

Mr. Pat Hoy, MPP  
Chair, Standing Committee on Finance and Economic Affairs  
Room 1405, Whitney Block  
Queen's Park,  
Toronto, ON M7A 1A2

February 3<sup>rd</sup>, 2010

Dear Mr. Hoy,

The Ontario Cattlemen's Association (OCA) appreciates the opportunity to provide input into the development of the 2010 Ontario Budget. OCA is a grassroots organization that represents the 19,000 beef producers in the province of Ontario by advocating in the areas of government lobbying, policy planning, industry development programs, promoting beef and developing domestic and export markets. This Budget has the potential to make a positive difference in the lives of each beef producer in Ontario.

Ontario is a great province. We are lucky to live here. In Ontario we have an abundance of land, resources, hard working people and financial capacity. We appreciate that you are doing everything you can to protect the core services that are important to Ontarians. It should be noted that the voters of this province consider agriculture to be one of the most important industries in the province. Further, with the drop-off in other manufacturing, agriculture and agri-food industries are well positioned to be the major engine of the Ontario economy.

While the last six years have presented a series of unprecedented challenges to our industry, we remain confident that with proper government investment and partnership, there can be a strong future. We understand that your large deficit is going to dictate a tight fiscal policy in Ontario. However, we believe that sound policies and programs to support and grow Ontario's beef industry will result in job creation and economic growth in both rural and urban communities, and contribute to the speedy recovery of Ontario's economy.

#### **Requested Priorities for the 2010 Ontario Budget**

One program which must be delivered this year to ensure the sustainability of beef farmers is a Risk Management Program. The current risk management programs are not working, as the Minister of Agriculture is well aware. The non-supply managed groups in Ontario have come together to form the Ontario Agriculture Sustainability Coalition (OASC), and at the request of the former Minister of Agriculture, have agreed upon one umbrella program to enable producers to better manage the risks inherent in our industry. This funding request, with further detail, is currently before Minister Mitchell. Delivering this program as requested will

demonstrate the McGuinty Government's leadership and support towards a sustainable and profitable agricultural sector.

Over the past two years, we have found it very difficult to work with government. Taxpayers are fed up with infighting and finger-pointing between the provincial and federal governments. At the height of the BSE crisis, both levels of government were at the table, working towards a non-partisan, common solution for our industry. This cooperation has been lost. We *need* the federal and provincial government to not only cooperate, but to also include producers and industry stakeholders as partners. This is a cost-free initiative we request. In such challenging economic times, taxpayers demand that their governments work together to find common solutions.

A starting point for government cooperation should be to craft business risk management (BRM) programs which work for Ontario beef producers. Neither AgriStability nor Canadian Agricultural Income Stabilization (CAIS) before it were designed to help agricultural producers through multi-year disasters as were experienced by beef producers due to the BSE crisis and the market collapse of the past year. In the absence of an adequate national program, individual provincial governments have spent the past few years delivering an uncoordinated string of ad hoc payments. The extent of these payments ranges greatly from province to province, upsetting competition amongst producers from one region to another. We urge you to work with the federal government to develop a national approach for livestock BRM. This will require a workable suite of federal programs and leadership to ensure all provinces are working together in a common approach.

We request you work with the federal government to modify existing programs as follows, until new programs are ready to implement:

**a) Eliminate the Viability Test**

The BSE crisis, combined with the latest price crisis for livestock will place many good producers into a position where they will not have any coverage under AgriStability when they most need it. Over the past year we have seen forecast information from Agriculture and Agri-Food Canada on projected reference margins and payments. Even with a poor forecast assumption of rising prices for last year, these projections showed that reference margins were declining drastically and that many producers would be left with no coverage or reduced coverage under this program. The viability test must be eliminated to ensure producers in need will receive coverage under AgriStability.

**b) Enhance Reference Margins**

BSE support payments and other government payments must all be included in the production and reference margins for the years in which they are received. This is a matter of fairness and uniformity of treatment with other program payments. Currently, only production insurance payments are included in the production and reference margins. There are currently no production insurance programs available to livestock

producers. Changes to reference margins must be made retroactively to the start of the program, in 2003. This is a matter of correcting a flawed design.

**c) Allow Producers to Choose the Better of the Olympic or Previous Three Years Average for Reference Margin Calculation**

The WTO allows the use of the past three years or Olympic average for the purpose of calculating the reference margin. Alberta has been delivering the program this way. We request that this choice is offered nationally so that one region is not disadvantaged vis-a-vis another.

**d) Better of AgriStability Tier 1 or AgriInvest**

As you may know, the top level of AgriStability was changed to AgriInvest. We recognize that there is a kickstart fund to this level. However, the contribution to this level is at a low rate, and many farmers will be losing coverage in the top level of the program. We request that the better of the two methods of calculation is offered to all producers.

**e) Waive Structural Change Adjustment**

Many producers have suffered severe losses, and need to rebuild their equity or margin money. Cutting their payout through downsizing their reference margin makes it even more difficult to rebuild equity and get their production levels back to where they were. During BSE this was practiced, and did help. We request that you waive the structural change adjustment for 2008 and 2009.

**Supporting Agriculture Creates Tax Revenues**

While we do not know every program the Ontario government supports, we do know that the budget of the Ontario Ministry of Agriculture, Food and Rural Affairs is less than 1% of the total Ontario budget. In comparison, the combined budgets of various health care and education ministries total 62% of the Ontario budget. We do not agree with this two-dimensional approach to managing the Ontario economy. Growth in healthcare and education spending is not sustainable into the future. This should be tackled now, and a more appropriate balance in distributing funds must be found. Due to the large and broad spin-off of jobs in both rural and urban areas, investment in primary agriculture and agri-food industries more directly develops a sustainable tax base than spending on health care and education. Moreover, the impacts of investments in agriculture are more directly traceable than spending on health care and education. We request you re-evaluate the budgets of these ministries in light of the current economic challenges and the potential of decreased tax revenues.

We note with interest that the government has entered into a large deal with a South Korean company. The Premier should be aware that this country is not a fair trading nation, and currently blocks importation of Canadian beef. We hope that the Premier will use his influence with South Korea to rapidly change their current stance on our product.

### Supporting the Beef Industry Promotes Economic Growth and Job Creation

As stated above, the Ontario beef industry is very important to the economy of Ontario. Beef farming is carried out in every county and district in Ontario. By investing in the Ontario beef industry, the McGuinty government is investing in the families, businesses and communities of Ontario, both urban and rural. The income and employment derived from our industry helps support a broad range of rural infrastructure such as hospitals and schools. Beef farms create jobs in rural communities, from feed supply stores to grocery stores, as well as supporting employment in packing plants and further processors in urban areas.

The following chart demonstrates the economic importance of the beef industry to Ontario:

Value of Beef Production in Ontario (2005)	\$1.2 Billion
Impact on Canadian GDP	\$964 Million
Employment	13,000 + jobs
<b>For every drop in sales of \$10M, value-added GDP declines by \$7.4 M</b>	

*Source: "The Economic Impact of the Ontario Cattle and Beef Sector", M. Bredahl, J. Weerahewa, M. Weber. Department of Food, Agricultural and Resource Economics, University of Guelph. December 2006.*

The University of Guelph study sourced above concluded that the economic impacts arising from the growth of the Ontario beef industry are approximately the equivalent to the economic impacts of growth in the automobile industry. Your government recognizes the effect that a decline in the automotive sector has on our province's economic health. It should also realize that a decline in the agriculture sector will have similar negative effects. Ontario has the capacity in place to double beef production. Without a viable cattle market in Ontario, there are serious concerns around the survival of packing and further processing industries.

As we see it the government has two choices. Either support the growth of the beef industry to create jobs and value-added activity in Ontario, or watch it decline, resulting in substantial job losses in both rural and urban areas of Ontario. Support and investment from the government to help grow the Ontario beef industry will result in profitable and sustainable beef family farms and create spin-off jobs in both urban and rural areas of Ontario. This will be a good news story for all of Ontario.

Another initiative that has the potential to be a good news story for Ontarians is the support of beginning farmers. Owning a farm requires a great deal of capital. New entrants to the industry must borrow heavily resulting in large debt. According to the Statistics Canada Agricultural Census, 2006, the average age of farmers in Ontario is 53, and there are five times as many farmers over the age of 55 as there are under the age of 35. It is expected that a record number of the producers over 55 will retire in the coming decade. To ensure a next generation of farmers and the resulting jobs created by these new farmers, there must be programs to assist with capital investment and provide proper training and education for beginning farmers. This was promised in the Ontario Liberal Plan, 2007, and we request a

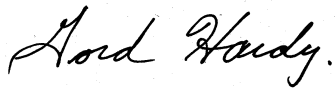
program to help young farmers by providing this assistance. This could include interest-free loans, low interest loans, apprenticeship programs and mentorships.

### **Conclusion**

We have participated in the past four pre-budget submissions and are lukewarm to the process. We did raise this concern last year as well. We feel our requests and the concerns of agriculture have largely been ignored. This is not only devastating for the beef farmers of Ontario, but also for the consumers of Ontario who rely on fresh, local food. A successful economy does not only require investment into the health and education ministries of Ontario. Supporting and investing into the Ontario beef industry can contribute significantly to the financial health of the Ontario economy. We request that the 2010 Ontario Budget reflects this reality. We look forward to working closely with government staff to develop programs and policies that will benefit beef producers, the economy and all Ontarians.

Thank you for the opportunity to comment.

Sincerely,

A handwritten signature in black ink that reads "Gord Hardy". The signature is written in a cursive, flowing style.

Gord Hardy  
President