

Comparing Agricultural Business Risk Management Programs: An analysis of Ontario and Michigan Corn Producers

Agricultural business risk management (BRM) programs are vital for protecting crop producers in the United States and Canada from price fluctuations and yield variability caused by unpredictable weather, disease, and market conditions. The COVID-19 pandemic led to increased ad hoc payments to US producers, prompting calls for similar support in Canada to maintain competitiveness. This study compares BRM programs in Ontario, Canada, and Michigan, United States, aiming to determine which region receives greater government support on a per-acre basis. The findings are intended to enhance program efficacy and inform policy improvements.

BRM Programs in Ontario and Michigan

Ontario, Canada

- AgriStability: Protects entire farm income, paying out if net farming income falls below 70% of the farm's recent average.
- Production Insurance: Covers yield losses, paying out if the yield falls below the guaranteed level.
- Risk Management Program (RMP): Protects against low commodity prices or high production costs, paying when average production costs exceed market prices.
- AgriInvest: A savings account with government contributions based on Allowable Net Sales (ANS).

Michigan, United States

- Revenue Protection (RP) Plan: Offers insurance against revenue losses, with an optional Supplemental Coverage Option (SCO) for county-level revenue losses.
- Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC): Provide income support based on historical base acres and market prices.
- Ad Hoc Programs: The Market Facilitation Program (MFP) and the Coronavirus Food Assistance Program (CFAP) provided temporary financial aid in response to trade disputes and the COVID-19 pandemic.

Objectives

The study compares total returns for producers in Ontario and Michigan using a hypothetical price and yield scenario, as well as historical data from 2018 to 2022. The regions selected for comparison are St. Claire County, MI, and the south-central region of Ontario. Input costs and target yields are derived from official crop budgets. Corn is the primary crop analyzed due to its prevalence in both regions.

Findings

Hypothetical Scenario

- Michigan producers outperform Ontario producers in total return and BRM-specific returns (\$22/acre) due to differences in cost structures and BRM programming. The key factor contributing to this difference is the more extensive risk coverage provided to Michigan producers through the Revenue Protection program.

Historical Comparison (2018-2022)

- Total Returns: Ontario producers earned more in 2018 and 2021, but Michigan producers benefitted from ad hoc payments in 2019-2021.
- BRM Payments: Michigan producers consistently received more from BRM programs across all five years, indicating more extensive risk coverage.

Conclusion

Michigan producers generally achieve higher returns through BRM programs compared to Ontario producers, primarily due to the extensive coverage provided by the Revenue Protection program and additional ad hoc payments. Enhancing BRM support in Ontario is crucial for ensuring comparable returns and improving the financial security of its agricultural sector.