 10% actually received payments, compared to 21% of cattle farmers, even though more grains and oilseed farmers experienced large declines in net income.
- The Ministry's existing programs are likely insufficient to provide support to farmers for a market-related crisis and do not outline how support would be provided to help them recover from such a crisis. This was evident with the 2008 Ontario Cattle, Hog and Horticulture Payment where the Ministry was criticized for missing farmers who needed financial support because the design and delivery of the payment had been rushed.
- Incorrect and misleading information from some farmers has resulted in inaccurate payments. In 31% of audits conducted in the last five years, Agricorn's program auditors identified \$5.6 million in over- and underpayments to farmers resulting from incorrect or false information provided to Agricorn. Agricorn generally does not validate information from farmers for Production Insurance and the Ontario Risk Management Program; nor are farm inspections required for AgriStability and the Ontario Risk Management Program.
- Agricorn uses over 30 IT systems to administer programs. One of its four main systems is 25 years old while another is over 10 years old. In the last five years, there have been 31 system-related errors that led to farmers either receiving incorrect information or incorrect payments totalling over \$2.7 million. Although Agricorn is currently working to renew its IT infrastructure, it has not yet determined the cost and time required to complete this renewal.

#### Conclusions

- Production Insurance appears to provide timely and sufficient support to help crop farmers manage production risks. However, weaknesses in the design of the Ontario Risk Management Program and AgriStability limit the ability of the entire program suite to provide appropriate support to farmers (e.g. reduce income losses due to low commodity prices, decreased production, or natural disasters, and encourage innovation and increase competitiveness in the agriculture sector). Support provided through the existing programs is likely insufficient to help farmers during a crisis requiring the Ministry to provide additional funding, and the Ministry's contingency plan is inadequate to provide such support.
- Neither the Ministry nor Agricorn had effective processes to evaluate and publicly report on the strategic and operational effectiveness of farm support programs.