

McKenna, Neil

From: Kim, Sabrina
Sent: Monday, May 4, 2020 11:17 AM
To: Caron, Zoe
Cc: Stickney, Matt
Subject: Fwd: Agriculture announcement - Details and background

Hi!

For “increasing PPE across the sector” - I think the furthest we can go is probably — “we know that folks in this sector need to secure more PPE and part of the \$ that we are announcing will help them cover the costs associated with procuring PPE (which is what you said in the little description and which I understand is still TBC!).”

But let’s just make sure Bibeau isn’t going back to the sector saying that we are “increasing” their PPE supply by physically procuring and distributing supplies for them. I can work with her comms team on that once the details are finalized.

If we go too far on 5 - we risk raising expectations too high & assuming responsibility for something that we can’t rely on right now.

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Begin forwarded message:

From: "Caron, Zoe" <Zoe.Caron@pmo-cpm.gc.ca>
Date: May 4, 2020 at 10:44:34 AM EDT
To: "MacKendrick, Andrew" <Andrew.MacKendrick@pmo-cpm.gc.ca>, "Kim, Sabrina" <Sabrina.Kim@pmo-cpm.gc.ca>, "Lund, Parker" <Parker.Lund@pmo-cpm.gc.ca>, "Cesvet, Gabrielle" <Gabrielle.Cesvet@pmo-cpm.gc.ca>, "Krizus, Astrid" <Astrid.Krizus@pmo-cpm.gc.ca>, "Trogen, Emily" <Emily.Trogen@pmo-cpm.gc.ca>, "Robinson, Johanna" <Johanna.Robinson@pmo-cpm.gc.ca>
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Subject: Agriculture announcement - Details and background

Hey comms team!

The specifics of the Agriculture announcement are still being finalized, and the PM still needs to be briefed, but here is the most likely scenario so you can begin drafting materials:

1. Funding for food processors (\$77.5 million)
2. Release financial support for cattle and hog processors, and others (\$125 million)
3. Buy surplus food and distribute to those who need it (\$30 million)
4. Expand credit limit for Canadian Dairy Commission (by \$200 million)
5. Commitment to increase PPE across the sector
6. Calling on provinces to allow labour shortages to be treated as an eligible risk for AgrilInsurance.

Details below.
Zoe

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1. Funding for food processors (\$77.5 million)

This was the part we held back a week or two ago.

Funds will be used for:

- accessing more PPE
- adapting to health protocols
- keeping and feeding livestock for extended periods of time to spread out slaughtering lines (word this one nicer...)
- modernizing and automating processing plants, equipment installations
- supporting social distancing measures
- adding capacity
- responding to emerging pressures from COVID-19

2. Release financial support from the Agriculture Disaster Relief Program Fund (\$125 million)

This is a \$125 million fund that is held for disaster relief. Cabinet has approved the authorities for Minister Bibeau to take these funds and put them into the AgriRecovery Program. Through these authorities, Minister Bibeau will:

- Classify COVID-19 as an extraordinary disaster and access the \$125 million currently in the Agriculture Disaster Relief Program Fund
- With those funds, establish two set-aside programs (\$50 million for beef, \$50 million for pork). Canada did the same thing to help address mad cow disease. The funds would help beef and pork processors as they manage the delay of processing the meat. This includes additional feed costs or costs of destruction and disposal of excess animals.
- Make the AgriRecovery program more flexible. Usually Canada and the provinces/territories cost share AgriRecovery supports with a 60:40 ratio. New authorities would allow Canada to provide its 60% share, without requiring the province to pay its share.
- To be confirmed: We will also be prepared to expand this fund should it be required.
- To be confirmed: This fund will apply to both processors AND producers.

Background on beef and pork processing, and knock-on effects on cattle and hog producers:

Beef processing is operating at 45% capacity, and hog processing is at 80% capacity. Meat processing plants are closing for temporary or extended periods, or are operating at reduced capacity to adhere to health and safety standards, protect workers, and deal with absenteeism. We expect this issue to grow in the coming weeks, and that it could reduce product availability thereby increasing prices for consumers.

For those raising cows and pigs, there is a back-up of animals, and they may soon need to humanely slaughter the backlog. (Hogs will grow too large for the processing machines, and cows can be held longer but eventually hit a point where producing costs become higher than the revenue.) Insurance does not cover this cost increase. In provinces where insurance does cover it, premiums are too high and there is no participation in the insurance programs.

3. Purchasing surplus food and distributing it to those who need it most (\$30 million)

We will launch a Surplus Food Purchase Program. The Government of Canada would support the purchase of a portion of surplus commodities (e.g. potatoes, dairy and poultry products) for direct or indirect distribution to organizations addressing food insecurity. This would be a temporary program to help manage and redirect existing surpluses to organizations addressing food insecurity and to ensure that these surplus products are not wasted.

Background: Restaurants and cafes use a lot of potatoes, milk, and butter. With so many closures, there is an over-production of these items. Across Canada and the US, millions of litres of milk is being dumped, and there is a 1.2 million tonne surplus of potatoes. This is an unfortunate waste of food, and is also lost revenue for those producers. Some donations to food banks are being made, but the capacity does not exist to address the full amount of surplus food. To address this, Minister Bibeau proposes:

4. Increased Borrowing Capacity of the Canadian Dairy Commission (by \$200 million)

To Be Confirmed to be included in the announcement, as it is legislative, and we need to land that strategy before we announce.

This would increase the credit margin for the CDC from \$300 million to \$500 million. The CDC has storage programs to help the industry balance supply and demand variations. They have been purchasing butter and cheese to alleviate the dumping of milk, but they expect to reach their spending limit in early June in the best-case scenario.

To increase their borrowing capacity, we would make a legislative change by modifying the *Canadian Dairy Commission Act* to increase the credit limit and ensure that this change already applies for the current operating year (ending July 31, 2020). This would allow the CDC to purchase and store additional butter and cheese from processors under a contractual commitment that they will repurchase the cheese at the same price, at a later date when it can be marketed.

5. Commitment to increase PPE across the sector

Details TBC, but the 77.5 million above can be used for this – and also we have an ad hoc working group focused on this at the moment. It is a big priority.

6. Calling on provinces to allow labour shortages to be treated as an eligible risk for AgrilInsurance.

One possible solution lies within Minister Bibeau's existing authorities, but it requires sign-on from the provinces. Discussions are underway.

AgrilInsurance Program Flexibilities for the Horticulture Sector (existing authorities): The current AgrilInsurance is a 60:40 FPT cost-shared program that provides crop insurance payments when there is lost production due to a number of factors. Provinces administer AgrilInsurance, so Minister Bibeau proposes the federal government ask provinces to allow insufficient labour to be treated as an eligible risk, on a one-time basis for this crop year.