

## **Canadian Federation of Agriculture Credit Risk Mitigation Program**

### **(“CFACRMP” or the “Program”)**

#### **Project Summary and Deliverables**

The Program will develop research tools, methodologies, metrics and communications that can be broadly employed well into the future to perform research not funded by this Program. Such tools, methodologies, metrics and communication may be used by other organizations for other commodities in other Provinces.

Note on certain Terminology. The terms employed in this discussion around R&D activities will have the following meanings:

“Tools” means the specific manner of gathering information from a Stakeholder. Such tools could include telephone interviews, surveys, questionnaires, web-based data collection, email, personal interviews (one-on-one) and such other items as can reasonably be employed to secure information directly or indirectly from a Stakeholder.

“Methodologies” means the systematic decision-making process employed using certain tools to obtain relevant data in the most cost effective way.

“Metrics” means the manner in which data collected is analyzed and interpreted to reach a commercial conclusion. This is how we measure and interpret data.

“Communications” means the methods whereby Stakeholders interact effectively and efficiently with other Stakeholders. This includes telephone, email, fax, websites and direct oral communication.

“Stakeholder” means all individuals and organizations with a direct or indirect interest in the outcome of the Program. This includes producers, government, farm related interest and industry groups, grain companies, processors, and grain dealers/brokers.

Consultants may be retained that either work solely on one Sub-Activity, or work on several simultaneously. IT personnel working on the TDS will not have any other responsibility in any other area. By contrast, the PM will be involved in every Sub-Activity. Other consultants are expected to work in several related Sub-Activities simultaneously.

Consultants to be retained shall be chosen from private sector consulting and industry organizations, Canadian Universities and individuals/organizations with specific knowledge or experience in key Agricultural sectors or direct relevant research backgrounds.

It is expected that many organizations participating in the development of the Program will do so at no cost to the Program. In some cases, hard costs (mailing, communications, printing marketing materials) may be reimbursed. In-kind financial support is expected from organizations that are expected to benefit from the Program such as insurers, banks, grain brokers, producer organizations and government.

It is expected that the Canadian Federation of Agriculture (“CFA”), one or more of its constituent organizations (“CO”) (together, CFA and CO are collectively referred to as “CFACO”) and their personnel will provide substantial “in-kind” contributions to the Program in the form of office space, telephone and administrative support, some travel (related to existing activities, such as AGMs and Shows), producer and organization contact, participation in discussions, round tables and focus groups, organizational activities (events, Shows, AGMs), general research and planning.

In addition, it is expected that CFACO will provide one or more persons who will liaise between CFACO personnel and management, and the Project Manager (“PM”) for the Program, to assure access to required people, groups and events.

**Activity 1: Agricultural Industry Research Issues.** In General: Understanding the nature and structure of the agricultural commodity industry is the key component in the development of a primary producer oriented risk mitigation program. The Program will rely extensively in structuring the marketing plan for the Pilot and beyond on the development of data and information related to (a) farmer/primary producer awareness of transactional credit risk in a rapidly evolving credit landscape (private sector and government programs), (b) identification and study of differing agricultural sub sectors and similar/different credit risks (i.e., hogs versus canola) and (c) understanding the primary producers and their representative trade organizations (i.e., Western Barley Growers Association) and their typical operating modes (use of credit risk mitigants; methods of credit risk analysis, if any).

Understanding farmers’ business operating methods, views of inherent credit risk in light of government programs and the discreet sectors in which they work is essential to the overall success of the Program. Information developed in this research area will be utilized in many other aspects of Program development, including allocation of scarce funding resources.

**Sub- Activity 1: Farmer Awareness of Credit Risk.** It is essential to understand the degree to which primary producer, both on the individual and collective basis, understand the inherent credit risk associated with counterparty sales to processors and grain companies. In addition, deregulation of the Canadian Wheat Board, as an example, opens up the possibility of increased “farmer to buyer” sales cross border, whether to the US or elsewhere. This results in not only increased credit risk in general, but to working capital constraints not normally involved with purely domestic sales. We will seek to understand what level of credit risk management, buyer qualification, and credit risk tools are utilized by primary producers at all sizes of farm enterprise. We also seek to understand farmer business behaviors in relation to perception of credit risk.

Sub-activities 1, 2 and 3 will be combined for research data gathering purposes.

Year 1 activities begin with general organization for all activities, then continues on for the research effort required by these three Sub-activities. Led by PM.

“Organization” in this context means establishing the parameters of the research areas to be undertaken, in which Provinces research is to be carried out, and determining who will be involved. Led by PM.

Next is the Planning and Methodology stage in which the processes, tools, structure and metrics of the research will be determined and developed based on organizing decisions. Participation and oversight by PM; outside consultants will assist in developing processes, tools, structure and metrics.

The next stage is the Research Stage in which the processes, tools and structures are employed to gather data. Led by PM.

Year 2 activity: In Year 2, the emphasis will shift from data gathering to data analysis using metrics developed in the Planning and Methodology Stage. Led by PM with assistance from retained consultants.

In the final stage, the data analysis will yield conclusions which will become part of final reports. Led by PM with assistance from retained consultants.

These activities and the reports generated will be integrated into final marketing plans for Pilot launch. Led by PM with assistance from retained consultants.

Deliverables: Interim and final reports based on data collected from representative farmers/farmer organizations. Develop the sampling metrics and methodologies to substantiate data and conclusions drawn. The metrics and methodologies developed will be used on an ongoing basis.

**Sub-Activity 2: Agricultural Sector Analysis.** There are many subsectors of agricultural commodities common in Canada. The manner in which each subsector deals with business and credit risk may vary from commodity to commodity. Buyers of hogs may present a different credit risk profile than buyers of canola.

We will seek to research the many subsectors and understand both commonalities and differences in these subsectors. We will also seek to understand any similarities/differences in operating modes, contracts and dominant players in the various subsectors.

Completion of this Sub-Activity will allow us to understand the complexity of the marketing, farmer awareness and counterparty qualification issues that will need to be developed.

Sub-activities 1, 2 and 3 will be combined for research data gathering purposes.

Year 1 activities begin with general organization for all activities, then continues on for the research effort required by these three Sub-activities. Led by PM.

“Organization” in this context means establishing the parameters of the research areas to be undertaken, in which Provinces research is to be carried out, and determining who will be involved. Led by PM.

Next is the Planning and Methodology stage in which the processes, tools, structure and metrics of the research will be determined and developed based on organizing decisions. Participation and oversight by PM; outside consultants will assist in developing processes, tools, structure and metrics.

The next stage is the Research Stage in which the processes, tools and structures are employed to gather data. Led by PM.

Year 2 activity: In Year 2, the emphasis will shift from data gathering to data analysis using metrics developed in the Planning and Methodology Stage. Led by PM with assistance from retained consultants.

In the final stage, the data analysis will yield conclusions which will become part of final reports. Led by PM with assistance from retained consultants.

These activities and the reports generated will be integrated into final marketing plans for Pilot launch. Led by PM with assistance from retained consultants.

Deliverables: A report detailing the breakdown in existing agricultural subsectors and describing the risks associated with each in terms of counterparty qualification and marketing strategies. Identification of commodity producer organizations for marketing and educational purposes will be undertaken.

**Sub-Activity 3: Identify and Study Primary Producers of Agricultural Commodities.** This Sub-Activity will study primary producers in various commodity sub sectors in greater detail to understand how best to identify and market the Program to them. Identification of farmers and the organizations that may or may not represent them is essential in understanding the “seller” market, and how to communicate with them. In addition, research will be undertaken to prioritize the best methods of communication, whether through farmer organizations, commodity brokers or other methods of information distribution.

Sub-activities 1, 2 and 3 will be combined for research data gathering purposes.

Year 1 activities begin with general organization for all activities, then continues on for the research effort required by these three Sub-activities. Led by PM.

“Organization” in this context means establishing the parameters of the research areas to be undertaken, in which Provinces research is to be carried out, and determining who will be involved. Led by PM.

Next is the Planning and Methodology stage in which the processes, tools, structure and metrics of the research will be determined and developed based on organizing decisions. Participation and oversight by PM; outside consultants will assist in developing processes, tools, structure and metrics.

The next stage is the Research Stage in which the processes, tools and structures are employed to gather data. Led by PM.

Year 2 activity: In Year 2, the emphasis will shift from data gathering to data analysis using metrics developed in the Planning and Methodology Stage. Led by PM with assistance from retained consultants.

In the final stage, the data analysis will yield conclusions which will become part of final reports. Led by PM with assistance from retained consultants.

These activities and the reports generated will be integrated into final marketing plans for Pilot launch. Led by PM with assistance from retained consultants.

Deliverables: Data and report on findings that will be used in other aspects of the Program, including marketing, buyer identification and producer education.

**Activity 2: Legal Research and Development Issues.** In General: This activity is divided into two broad parts, and relates to credit insurance issues around insurance policy legal and administrative matters, and credit insurance transactional matters.

The first two Sub-Activities relate to the commercial agreements commonly used in commodity sales and the insurability of those transactions. This will focus on deferred delivery contract issues and other commercial transaction formats. The third Sub-Activity relates to legal issues surrounding the holder of the commercial insurance policy and legal requirements such as “insurable interest”.

**Sub-Activity 1: Study Buyer and Seller Commercial Behaviors.** This Sub-Activity will research the various mechanisms employed in a variety of commodity subsectors to effect transactions via legally binding agreements. Emphasis will be on the affect these legally binding agreements have on insurability, both on a pre-shipment and shipments basis. In addition, research will be undertaken on the issue of legal agreements and the relative power of buyers and sellers to require the usage of any particular legal language, and the disparity, if any, in the bargaining power of the parties.

Year 1 activity: This Sub-activity will commence and complete in year 1.

Organization will commence immediately to determine the scope of activity, commodity sectors to be studied and representative organizations to contact. Led by PM.

The processes, tools, structure and metrics of the research will be developed in order to carry out research. Led by PM and retained consultants.

Research based on processes, tools and structure of the research will be carried out. Led by PM with assistance of various organizations.

The next stage will transition from data gathering to data analysis. Led by PM and retained consultants.

The final stage will result in the compilation of a final report to be used in marketing in the Pilot.

Deliverables: A report on the data and findings from the research undertaken, and recommendations, if any, to standardize agreements.

**Sub-Activity 2: Research and Development Standardized Agreements.** Assuming the research discloses issues to be addressed in standardizing contract language, the Program will undertake to develop enforceable standardized agreements, much as are used in real estate transactions nationwide. Enforcement mechanisms (remedies) will be addressed to encourage rapid settlement of commercial issues.

Year 1 activity: Based on data and conclusions reached in Sub-activity 1, a decision to develop actual contract language will be undertaken. The PM begins to organize the effort, develop target areas, and consult with industry.

Year 2 activity: Consultations, led by PM, will result in draft uniform contract language. Draft language will be finalized and report prepared.

Deliverables: Standardized contracts/contract language for multiple commodity transaction options which are fair to all parties, cost efficient and written in plain language.

**Sub-Activity 3: Research and develop a flexible and practical *legal* structure for the Program.** While we believe that the most efficient and legally permissible legal structure to hold the credit insurance policy on behalf of farmers seeking insurance coverage is an irrevocable business trust, we understand that other modes of holding the insurance possible may be possible. We seek to identify other competing structures, the relative value of each in the overall menu of options, and the legal issues raised by each in the use of credit insurance.

Year 1 activity: All activities will commence and complete in Year 1.

All activity will be carried out by the PM in conjunction with input from insurance suppliers and other interested parties.

Deliverables: A report and final decision on the legal structure to be employed in the Program conforming to the needs of buyers, seller and insurers.

**Activity 3: Marketing Research and Development Issues.** In General: Marketing the Program to those who will be involved in insuring trade transactions will be a key aspect of the results of fundamental market research. The research must lead to (a) how and what is communicated to the target market(s) to develop the business of the Program, and (b) specific plans on how to distribute the Program through potential channels yet to be identified.

**Sub-Activity 1: Development of relevant Education and Training materials.** This Sub-Activity is the end result of much of the basic research that will be undertaken on how the industry works and is structured. Developing awareness of perceived need, target market communications and training, use of third party organizations and the development of marketing materials will be essential.

Year 1 activity: This Sub-activity will commence toward the end of Year 1, after reviewing other research commenced earlier in the year. This will be managed by PM with assistance of retained consultants and others.

Year 2 activity: This Sub-activity will conclude in year 2, and marketing materials developed will be applied in the Pilot and thereafter. This will be managed by PM with assistance of retained consultants and others.

Deliverables: Development of a website, video, audio, written materials and means of communication will be achieved.

**Sub-Activity 2: Development of Comprehensive Agricultural Sector Distribution and Marketing Plans.**

The result of basic Agricultural industry research will be the development of specific related and comprehensive distribution and marketing plans. These plans will assume some difference is the transactional nature of the underlying commodities, and will be specific to the underlying commodity. The development of specific buyer pools that are commodity based will inform the distribution and marketing to the affected target markets.

In this instance, “marketing” refers to the identification of target markets and the message, while distribution refers to the channels employed in promoting the message.

Year 1 activity: Based on earlier research, and conclusions reached, the PM and retained consultants will begin developing distribution and marketing plans and strategies to carry out in the Pilot and beyond.

Year 2 activity: The research and development phase will conclude and final marketing and distribution plans completed. Led by PM with assistance of others.

Deliverables: Specific written, commodity based distribution and marketing plans.



**Activity 4: Infrastructure Research and Development Issues.** In General: The core benefits and underlying value of this Program is described in the Sub-Activities of this Activity. Along with Activity 1, this Activity is at the heart of the reason for funding the Program. It is a specific and achievable result of funding.

**Sub-Activity 1: Research and Development of Transactional Database System.** The IT infrastructure of the Program is the very backbone of the Program. The Program is a significant departure from the normal way credit insurance becomes available to farmers and others in the traditional sense.

Normally, farmers must individually secure a credit insurance policy, insuring all customers, both good and bad. There are many ramifications to this traditional credit insurance model, but largely it has historically meant that farmers were not aware of the coverage or the need for coverage, or the benefits of using credit insurance to mitigate the risk of non-payment. This is a pooled approach, taking all of a farmers credit risks into account. But, historically there has been little uptake of credit insurance from farmers, while processors and grain companies (as well as the CGC and CWB) have used the insurance extensively.

The Program departs from this model significantly, as it is transactional in nature. This means that tracking and qualifying sellers of commodities on one hand, and tracking and qualifying buyers on the other, is a huge task that would likely be impossible to manage administratively without significant IT infrastructure.

Year 1 activity: This Sub-activity will be managed by the PM, but almost wholly researched and developed by retained consultants.

The organizational phase of the Sub-activity consists in identifying two types of IT consultant to perform the work indicated. First is a consulting firm that can do database development as required by the Project which includes not only IT database experience, but knowledge of the agricultural industry. This consultant will be referred to as the IT Consultant. Second, a consultant will be retained to track and evaluate the performance and delivery of functionality by the IT Consultant. This consultant will be referred to as the Review Consultant. The Review Consultant will be responsible for making sure that content and functionality is being developed on time, on budget and competently. These two consultants will be identified and retained as expeditiously as possible.

The next phase, the Planning and Methodology phase, will require the input of the PM as well as third parties to identify core and non-core functionality for the IT Consultant, based on the various identified tasks associated with the Transactional Database System. Once core functionality is identified and tasked, additional non-core functionality will be added based on priority of functionality, cost and complexity.

The next phase, the Research phase will be conducted by the IT Consultant, and reviewed by the Review Consultant. The PM will have input into priority and timing of content development.

The next phase, Development is the phase when testing in real world situations begins, although multiple tasks may be commenced simultaneously and the development progress of all functionality may not proceed in a linear fashion.

Year 2 activity: Development of content, functionality and features will continue.

Final delivery of core and non-core functionality will be delivered at the end of year 2.

The PM will be integrally involved in content testing in conjunction with associated stakeholders who will be invited to “test drive “and have input into content development.

Deliverables: A functioning “transactional database system” (“TDS”) with core functionality appropriate for use in the Program. Further, additional functionality will be explored to make the Program usable for suppliers, interested parties and related program opportunities that depend on the IT piece of the Program.

**Sub-Activity 2: Development of Registered and Prequalified “Buyer Pool”.** The TDS is the IT backbone which supports the development of two key pools of businesses essential to using credit insurance. The first of these two pools are “buyers” of agricultural commodities.

Buyer qualification is required for any credit insurance policy under one or more methods of buyer assessment. Buyer *prequalification* is mandated in order to accommodate the transactional nature of the Program, as transaction may need to be finalized quickly.

Buyer prequalification is not only essential due to the transactional nature of the Program, but also because prequalified buyers are essential to the development of two other key objectives: matchmaking and trading platform development. Fulfillment of these objectives supports the sustainability of the Program and provides a closed loop system for sales and payment.

Year 1 activity: The PM will lead the research and development activities of both the Buyer Pool and the Seller Pool (the “Pools”).

The development of the two Pools will also rely on insurance brokers and credit insurance companies to determine content/functionality related to the Pools in the TDS development.

The tasks associated with this Sub-activity will begin as the core TDS functionality develops, a little later in year 1.

Year 2 activity: As TDS completes core functionality, the design and functionality associated with the Pools begins to advance early in year 2.

The Pools will begin to identify buyers and sellers for inclusion, and will be based on data gathered throughout the research period of Activity 1.

Criteria for inclusion in a Pool will be developed in association with insurers, insurance brokers and other stakeholders, including buyers and sellers.

All Pool activity will be commodity based.

Deliverables: Development of the metrics for Buyer prequalification, and the development of a usable Buyer Pool.

**Sub-Activity 3: Development of a Registered and Prequalified “Seller Pool”.** Discussions with the credit insurance markets indicate that credit insurers will require information on sellers, much as they normally do now. In a typical credit insurance application, applicants disclose credit management and credit personnel experience as a part of the qualification process. This process will need to be developed with the credit insurer chosen to underwrite the Program.

PLEASE REFER TO THE TWO YEAR GANTT CHART PREVIOUSLY PROVIDED.

Year 1 activity: The PM will lead the research and development activities of both the Buyer Pool and the Seller Pool (the “Pools”).

The development of the two Pools will also rely on insurance brokers and credit insurance companies to determine content/functionality related to the Pools in the TDS development.

The tasks associated with this Sub-activity will begin as the core TDS functionality develops, a little later in year 1.

Year 2 activity: As TDS completes core functionality, the design and functionality associated with the Pools begins to advance early in year 2.

The Pools will begin to identify buyers and sellers for inclusion, and will be based on data gathered throughout the research period of Activity 1.

Criteria for inclusion in a Pool will be developed in association with insurers, insurance brokers and other stakeholders, including buyers and sellers.

All Pool activity will be commodity based.

Deliverables: The process and metrics of seller prequalification, and the development of a usable Seller Pool.

**Sub-Activity 4: Development of Matchmaking Program.** Once the TDS is developed with usable buyer and seller pools, the next logical project within the Program is the development of a matchmaking program which links qualified sellers to qualified buyers. This Sub-Activity will develop the process behind developing a matchmaking capability, and will explore the options to do so.

Year 1/2 activity: This Sub-activity and the next are predominantly second year projects which begin organizationally at the end of year 1. Both Sub-activities are functionally related to the development of the TDS and Pools, and require their development to be successful.

This Sub-activity will explore the methods available to connect buyers and sellers through the TDS to various stakeholders.

The effort will be led by the PM in conjunction with online grain dealers/brokers, farm trade organizations and traditional brokers and buyers of agricultural commodities.

This is largely a feasibility project.

Deliverables: A report on process and options for developing a matchmaking capability.

Sub-Activity 5: Trading Platform and Clearing House attributes. One possibility for developing a matchmaking capability, but not the only possibility, is to develop a trading platform which can match up buyers with seller. Such a trading platform could have clearing house capabilities (guarantors of buyer and seller performance), or not. As this is a likely option, the design of the TDS should include the IT requirements for a trading platform.

PLEASE REFER TO THE TWO YEAR GANTT CHART PREVIOUSLY PROVIDED.

Year 1/2 activity: This Sub-activity and the next are predominantly second year projects which begin organizationally at the end of year 1. Both Sub-activities are functionally related to the development of the TDS and Pools, and require their development to be successful.

There are a number of online trading platforms either in the process of development or newly launched. Connecting buyer and seller is important, but buyers getting paid is always an issue. This Sub-activity will focus on existing platforms and the credit issues engendered by those platforms to determine whether the Program can play a role in facilitating sales.

The effort will be led by the PM in conjunction with online grain dealers/brokers, farm trade organizations and traditional brokers and buyers of agricultural commodities.

This is largely a feasibility project.

Deliverables: Development of TDS modules for trading platform and matchmaking capabilities. A report on the research into the options available to the Program for developing a trading platform, or participating in a third party supplier of a trading platform.

**Activity 5:** Functional Development of Third Party Suppliers. In General: The Program is a credit risk mitigation program utilizing credit insurance. Credit insurance can be used for pure risk mitigation, but additionally has application as security for working capital lending.

Credit insurance is a form of commercial insurance which is sold through the usual commercial insurance channels: some insurers sell direct, and all distribute through commercial insurance brokers. This activity is necessary to develop insurance brokerage relationships which are legally required, as well as identify potential credit insurance suppliers.

**Sub-Activity 1: Identification and Qualification of the Program “House Broker”.** Substantial time will be devoted to the initial identification of potential credit insurance brokers that can support the many insurance issues that will arise in the design and development of the Program. Brokers will be sought whose expertise in negotiating policy structure, premium rates and underwriting buyer coverage is demonstrable. There are only a few individual brokers and brokerages that specialize in credit insurance, and whose expertise extends to agriculture.

Year 2 activity: While there will be contact and discussions with a wide range of insurance brokers in year 1, the decision to choose a house broker to perform specific duties related to ongoing credit qualification and insurance policy administration can be deferred into year two.

The PM will deal directly with all insurance brokers and will ultimately choose one or more insurance brokerages to act in this capacity.

Deliverables: Identification and retention of a “House Insurance Broker”.

**Sub-Activity 2: Development of National Insurance Broker Network.** Credit insurance is only sold through licensed insurance brokers. As a channel of distribution, insurance brokers in rural locations can be instrumental in bringing the Program to the attention of its customer base, which includes farmers.

Year 1 activity: This is largely a research project into the makeup of rural insurance brokerages that have at least annual contact with farmers.

Once the R&D process has been conducted and brokerages identified, this Sub-activity will develop the resources and tools needed by brokers to be educated about credit insurance, the Program and the insurance process.

Contact will be made with representative brokerages to assess awareness and degree of interest.

The PM will lead this effort in conjunction with various stakeholders.

Deliverables: Development of a list of qualified and trained brokers who can introduce the Program to farmers.

**Sub-Activity 3: Identification, Retention and Services of potential credit insurers.** The Program will be underwritten by one or more credit insurers.

Year 1 activity: Discussions with credit insurers to determine interest in underwriting the Program, on what basis and how will begin in year 1.

This Sub-activity will explore what the credit insurers are willing to do to support the development of the Program in addition to underwriting it, with an emphasis on collaboration as a partner/stakeholder.

Year 2 activity: Final decisions on the choice of credit insurers to underwrite the Program will be deferred to year 2.

This effort will be led by the PM.

Deliverables: Identification of one or more credit insurance underwriters for the Program.

**Sub-Activity 4: Banks and Financing.** An additional intended benefit of using credit insurance for risk mitigation is the positive affect its usage has on working capital bank lending. All lenders, most notably credit unions and large scheduled banks, are active in Canadian agriculture and farm lending. However, most banks have limited knowledge of credit insurance at the Branch level, but significant working knowledge at the “trade finance” level (where it is frequently used in large international trade transactions). This Sub-Activity will explore the lenders that are active in farming to educate the lenders at the Branch level about credit insurance and the Program.

Year 1 activity: This Sub-activity will be undertaken in year 1 to identify financial institutions that will lend or discount receivables and assist in the development of the Program.

This is a long term process of education and “buy-in” and will be led by the PM and credit insurance companies.

Deliverables: A list of lenders that will participate in the Program and will provide either augmented working capital lending or discounting of receivables.

**Activity 6: Research and Development of Operational Business Issues.** In General: This Activity is related to the operational issues associated with the operation of the Program as related to long term sustainability.

**Sub-Activity 1: Identify Sustainable Revenue Streams supporting the long term viability of the Program.** In order for the Program to be sustainable long term, adequate revenues will need to be developed from sources willing to pay for them. These will certainly be both buyers and sellers, but could also include other sources of revenue from suppliers, organizations and affiliated programs that are commercially successful.

Year 2 activity: This Sub-activity will focus on the development of multiple streams of revenue from any and all sources that can be derived to support the Program, including the use of resellers.

This will be led by the PM.

Deliverables: Report detailing the contemplated revenue streams, based upon research from likely providers.

**Sub-Activity 2: Development of Transactional and Special Use Pricing Models.** The issue of the Program costs will be undertaken to assure that pricing is not excessive and will be well tolerated by the target markets. There will be a premium cost pricing model and a service fee pricing model, which comprise the ``transactional cost to farmer`` component of revenues. Special pricing for recurring business or special situations outside of Program norms will be examined.

Year 2 activity: This Sub-activity will focus on the pricing/volume scenarios to determine sustainability of the Programs at various levels of sales activities.

In addition, the Sub-activity will focus on pricing relative to levels of participation and special “one-off” large transactions.

Led by PM.

Deliverables: Pricing models.

**Sub-Activity 3: Stakeholder Advisory Board.** All significant participants in the Program should have the ability to participate in an Advisory Board to express views, have input on operational issues, and contribute to the success of the Program.

Year 2 activity: This Sub-activity will explore the creation of an Advisory Board comprised of industry and government to support and advise on ongoing operations.

This will be the replacement for an informal advisory board to be constituted during the two year Project period.

Deliverables: Development of the Advisory Board structure and criteria for eligible participation.

**Sub-Activity 4: Create a *business* structure that will permit a scalable, comprehensive, national, multi-sector, and multi-user risk mitigation Program for Canadian Agriculture.** The Program will go from R&D, to Pilot program to fully sustainable launch. Eventually, the Program will require a scalable business structure which can accommodate national development. During the R&D phase, considerable thought should be given to these long term goals.

Year 1 activity: This Sub-activity will focus on the development of a business model and associated business plan for the operation of the Program moving forward.

Due consideration for tools, methodologies and metrics developed in relation to Provinces/commodities in other research areas described above will be extrapolated to other Provinces/commodities.

Led by PM.

Deliverables: A report on the most likely business structures that can accommodate scalable growth across Canada, based on R&D, and later the Pilot program.

**Sub-Activity 5: Development of Permanent Staffing Model.** The Program can only be sustained if permanent staffing will eventually be made available. Determination of staff qualifications relevant to the Program will need to be determined.

Year 2 activity: On the basis of the Program as developed over a two year period, this Sub-activity will develop a needs based assessment of permanent staffing requirements relative to projected sustainable revenues.

Led by PM and CFACO.

Deliverables: Staffing model.



**Activity 7:** Final Reporting and Translation.

Translation of the final report into French.

