



June 29th, 2011

The Ontario Cattlemen's Association Comments on the next Agricultural Policy Framework: Growing Forward 2

OCA appreciates the opportunity to comment on Growing Forward 2. This submission outlines OCA policy regarding each theme and provides recommendations for the next generation of agriculture policy. OCA would like to emphasize that:

- *Policies must recognize individual priorities and differences of provinces and provide flexibility in the delivery of programs to accommodate regional issues*
- *The primary focus of every theme/pillar should be policy that fosters the competitiveness of Canada's industry and puts Canadian producers on a level playing field with that of our trade partners*
- *We recognize the importance of value chain management and that practicing it can help farmers produce better products and realize greater profits. Programs that enable a greater understanding of the interdependencies within the supply chain will significantly increase industry knowledge on how to raise its economic competitiveness*

1) DEVELOPING DOMESTIC AND GLOBAL MARKETS

Access to, and investments in growing and emerging markets domestically and abroad are the best ways to spur innovation and differentiation in Canadian products. However, while the significant effort expended by the federal government to negotiate freer access to new markets is commendable, it will mean nothing if producers cannot participate in these opportunities. Without a robust and viable suite of business risk management programs including AgriStability, and complimentary programs such as Ontario's Risk Management Insurance Program, which address fundamental economic viability, more and more producers will leave the industry, our production output will decline drastically, and market access will be of little value to the beef cattle industry in Ontario.

- **The value of market access is dependent on the health and sustainability of our sector. Producers need access to business risk management (BRM) programs so that they can exploit, with the help of industry, the opportunities that exist in new and emerging markets**

2) ACHIEVING ADAPTABILITY AND SUSTAINABILITY

The Agricultural Policy Frameworks of the past, as well as today's suite of Growing Forward programs have always placed an emphasis on building a profitable sector through, among other means, BRM programs aimed at managing the market volatility farmers experience on a daily basis. BRM programming and BRM tools contribute to the economic stability of the sector and are widely used by farmers.

- **The next generation of agricultural policy needs to include the continued investment in these programs by virtue of sustained and increased funding for AgriStability.**

AgriStability has helped to mitigate fallout from business risks, although well after the fact, for thousands of producers across Canada. Similarly, the AgriInvest program has been helpful for producers wanting to invest in risk management undertakings. However, the contribution to this top level of AgriStability is at a low rate, and many producers have lost coverage as a result of the change from the top level of AgriStability to AgriInvest. Therefore,

- **The better of the AgriStability Tier 1 or AgriInvest calculation should be used**

The most noticeable gap from the previous agricultural policy framework is the lack of a true disaster response program. AgriRecovery has worked well in several areas of Canada but dissatisfaction remains. Clear triggers and clear follow up that doesn't depend on political decision making will help producers take action following disaster events. Better hay and forage insurance across the country could replace some of the calls for an AgriRecovery response to weather events.

The individual detail and whole farm aspects of AgriStability are important, but improving the transparency of calculations needs considerable improvement. The recommended changes to AgriStability stated below would work to enhance the overall effectiveness of the program, and have been expressed by OCA on several occasions:

Firstly, the WTO allows the use of the past three years or the Olympic average for calculating reference margin, a method Alberta uses. This should be implemented nationally so that one region is not disadvantaged vis a vis another. Therefore,

- **Use the better of Olympic or previous three years average for calculating reference margin.**

Secondly, the viability test places new producers at a competitive disadvantage because they do not normally qualify for coverage. Therefore,

- **Eliminate the viability test**

Furthermore, the WTO allows 70% coverage on negative margins yet only 60% are covered under AgriStability. Our largest competitor, the United States, uses these rules to give its farmers the maximum benefits available. Therefore,

- **Increase coverage from 60% to the maximum allowable 70% of negative margins**

Lastly, large farms, most of which are family run operations, should not be penalized by the caps instilled under AgriInvest and AgriStability as a result of running viable operations which have successfully captured economies of scale. These farms should be entitled to the same pro-rated support as anyone else in the program. Therefore,

- **Remove the caps from AgriInvest and AgriStability as a matter of fairness**

In order to successfully chart the way forward to 2020, and provide producers with responsive, predictable, and bankable programs such as Production Insurance or programs such as Ontario's Risk Management Insurance Program, AgriStability must be extended and improved. Without AgriStability, producers have little means to protect themselves from risks associated with rising input costs, trade barriers--both tariff and non-tariff--and price volatility.

The missing risk management piece is a forward-looking, accessible program to manage market volatility risk. Volatility in prices and costs will be a major challenge for the foreseeable future. Making price insurance available nationally for all stages of cattle production with cost shared premiums will help Canadian cattle producers proactively manage the biggest risk most operations face, price risk. However, one size fits all approaches do not work in a country as diverse as Canada. The federal government must provide provinces the flexibility to collaboratively implement BRM programs that meet the priorities of provinces and/or regions.

- **Business risk management programs should be national in scope but tailored to be responsive and flexible to regional needs**

Of great concern to OCA is that the respective roles of industry and government in mitigating business risks are being reconsidered to a point that could leave our sector in a severely weakened state (*pages 24-25 GF2 Discussion Paper*). It is simply unrealistic to think that industry organizations with limited budgets can assume responsibility in proactively managing the risks of an entire sector. While we agree that producers and governments play a role in managing risk, it must be understood that this is a shared responsibility.

- **OCA strongly opposes the proposed “tiered” system of responsibility whereby the government’s share of risk would be limited to rare occurrences during “extraordinary losses”**

This would reduce AgriStability to a disaster assistance program only and does not, as the discussion

paper suggests, contribute to the economic sustainability of our sector. In fact, insurance programs where producers, provinces, and the federal government partner in sharing the responsibility for this risk reduce our dependence and need for ad hoc bailouts.

- **Permanent BRM funding would reduce the need for AgriRecovery and other ad hoc “bailouts”**

Furthermore, economic sustainability cannot be achieved with disaster assistance programs alone. The high Canadian dollar and increased competition from imports as a result of foreign subsidies has created an unlevel playing field. This tiered approach to BRM where producers take on an unrealistic portion of managing and mitigating risk would place our sector at an even more severe competitive disadvantage.

- **A tiered responsibility approach to delivering BRM programs must preserve a significant funding role for the federal government either by maintaining the current 60:40 federal provincial funding split, or by a comparable transfer to the provinces.**
- **The next generation of BRM programming can be designed to preserve market signals and encourage cross compliance with other desirable industry goals such as elevating production standards and full traceability.**

3) INNOVATION

Research investment is currently too low despite returns from research investment being high. The March 2010 National Checkoff study showed \$46 returned per \$1 invested. The innovation driver needs to include investment into discovery but also into extension.

- **Increased funding for research and extension of existing knowledge is needed, from the lab to primary producers and the rest of the value chain.**

Investment needs to include structural renewal and project funding with industry direction. Furthermore, regulations need to be designed and, importantly, implemented in a way that puts Canadian competitiveness on equal footing with other regulatory goals. Health Canada, CFIA, Environment Canada and the Department of Fisheries and Oceans need to better account for the impact they have on agricultural competitiveness in Canada. Work done with Health Canada under Growing Forward is a good first step.

The next agricultural policy framework must realize that the term innovation is not synonymous with research. If we truly want to improve the competitiveness of Canada’s agriculture industry there must

be a real financial commitment toward the commercialization of this research. However, without a viable industry to utilize these innovative products/practices afforded by research and the commercialization of agricultural extension, the concept becomes moot.

- **A commitment to flexible BRM programming would be responsive to farmers' needs and would provide the stability, predictability, bankability, and positive cash required to invest and utilize innovation. This in turn will make our industry more competitive.**
-

Food Safety continues to be important to consumers and attempts to enhance the entire system is a stated priority. Consumer benefits from food safety are obvious. Therefore, costs in implementing on-farm food safety programs should be shared by society as a whole. OCA supports increased funding for on-farm food safety programs which includes a continued commitment to fund the Canadian On-Farm Food Safety (COFFS) Working Group.

- **FPT governments need to create a suite of food safety, environment, research, health and welfare programs that are national in scope and while implemented at the provincial level, must adhere to the national design.**

These programs must support and grow industry's capacity to: manage disease risks; implement Biosecurity and other prevention tools; develop emergency management schemes; and develop and implement Codes of Practice and other protocols as the market requires.

Resources need to be directed into innovative land management tools and conservation programming that will support market growth and environmental sustainability. This will increase the resiliency of the grassland ecosystem, improve biodiversity, conservation and wildlife habitat. This will also help meet the public's demand for environmentally sustainable food production.

- **The ability for producers to provide high quality, locally grown food to Canadian families is dependent upon their ability to stay in business; the ability to manage one's risk underpins this notion and reinforces the need for insurance based BRM programs**

In addition, further research into managed grazing and conservation along with technical assistance to sustainably increase agricultural productivity and use of conservation management will help to develop markets and trade.

- **Innovation also means improving current activities. Thus the policy must resist the tendency to replace or discard existing programs like the Environmental Farm Plan or AgriStability when a renewed level of focus, investment or alignment of desired outcomes can deliver better results faster than a new process.**
-

4) INSTITUTIONAL AND PHYSICAL INFRASTRUCTURE

Implementation of biosecurity and traceability will require advanced technologies and significant capital.

- **OCA is encouraged to see the government’s commitment to coordinated information sharing in the areas of biosecurity and livestock traceability. A commitment must however include targeted funding toward risk mitigation and management strategies including enhanced surveillance, on-farm biosecurity programs, and traceability systems**

At the core of the traceability issue lies the need to strike a balance between costly mandatory systems (with associated costs of enforcement) and the incorporation of traceability into systems that meet traceability needs while adding demonstrable value to producers. For instance, the Canadian beef industry has invested approximately \$160 million on animal tags alone in addition to the capital expended by auction markets and packers. We must ensure that industry stakeholders have the option of making traceability an investment rather than just a cost (utilizing bioTrack or BIXS for example).

The scope of traceability for beef cattle should be developed to ensure that:

- It does not impede or delay commerce;
- costs of the system must not result in the industry becoming non-competitive;
- the technology must be capable of reading identification at a rate which accommodates normal commerce;
- tolerance ranges for readability must be acceptable to the industry standards; and
- producer information must remain confidential

In addition, OCA promotes the position that producers retain rights to access information on a shared basis. OCA endorses producer sharing of value-added information between sectors while maintaining producer confidentiality. Doing so ultimately enhances the value and practicable applications the system provides and simultaneously protects the producer’s identity.

- **OCA supports the concept of traceability, but we expect government to bear the costs for both producers and the industry at-large in the establishment, operation, and maintenance of a movement reporting system, as it is a public good. This will help to ensure the industry is not placed a competitive disadvantage**

CONCLUSION

In development of the next agricultural policy framework under Growing Forward 2, it must be recognized that properly constructed, BRM insurance programs do allow transmission of market signals, foster innovation and help to elevate industry production standards and food safety requirements. Without basic economic stability and thus, financial capacity, producers do not have the ability to make the appropriate investments in these additional, but crucial activities. By building in mandatory protocols with voluntary participation, BRM programs can be designed to elevate and improve industry practices and standards - priorities like full traceability and food safety. Again, if

business risk management programs were designed to be both bankable and predictable, as Ontario's RMP is, they would serve to eliminate the need for ad hoc BRM programs. It is the lack of predictability and bankability, among other things, which is thwarting innovation, competitiveness and cross-compliance. Bankable and predictable RMP programs ultimately hinge on a continued commitment to AgriStability.

Again, we thank you for providing us with this opportunity to comment. Please do not hesitate to contact me if you have any further questions.

Best regards,

A handwritten signature in black ink, appearing to read "Curtis Royal". The signature is fluid and cursive, with a large initial "C" and "R".

Curtis Royal
President