



December, 2008

A Pre-Budget Submission to:
The Honourable Dwight Duncan, Minister of Finance

The Ontario Cattlemen's Association (OCA) appreciates the opportunity to provide early input into the development of the 2009 Ontario Budget. The next Budget has the potential to make a positive difference in the lives of the 19,000 beef producers 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.

Support of the Ontario beef industry demonstrates a recognition of the value of maintaining a provincial supply of beef. Ontario beef farmers are very proud that they produce a product that is recognized for its quality by consumers at home and around the world. Beef is full of nutrients and part of a balanced diet as recommended by Canada's Food Guide. Research is underway to add functional value to beef, such as improving nutrient content with enhanced Omega-3 and other essential fatty acids. Eating healthy foods has increasingly become a priority for Canadians. With the health care budget predicted to take 70% of the provincial budget by 2025, research focusing on the impact of feeding animals to develop healthy consumer products will be key. The value-added potential to beef is vast.

While the last five 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 a widespread financial crisis 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 contribute to the speedy recovery of Ontario's economy.

Requested Priorities for the 2009 Ontario Budget

1. Liquidity Enhancement Program

Beef farms in Ontario are in a cash crisis. A combination of factors, including the last year of escalating farm input costs and low prices, Country of Origin Labelling in the US, government

regulations and ethanol policy, and a lack of access to key markets have forced many producers to question their future in the Ontario beef industry. Beef producers are losing equity and taking on increased debt. Producers did re-mortgage to make it through the BSE crisis, but this is not an option now. Due to equity erosion, the margin money which producers need to operate is just not there. A declining number of cattle on feed directly threatens the viability of employment in processing facilities in urban areas, and reduces our value-added GDP contribution to the Ontario economy. This has been communicated to government repeatedly. We request a short-term cash infusion to ensure the long-term survival of our producers.

2. \$20M for Corn-Fed Beef Ledger Account Pilot Program

The Ontario Corn Fed Beef program has experienced tremendous growth in the past year. However, an unstable market threatens the viability of Ontario's feedlots and the program. The Ontario Cattle Feeders' Association proposed Risk Management Pilot Program will help reduce the volatility of the market place for farmers supplying animals for Ontario Corn Fed Beef. Without a larger supply base to meet retail demand, the Ontario Corn Fed Beef Program may be lost forever. The Ontario Corn Fed Beef program is everything the retailer and the consumer have asked for. As the largest vertical beef value chain in Ontario, the program provides Ontario beef to Ontario consumers, and complies with food safety protocols as demanded by consumers. There are efforts being undertaken with Ontario cow/calf producers to align them with Ontario Corn Fed Beef feedlot participants. This will result in a stable market for Ontario calves as well. This is only possible if the Ontario Corn Fed Beef program is supported with the requested Pilot Program. We requested this program in our last pre-budget submission in January 2008 and again ask the McGuinty government to kick-start the program to provide stability and confidence to Ontario's cattle farming families.

Deficit Required to Protect Priority Programs and Services

In the tradition of Keynesian economics, we feel it is necessary for the Ontario government to stimulate economic growth by providing support to industries with the potential to deliver growth and export earnings, thereby improving both stability and employment prospects as we recover. This is a proper use of Government revenues during a recession. The Ontario government should run a deficit in order to protect priority programs and services. However, a deficit should not be run to finance routine operations. As long as you do not build in an operating deficit, when the economy rebounds the resulting surplus budgets can be used to pay down debts incurred to cushion the provincial economy.

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 new economic challenges and the potential of decreased tax revenues.

We support your suggestion to restrict spending on travel, consulting services, information technology and accommodation. As mentioned above, we do not want money invested into government operations. Money needs to be directed to stimulate growth in areas with potential to provide long-term benefits, not to support the work of consultants or travel and accommodation expenses of government employees.

Finally, an area that we would like to see the Ontario government phase in more slowly is the source protection planning process under the Clean Water Act. According to remarks prepared for Minister Broten in February 2007, the government is providing \$120 million to help communities and their partners across Ontario study and assess their watersheds, undertake water budgets and get the science right. Slowing down the implementation and more carefully reviewing the unnecessary overhead and administration cost of this initiative will help reduce government spending during these challenging economic times. We continue to support the concept of a Drinking Water Stewardship Fund, but believe this program requires substantial review. Through this announced program, \$21 million will be made available over from spring 2008 through to spring 2011 to help landowners take action to reduce threats to local municipal drinking water sources. We remain concerned that the majority of this funding is used for overhead and program administration cost. Very little of this funding actually provides any benefit to impacted property owners, including beef producers.

Supporting the Beef Industry Promotes Economic Growth and Job Creation

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
For every drop in sales of \$10M, value-added GDP declines by \$7.4 M	

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 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.

OCA has been a strong supporter of beginning farmers and has undertaken a number of activities to provide options for the new generation. Over the summer of 2007, OCA commissioned Ipsos-Reid to conduct focus groups with young and more experienced beef farmers to find out their needs. The results found that young farmers are looking for training on financial management, farm/herd management, leadership and succession planning. The results also found that OCA needed to build awareness of programs and services specifically to young farmers. As follow-up to the focus group study, OCA, in partnership with the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) held three workshops throughout 2008 entitled, "Finding a Future in Beef". The workshops were open to anyone involved in the beef industry under the age of 40. The aim of the workshops was to provide beef farmers and

others involved in the beef industry an opportunity to network and discuss their needs and challenges. Nearly 120 young beef farmers attended the three workshops, and as next steps are being planned, we hope to provide young producers with further networking opportunities and training as identified in the workshops.

It had been our understanding that OMAFRA would undertake consultations with industry groups on beginning farmer programming throughout 2008. This did not occur. As the beef industry continues to face challenges it is only through proper investment and collaboration that industry and government can ensure there will be another successful generation of beef farmers in Ontario. We look forward to working with government on such programs.

Partnership with the Federal Government to Develop National BRM Programs

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 year 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:

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 AgrilInvest

As you may know, the top level of AgriStability was changed to AgrilInvest. 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.

Conclusion

We have participated in the past three pre-budget submissions and are lukewarm to the process. We feel our requests and our concerns 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 2009 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.