

Standing Committee on Finance (FINA)

Pre-budget consultations 2012

Ontario Cattlemens Association

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

The Ontario Cattlemen's Association representing Ontario's beef farm families appreciate this opportunity to inform the House of Common's Finance Committee pre-budget consultations with recommendations that we believe are a benefit to the broader agricultural community in Ontario. Canadian agriculture and agri-food accounts for over 9% of Canada's GDP and employs 1 in 8 Canadians. Primary agriculture contribution to GDP continues to grow by 1.5% per year. Canada's focus on opening new markets internationally will continue to have a positive effect on growth and employment. Reduction in corporate and personal tax rates has helped farmers to manage during periods of low commodity prices. At the same time market forces beyond the control of producers has had a negative impact on productivity and their ability to effectively manage income, price and production risk; If not for a stable predictable suite of risk management programs under Growing Forward, the state of Ontario's agriculture sector might be in much worse condition even as commodity prices remain high. Therefore our recommendation for budget 2013 to sustain economic recovery and enhanced economic growth is: • Maintain the levels of demand-driven funding envelop in Growing Forward 2 suite of business risk management tools to ensure a competitive and innovative Ontario agricultural sector.

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

Ontario is fortunate to have vast agricultural lands and the ability to not only produce enough to supply the domestic market but is able to export high quality commodities around the world. Tariffs and protectionist policies restrict our ability to enter new markets. When barriers are removed Canada's agriculture and agri-food producers are able to serve the needs of new and existing markets. This in turn enhances our contribution to the Canadian economy and creates new employment opportunities across the supply chain. Ontario's non-supply managed farmers are grateful for the new markets that are now open as a result of this government's focus on removing barriers to export. We acknowledge that there is more work to be done but enhanced trading opportunities will ensure that the Agriculture sector will continue to employ millions of Canadians and make strong contributions to the GDP. Due to the seasonal nature of some commodities, attracting workers remains a challenge. Competition between different sectors means a scarcity of workers or labour costs rising past what is affordable for the average farmer. By expanding opportunities under the foreign worker program we can add seasonal workers and not have to compete with the relative high salaries offered by the resource sectors for example. We also believe that the government can assist with reducing the red tape burden on new hires while reducing the overall cost of labour through reductions in EI contribution rates. Given the opportunity Ontario's commodity producers in the non-supply managed sectors will continue to be a strong contributor to the stability of Canada's economy and with access to new markets we have the

potential to expand and to create new employment. In budget 2013 the Ontario Cattlemen's Association believe the government should focus on: • Continuing to provide access to seasonal workers under the Foreign Workers Program; • Assist with the reduction in the overall labour costs through reductions to the EI contribution rates; and • Continuing to aggressively reduce trade barriers and open new markets to agricultural commodities.

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

The tradition of family owned and operated farms in Canada pre-dates Confederation and it is a vital to our local and national economies. Challenging markets and the potential for greater business risks in the future are identified as concerns for sons and daughters considering entering into the family business. At the same time competition between sectors is adding to the cost pressures on labour at a time when more people are leaving the workforce than there are to replace them. To better assist the agricultural sector in coping with an aging population, the Federal government focus on: • The improvement of tax policies which allow for the inter-generational transfer of farm assets (land, equipment, intangible assets) with minimal tax liability should be a top priority for the government. For example, an existing impediment is the non-arm's length sale of shares provision in the Income Tax Act (s. 84.1(1)). The Ontario Commodity Working Group recommends that the Canada Revenue Agency exempt those non-arm's length transactions with recognized (via third party) 'succession plans' for the application of Section 84.1.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

Scarcity of new agricultural lands and regulations on how new lands can be used present a barrier to new entrants into the agricultural sector. If Canada expects the agricultural sector to expand to meet new markets we will have to support innovation and new technologies and processes. Managing risk associated with market conditions reduces some of the barriers to new entrants into the agriculture sectors. As well the restriction on deducting agricultural losses against other income makes transition into an agricultural career more difficult during the early years. The aging farm population creates its own set of unique challenges. Farmers in Ontario - Canada's most populous province - farm in a more costly and constrained urban environment which creates challenges for new farmers attempting to enter into business, and replace the aging farm demographic. Enrolment in BRM programs like AgriStability for non-supply managed commodities is usually a requirement for obtaining/renewing an operating line loan with a chartered bank. Even if it is not being drawn upon in current years, it allows farmers—new and young farmers in particular, to make capital investments to start and/or sustain a farm business. Without stable incomes and access to operating loans accessed as a result of enrolment in BRM programs, investments in innovation, research and market development will not be made. To increase Canadian agriculture's competitiveness and productivity, the Federal government should focus on: • A continued commitment to flexible BRM programming that is responsive to farmers' needs and provides the stability, predictability, bankability, and positive cash required to invest and utilize innovation. This in turn will make our industry more competitive; • Shortening the lengthy approval processes for new crop technologies in order to reduce costs to innovation as well as reducing delays in getting new ideas into the field; and, • Extending the Accelerated Capital Cost Allowance provisions to agricultural equipment (as provided for with manufacturing equipment) which would allow Canadian

farmers to more equitably compete with their American counterparts.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

Ontario's non supply managed farmers face difficult challenges. Farmers are continuing to recover their financial health after many years of losses and declines in farm equity. Ontario farmers compete with countries with low farm labour costs such as Chile and Mexico and with other nations with less stringent environmental compliance policies and those with lower currency values. Labour, energy and transportation costs all contribute to the pressures. These costs are generally known and can be managed, what remains is the risk to production by events beyond the farmer's control. Adverse growing seasons and depressed market prices are difficult to predict and nearly impossible to manage without assistance. Ontario farmers believe that protecting Canada's future as a domestically sustainable and globally exporting food producing nation is crucial. The proposed changes to the BRM agricultural programs including weakening the income stabilizing supports could have detrimental effects on the farm sector recovery and thus a negative impact on both jobs and the national economy. Therefore the Ontario Cattlemen's Association recommend that:

- Canada's Growing Forward suite of demand-driven risk management programs (particularly, AgriStability, AgriInsurance, AgriInvest) must be maintained and enhanced.

In closing, members of the Ontario Cattlemen's Association would welcome the opportunity to present its recommendations before the House of Commons Standing Committee on Finance.