

# CREDIT RISK MITIGATION – ACCOUNTS RECEIVABLE INSURANCE





# Overview of Risk Management Product

Addressing Producer Payment Security for all Canadian Producers

- Market Power Assurance: MPA is Accounts Receivable Insurance.
  - Insurance against non-payables
  - Recovery Assurance of 90% of value of invoice
- The program is unique in North America, and around the world
- Sound Fiscal Policy



# What is Unique about It?

How MPA differs from other product offerings

- Available to individual farmers for any Commodity Produced
- Available to Food Processors and Seed Cleaners/Retailers
- Buyer Specific and Invoice Specific





# Coverage

What MPA protects against

- 10% deductible – i.e. seller is assured of recovering at least 90% of the value of the sale
- Buyer bankruptcy
- Buyer slow pay



# Key Features/Benefits

What differentiates it from other products

- New Buyers / New Markets
  - Attract a new buyer by offering 90 day terms, and know the money is good.
  - Look for higher-risk premium markets
- You choose
  - Seller chooses which buyers to insure, and which not to insure.

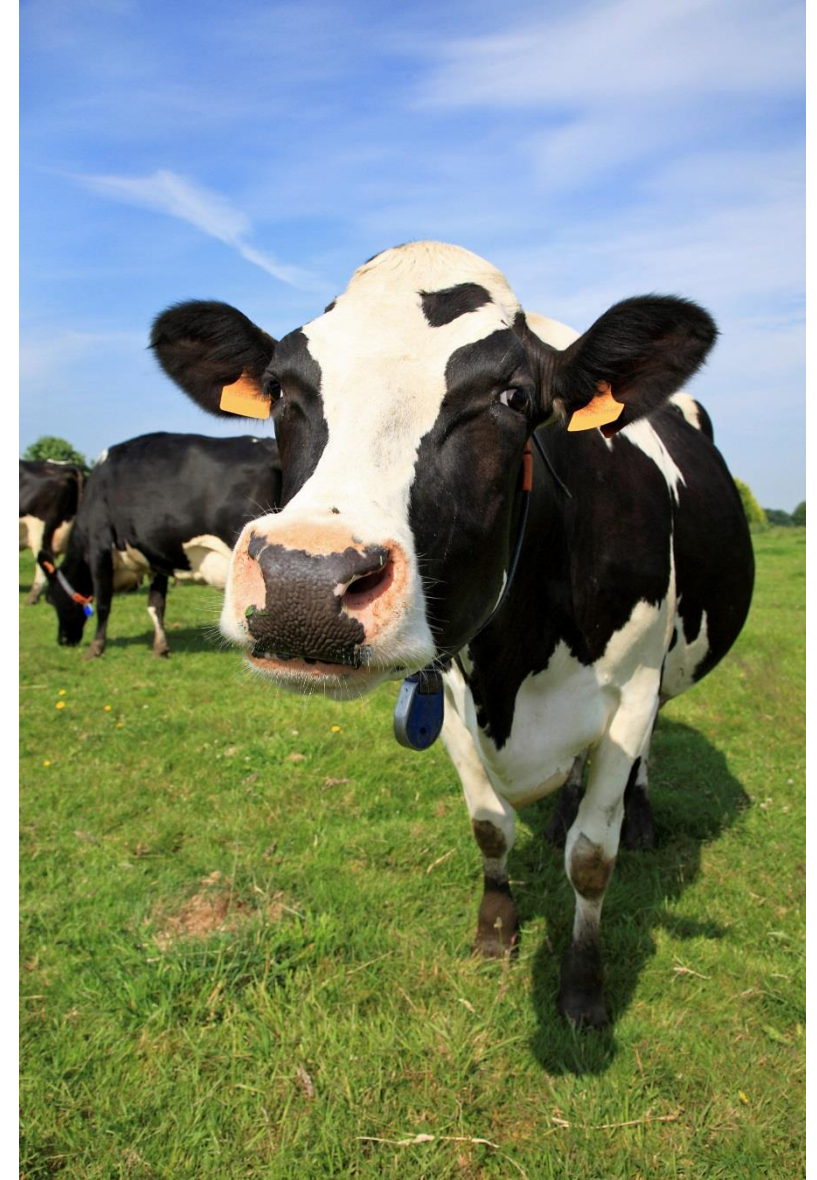




# Key Features/Benefits cont'd

What differentiates it from other products

- Insure the first few sales until you gain confidence in the buyer.
- OR, confidently sell larger volumes to a buyer, instead of one load at a time, and waiting for payment before selling more.
- Bankability: Bankers look at insured receivables as collateral
- Make a sale and defer payment into the following year



# MPA and the Credit Risk Mitigation Program

How the project came about

- Two year Research and Development Program
- Funded by Minister of Agriculture
- Through Canadian Federation of Agriculture
- AAFC Agri Risk Initiatives Program



# How the project came about?

Addressing Producer Payment Security for all Canadian Producers

- 2013 CFA risk assessment found producer payment security as a priority
- Repeat, significant instances of non or partial payment
- Members seeking tools to complement existing programs & fill gaps
- Environmental scan found limited offerings & awareness





# AgriRisk Credit Risk Mitigation Tool Summary

An Accounts Receivable Insurance Product that Works for All Farmers

- CFA partnered with Farmers of North America to propose a accounts receivable insurance pilot:
  - Transaction-specific
  - All agricultural product sales are eligible, domestic or exported
  - Affordable premiums
  - Timely approval
  - Accommodating diverse market dynamics, across commodities
  - Complementing existing CGC and EDC programs



# Building a Better Accounts Receivable Product

## Key Activities and Outcomes



### Commercial Database

**A database to quickly assess  
and qualify  
buyers/transactions**



### Research Database

**Conducting market research  
across commodities with key  
stakeholders**



# Project Status

- Working accounts receivable product available: <http://secursellag.com/>
- Commercial database to expedite approvals
- Research website to engage key stakeholder: <http://cfacrm.ca/>
- Information and education website: [www.AgTrainingResource.com](http://www.AgTrainingResource.com)
- Engaged key partners to deliver the product
- Consulting with producers, industry associations for market research and understanding needs of different commodities



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