

Ontario Cattlemen's Association
Presentation to the Parliamentary Standing Committee on Agriculture
April 26, 2007

Thank you Mr. Chairman for inviting me to advise the committee on the policy views of the Ontario Cattlemen's Association (OCA), an organization that represents the 21,000 beef producers of Ontario.

My name is Ian McKillop, and I am President of the Ontario Cattlemen's Association. I own and operate a cow/calf farm in Elgin County, Ontario.

I would like to begin by stating three overall principles that we feel Canada's agriculture policy should comply with:

- Policies should foster 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, and
- Policies should recognize individual needs and differences of provinces and provide for flexibility in delivery to accommodate regional issues.

As I'm sure you know, Canadian agriculture is exposed to many risks and the cattle industry is no exception. While the Ontario Cattlemen's Association sees these and other private sector means as the preferred tools for business risk management in Canadian Agriculture, we do acknowledge that government programs play an important role in agriculture risk management.

I would first like to discuss the CAIS program, the government's cornerstone business risk management program. The Ontario Cattlemen's Association supported the CAIS program. We are on record, though, as requesting changes to make the program more effective for our members. You will be interested to know that in a February 2007 paper developed by the George Morris Center entitled "A Review of Business Risk Management", Ontario cattle producers identified their top three potential risks to be:

- margin/price,
- border closure/market access/foreign animal disease, and
- production limiting disease complexes

We believe the CAIS program has the potential to help mitigate these risks. However, the current design of the CAIS program is not working as well as it could for beef producers. The following changes are needed to help restore producer faith:

- 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 and payments should be retroactive to 2003. This is a matter of fairness and uniformity.

- Program payments must be predictable and easy to forecast accurately. Producers must be able to determine how their decisions might impact the outcomes. Banks do 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 prefers that an individual producer's own numbers be used to calculate any scaling of the reference margin. We feel that if an industry standard BPU is to be used to apply the structural change adjustment, it needs to be open to review and endorsed by the industry. This would eliminate much of the criticism and improve the transparency of this feature of the program.
- Finally, payments need to be timely. Program payments should be made in the year of need.

We also believe that the recent announcement made by the Prime Minister and Federal Agriculture Minister creating a contributory style producer saving account will not benefit beef producers. This change will shift money from the green box to the amber box, and depending on the use of amber, and reduction in amber allowance, this could be problematic. This change also moves us back away from whole farm agriculture policy and addressing need, to a system of entitlement.

In addition, the recent announcement allocating 500 million dollars to address "high costs of production" concerns us for several reasons. Our primary concern is the potential effect that this type of program may have on foreign trade. The cattle industry in Canada exports approximately one half of its production in the form of live cattle and beef. And thus, our industry is extremely vulnerable to trade challenges. Government support that is based on the "cost of production" can be vulnerable to countervail actions by our trading partners including the U.S. which is overwhelmingly our largest customer.

We are also concerned about an emerging North American ethanol industry that is a competitor with livestock producers for our feed stock. Based on information available to us, the viability of the ethanol industry in North America at this point is dependant on government support and mandated use. We are concerned that government support to a competitor of the cattle industry may drastically reduce the competitiveness of the livestock industry. This is a case where an incompletely thought out policy based on good intentions damages a sector which has been strongly "free market".

I would now like to discuss Production Insurance. As you are aware, in July 2006, Agriculture Ministers agreed to move forward on extending Production Insurance to livestock and gave direction to staff to bring forward criteria and operating principles for a new and separate "event driven disaster" program. We have seen a draft proposal, which is little more than mortality insurance. This does not fit our requirements for an over-arching production insurance scheme for livestock, and must not proceed as is. We would first like to see what the terms of the proposed National Disaster Program would

be before moving forward on a Production Insurance program for livestock.

A National Disaster Program would address both natural disasters such as floods and massive droughts, and “like natural” disasters such as border closures. This framework would preemptively define a disaster, set out funding parameters, governance and to the extent possible, program details specific to the disaster. Producer groups and organizations could work with governments to proactively develop plans that could fit into this framework. The predictability created by this type of framework would reduce industry uncertainty and encourage investment in Canadian agriculture. If a predictable disaster framework had been in place in May of 2003, when Canada experienced its first case of BSE, solutions to the issues would have been timelier, and the industry could have functioned with more certainty. We believe that development of this program framework should be of high priority for agriculture policy moving forward and that industry needs to be involved in the process.

I would like to close my presentation with a few other recommendations that have already been included in our written submission to the next generation of agricultural policy, but which need to be restated.

In regards to trade, Canada’s international trade policy must 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 needs to take a strong leadership role in the continued development of international trade standards to ensure that global trade is based on science.

Canada also 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.

As you know, 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.

I would also like to emphasize our five principles of traceability. 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.

The Ontario Cattlemen's Association also supports the Canadian Animal Health Coalition's National Farmed Animal Health Strategy. After the outbreak of BSE in Canada in May 2003, disease outbreak preparedness and animal health has become of great importance to us. Animal Health needs to be its own "pillar" in the new policy framework. This area of policy should be focused on infrastructure protection and improvement, thus requiring a "pillar" separate from the food safety and quality "pillar". It is also important that the animal health "pillar" includes programs for animal care. Animal care programs and policies need to be based on the premise that good care in the Canadian context fosters healthy and productive animals.

Finally, in regards to the environment, Canada's agriculture policy needs to follow the guiding principle that nothing is done to adversely impact our competitive position vis-à-vis competing jurisdictions. 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.

Thank you for the opportunity to speak to these important issues.

We would be pleased to answer any questions you may have.