

Comments for the Next Generation of Agriculture Policy

March 5, 2007

The Ontario Cattlemen's Association's

The Ontario Cattlemen's Association (OCA) is a non-profit grassroots organization that provides leadership to and speaks for over 21,000 beef producers in Ontario. OCA promotes Ontario beef cattle production through policy planning, government lobbying, industry development programs, research, and communications along with the promotion and advertisement of beef. OCA also provides services to its members in domestic and export market development and market reporting.

OCA partners with a number of other agricultural organizations at both the provincial and national levels to ensure that everyone speaks with a unified voice on beef related issues.

While the original APF agreement was arranged around five pillars it is unclear what the new suite of programs will be called, or how it will be structured (pillars or silos or strands in a web). Agriculture and Agri-Food Canada has, though, put forward six thematic areas to frame the discussion – Market Development and Trade, Food Safety and Quality, Innovation and Science, Renewal, Environment and Business Risk Management.

OCA appreciates having this opportunity to comment. This submission outlines OCA policy regarding each theme and provides recommendations for the next generation of agriculture policy. Throughout this submission, OCA would like to emphasize three overall principles:

- A primary focus of every theme/area/pillar should be policy that fosters the competitiveness of Canada's industry and producers on a global basis
- Efficient regulatory processes that foster competitiveness and innovation should be a clearly stated aim of policy
- Policies should recognize individual needs and differences of provinces and provide for flexibility in delivery to accommodate regional issues

Market Development and Trade

The Canadian cattle industry exports 38 per cent of production at a value of nearly \$2.5 billion (2005). Ontario alone exports \$317 million in product (2005). While Canada produces high-quality beef and other marketable agriculture products, two things inhibit export growth – trade-distorting government policies around the world and limited access to the world's markets. OCA believes that Canada's agriculture policy should be focused on removing these two barriers while improving Canadian producers' ability to compete in the global market.

OCA maintains that Canada's international trade policy needs to be advanced by establishing a WTO mandate that empowers Canada's negotiators to achieve substantial improvements in market access, the elimination of export subsidies, and substantial reduction in trade-distorting domestic support. With Canada's increased slaughter capacity we must have improved global access to export more beef to more markets. The Canadian beef industry could sell much more Canadian beef in the high income markets of Europe, Japan and Korea if their protective tariffs were lowered. Canada also needs to take a strong role in the continued development of international trade standards to ensure that global trade is based on science

Additionally, Canada needs to continue to build a good relationship with NAFTA partners to improve regulatory coordination and work on specific initiatives that reduce impediments to cross-border trade. Ensuring that a rapid trade response process exists to deal with border closures, such as a foreign animal disease, or other non-tariff trade barriers is also of importance.

Finally, Canada needs to improve market intelligence both domestically and abroad. Canadian farmers rely on consistent and accurate market information as an essential tool for maximizing their profits.

Food Safety and Quality

Canadian farmers contribute significantly to the public good by providing Canadians with high quality, safe foods. As a result, farmers should not bear the entire cost of implementing traceability and food safety and quality programs. However, on-farm food safety programs must be market driven and industry-led, and decisions need to be science-based and have appropriate industry consultation. They must not negatively impact competitiveness across all sectors and should provide value. Flexibility is necessary according to the needs or capacity of an individual sector or company, and timely approval processes must exist for new technology.

OCA encourages the next generation of agriculture policy to include programs that will enable industry to capture opportunities from value-added, differentiated products. OCA recognizes the importance of understanding more about value chain management and how practicing it can help farmers produce a better product 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.

It is assumed that traceability systems will fall under the theme of Food Safety. The scope of traceability for beef cattle should be developed to ensure that:

- 1) It does not impede or delay commerce
- 2) Costs of the system must not result in the industry becoming non-competitive
- 3) The technology must be capable of reading identification at a rate which

accommodates normal commerce

- 4) Tolerance ranges for readability must be acceptable to the industry standards
- 5) Producer information must remain confidential.

Additionally, the Canadian Animal Health Coalition (CAHC) has proposed that Animal Health be its own “pillar” in the new policy. As a member of the CAHC through our national counterpart the Canadian Cattlemen’s Association (CCA), OCA supports this position. Specifically, the Resource Protection aspect of the Food Safety and Quality discussion paper is of great importance to OCA and other production sectors of agriculture. This section discusses disease outbreak preparedness and animal health while the rest of the pillar is more focused on consumer issues. This area of policy should be focused on infrastructure protection and improvement rather than on marketing, thus requiring a separate “pillar”.

Innovation and Science

Investments in research and development will help improve the competitiveness of Canada’s agriculture industry and produce the best return on government spending. There needs to be clear policy goals including:

- Improving Canada’s productivity
- Encouraging innovation in process and products to maintain and build markets
- Ensuring regulation and taxation policies foster innovation and investment in Canada

There needs to be clear processes for individuals, groups, associations and companies to access program funding. In the past, programs were often announced but then were not accessible. Grants should not affect competition within Canada and when entities look for ways to improve their bottom lines, there should be tools to help them assess new ideas. Additionally, there should be no gap in funding programs. Many agricultural organizations and universities depend on funding programs to pursue much needed agricultural related research and development projects. A gap in funding programs will compromise the research process of many projects.

In the current agriculture policy agreement, a portion of “wedge” funds in Ontario was committed to research and development via the Canada-Ontario Research and Development (CORD) program. The CORD program is dedicated funding for industry driven innovative projects in the non-supply managed sector that increase profitability, improve product quality, develop new technologies, products and markets for the Ontario agriculture and agri-food sector so as to maintain its competitive economic position. Such initiatives ultimately enhance the economic viability of the provinces rural sector. For both major and minor commodities in Ontario, this source of funds has been extremely valuable in addressing research and development issues important to producers. OCA requests that there be a similar provision to provide R&D funds to flow in a similar manner in the next generation of agriculture policy.

The potential of the “bioeconomy” remains to be seen. There are gains to be made by

different people and industries across Canada. This policy framework and future policies stemming from it need to be non-intrusive to ensure benefits accrue where the market warrants.

Additionally, the next generation of agricultural policy needs to address drug import use policy. Canada is at a distinct disadvantage on the availability of new veterinary animal health products due to the excessive time Health Canada's Veterinary Drugs Directorate (VDD) takes to approve new products or new label claims for existing products. These same products, however, are already approved for use in beef in the United States. This inability to access drugs does put Canadian beef producers at a competitive disadvantage. Canada needs harmonization with the US given the trade in animals and food.

Finally, through product innovation centres, the next generation of agriculture policy needs to include support for the development of pre-commercialization products. In the beef industry, the Beef Information Centre (BIC) can only do so much with the funding they receive through checkoff dollars. Since it is often that only one out of one thousand pre-commercial products are successful, this type of research should be publicly funded to help improve the quality, convenience, and consumers' perceptions of food products, including beef and beef products.

Renewal

The key to renewal is a vibrant and sustainable industry. An industry with an attractive investment climate will draw young and innovative people to agriculture. Changes that will build this industry include:

- An improved capital investment climate
- A regulatory environment that focuses on competitiveness with comparable countries as well as innovation
- Regaining full access to all markets and expanding current markets
- Investment in research and development to ensure we have innovative new products and processes

Existing programs, such as the Farm Business Advisory Services are worthwhile and should be continued. The Canadian Agricultural Skills Service (CASS) should be continued but it should not be limited to low income producers. Expansion of this program will help producers learn new skills and improve their farms or will help them exit the industry if necessary. The Planning and Assessment for Value-Added Enterprises program should be expanded to serve producer organizations exploring value-added opportunities for their members. This program also needs an improved access process. Such programs need to be streamlined into a more comprehensive package to ensure the sustainability of agriculture.

Finally, the next generation of agriculture policy needs to include a strategy for youth entering agriculture. The average age of the Ontario farmer today is nearly 50 years old, and this is typical across Canada. In Ontario, young people face unique challenges that

prevent them from farming. For example, urban pressure distorts land value, strict environmental regulations, and a lack of financial support from governments. OCA would like to emphasize that ensuring a sustainable agriculture industry in Canada requires investment into programs that will encourage young people to choose agriculture as a career. Agricultural leadership programs, financial support and information transfer are examples of ways to ensure there will be another successful generation of farmers behind the current generation. Implementing a long-term strategy to encourage young people to start or continue farming will ensure that the farmers of the future are equipped with the right skills to maintain and increase Ontario's economic competitiveness in the agri-food sector.

Environment

Canadian farmers contribute significantly to the public good through environmental stewardship and through the production of high quality, safe foods. As such, Canadian farmers should not bear the entire cost of implementing environmental programs. Public contributions to these programs should be ongoing.

The Environmental Farm Plan program and the Greencover Canada program need to be maintained. These programs have been very successful at providing assistance to farmers wanting to make environmental improvements on their farms. The workshops provide an environment conducive to continuous learning where producers can learn from their peers and technical experts. Ensuring these programs are continued should be a top priority of the next generation for agriculture policy however they need to be flexible in their delivery to accommodate regional issues.

A sustainable agriculture program encouraging stewardship action should:

- Be equitable across industry sector and region and not reduce the competitiveness of any one industry
- Be designed to meet the WTO "green" criteria
- Respect private property rights
- Be delivered by agriculture or involve an agriculture partner
- Respect provincial jurisdiction and responsibilities
- Recognize that wildlife on private land is a public resource produced at private expense
- Recognize and reward early adopters of good management practices
- Be ecosystem based
- Include consideration of social impacts.

Following the principles for consultations, OCA supports:

- A landscape/ecosystem approach to habitat issues
- Expansion of programs encouraging agricultural producers to adopt sustainable land use practices which conserve soil, water and wildlife
- Education, awareness and extension programs developed in partnership with

agricultural organizations and provincial agriculture and environment departments and municipal governments

- The development of market-based mechanisms emphasizing willing-buyer – willing-seller arrangements to provide incentives for the provision of ecological goods and services

Business Risk Management

OCA is encouraged to see that the government BRM discussion paper recognizes that BRM programs need to be used in an equitable manner, treating producers across commodities and regions equitably.

In a February 2007 paper developed by the George Morris Center for OCA entitled “Review of Business Risk Management”, cattle producers identified their top potential risks. The three risk items identified as having the greatest degree of risk were:

1. margin/price
2. border closure/market access/foreign animal disease
3. production limiting disease complexes

To help mitigate these risks, OCA believes the Canadian Agricultural Income Stabilization (CAIS) program should be part of a suite of programs available to Ontario producers in the next generation of agriculture policy. However, the current design of the CAIS program is not working for beef producers. The following changes are needed to help restore producer faith:

- Reference Margin Changes. 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. It should be retroactive to 2003. This is a matter of fairness and uniformity.

- Structural Adjustment and Program Transparency. Program payments must be predictable and easy to forecast accurately. Producers must be able to determine how their decisions might impact the outcomes. Banks will not consider the CAIS program when looking at the overall financial situation of an individual’s farm. This needs to change. Adjusting the reference margin to reflect the changed base of production is achieved by applying industry standard “benchmark production units” (BPU’s) to adjust the reference margin to the new production base. The BPU’s are not made public which contributes to the uncertainty and mistrust of the program. OCA feels that if an industry standard BPU is to be used to apply the structural change adjustment, it needs to be open to review and endorsement by the industry. This would eliminate much of the criticism and improve the transparency of this feature of the program.

- Timeliness of Payments. Program payments should be made in the year of need.

In July 2006, Agriculture Ministers agreed to move forward on extending Production Insurance (PI) to livestock and gave direction to staff to bring forward criteria and operating principles for a new and separate “event driven disaster” program.

OCA acknowledges that including livestock in PI is important because PI pays out much more quickly than CAIS. It has also been seen in recent years that more livestock producers have been carrying PI coverage for field crops. However, OCA remains concerned that the extension of PI to livestock could increase the risk of countervail. It is also unknown what named perils will be covered by PI and what the premiums would cost. OCA would first like to see what the terms of the new catastrophic disaster program would be before moving forward on a PI program for livestock.

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.

Sincerely,

Ian McKillop
President