
SASKATCHEWAN CATTLEMEN'S ASSOCIATION
PRE-BUDGET CONSULTATIONS 2019

FINANCE



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RECOMMENDATIONS:

Recommendation 1: That the government invest in rural infrastructure. This includes roads and rural internet access.

Recommendation 2: That the government amend the federal Income Tax Act and Regulations to allow for the individual driven election of partial income deferral, when producer incomes are artificially inflated by forced sales due to extreme weather challenges.

Recommendation 3: That the government remove bureaucratic red tape to improve access to temporary foreign workers for the agriculture industry.

Recommendation 4: That the government ensure the departmental cooperation, and in some instances funding, for agriculture commodities to meet the necessary requirements of recent trade agreements such as CETA

About

The SCA was established in 2009 with the mandate to provide a united voice for the province's beef industry, with representation from all industry sectors (cow/calf, backgrounders and feedlots) and across all regions of the province. The SCA works to develop and promote the industry by investing in research and advocating on behalf of the industry on both a provincial and national level. We work closely with other provincial cattle and forage associations, as well as national organizations such as the Canadian Cattlemen's Association, the National Cattle Feeders Association, and the Canadian Roundtable for Sustainable Beef, among others.

Industry Contribution to the Economy

Canada's beef industry contributes \$33 billion worth of sales of goods and services either directly or indirectly to the economy. Every job in the sector yields another 3.56 jobs elsewhere in the economy. For every \$1 of income received by workers and farm owners, another \$2.08 is created elsewhere. Either directly or indirectly through induced income effects, the beef sector generates 228,811 jobs.

In the 2017 federal budget, the Government of Canada set out the ambitious goal of growing Canadian agricultural exports to \$75 billion annually by 2025. In setting such a goal, the cattle industry assumed there would be significant financial investment in the areas such as infrastructure, which address our industry's ability to compete, access markets and continue to grow the Canadian cattle herd. While some steps forward have been made, too often investment in rural Canada and its needs are subservient to the needs of urban areas. Canadian agriculture contributes 6% to Canada's GDP. That alone should warrant significant investment in our industry and the supports required to help us succeed and remain competitive.

Rural Infrastructure Needs – Internet Access

Consistent rural internet access continues to be a challenge for cattle producers across the province. Canadian agriculture has evolved into a sophisticated industry. Many cattle producers run multimillion dollar operations, significantly contributing to the Canadian and Saskatchewan economies. Similar to most other business, our producers rely on cellular and internet services to conduct business. There are producers who are fortunate enough to be in rural areas where they have good reception, but they are not the norm. Most of our producers face spotty, unreliable cellular and internet service. Not only is cellular coverage not evenly distributed throughout the province, but topography such as hills and trees, poor weather conditions, and the common tin roofs of farm buildings, farm offices and farm houses, disrupt cellular service. Spotty internet reception creates significant challenges, as it may impeded a producer's ability to access business risk management programs such as the time-sensitive program Western Livestock Price Insurance Program (WLPPI), in addition to buying and selling cattle worth upwards of millions of dollars, and streaming educational webinars important for the management of their operations.

Saskatchewan Cattlemen's Association-to develop and promote the success of all production sectors of the Saskatchewan beef cattle industry through effective representation from all regions of the province.

The Province of Saskatchewan has committed in its last two budgets to invest in rural internet/cell infrastructure. They have increased the number of cell towers throughout the province and have plowed additional fibre optic cable. However, challenges with reliable wireless service across the province will remain unless hard lines are directly run to the homes. The SCA appreciates the significant cost to undertake this type of project, but there are examples of this type of project being carried out in northern Manitoba¹. That being said, the SCA requests the federal government attempt a similar program for rural Saskatchewan, with funding from the federal and provincial governments, as well any private firms who would be interested in participating.

Rural Infrastructure – Roads

As our industry is highly trade dependent, and lacks a federally approved slaughter facility, our producers rely on roads to transport their products to market, and to carry their animals to feedlots and slaughter facilities in other provinces. Despite the province's relatively small population, Saskatchewan has the largest number per capita of roads in the country. This creates a unique and challenging problem in the maintenance and upgrade of these roads. Given the importance and contribution of trade to our industry, our province and the country, the SCA requests the Government of Canada dedicate funding for rural road maintenance above and beyond the gas tax fund. This could be through the establishment of a rural infrastructure fund which would be in partnership with the provincial and municipal governments.

Income Deferral

During times of extreme weather events such as drought, producers may face the unfortunate reality of having to sell off breeding stock. This results in unintended income during a fiscal year, which could create an extra tax burden for those producers. The government may take the extraordinary step of granting producers a tax deferral to help alleviate this burden. Unfortunately, there are a number of roadblocks to achieve this. The final decision rests with Finance Canada, which can take a significant amount of time. The SCA believes that it should be up to producers to manage their risk and have the tools necessary to do so. Therefore the SCA is calling on the government to amend the federal Income Tax Act and Regulations to allow for the individual driven election of partial income deferral when producer incomes are artificially inflated by forced sales due to extreme weather challenges.

Labour Shortages

Similar to many industries across Canada, the Canadian cattle industry is chronically plagued with labour shortages. In 2014, the beef industry employed 40,900 nationally. With the second largest cattle herd in the country, the Saskatchewan beef industry employed 7,848 people. During that same period, the industry was unable to fill 3,500 vacancies which cost it \$141 million. It is estimated by 2025 the labour

¹ <https://www.newswire.ca/news-releases/dig-joins-partnership-to-bring-high-speed-internet-to-northern-manitoba-687390951.html>

gap in the beef industry could reach 12,500². This would have a significant impact on our competitiveness and survival as an industry.

Unlike many other industries, we face unique challenges in addressing this problem. Many Canadians are several generations from removed from the ranch and therefore have no interest in working on a ranch, with long hours, physically demanding work, and often less than ideal or appealing locations as they have fewer amenities such as reliable internet service in rural areas. Unfortunately, in order to ensure our operations continue to run, our industry is forced to source from outside our country to find those who are willing to work. In addition, the beef industry is concentrated in the Prairies, where we compete with other natural resources sectors, including oil and gas, for workers. Adding to the reduction in the available work force, is the age of many of our producers with many ready to retire in the next 10 years.

Applying for temporary foreign workers does provide an alternative labour source for our industry. That being said, the program is fraught with issues. Long processing times, inconsistent decision making by Service Canada officials, unpublished rules, and little to no communications are several of the many challenges for those trying to use the program.

The SCA, as well as others in the beef and agriculture industry, have participated in the consultations held by the government regarding the temporary foreign workers program. What became obvious is that officials have little to no understanding as to how our industry works and what our industry needs. Therefore, the SCA requests the Government of Canada make a concerted effort to ensure the program works for Canadian agriculture. This may require the department to separate the agriculture stream from the rest of the applicants to ensure its success.

Importance of Trade

Canada is one of the largest exporters of red meat and livestock in the world, exporting approximately 45 per cent of Canadian beef and cattle production each year. Canada produces approximately 1.3 million tonnes of beef annually. In 2016, Canada's beef industry exported \$2.3 billion (359,600 tonnes) of beef, representing 39 per cent of domestic slaughter. This is a new record high in beef export value. Canada exported 622,490 tonnes of beef and cattle valued at \$3.6 billion in 2016, representing 47 per cent of beef production (including live slaughter cattle exported).

The Canadian beef industry ships to 56 countries but is reliant on the U.S. for 75 per cent of all beef exports. The next largest export markets are mainland China & Hong Kong (8%), Japan (6%), Mexico (4%) and South Korea 2%, accounting for 96 per cent of total export volumes. All other markets together represent the remaining 4 per cent of Canadian beef exports.

The SCA and the Canadian cattle industry have been and continue to be strong advocates for increasing market access in existing and new markets around the world. We applaud the work done by current

² Beef Industry Labour Market Forecast to 2025 – Canadian Agricultural Human Resource Council

government to ensure the Canada – EU Comprehensive Economic and Trade Agreement (CETA) was signed and implemented. While CETA does provide tariff access for Canadian beef up to a certain quality, there still are regulatory requirements our producers must meet to be able to supply that market. One of requirements notes that producers must work with CFIA accredited vets. Unfortunately, CFIA has cited privacy laws, preventing the distribution of their list of CFIA accredited vets with the industry. It has now fallen on industry to compile it, expending additional resources and time to duplicate work that has already been completed. This creates a sense of frustration and resentment towards the CFIA as they become an impediment to industry moving forward in this market. While industry does respect the privacy laws, there are methods to accommodate our request and highlight veterinarian expertise around the country, while not compromising Canada's privacy laws. Given the opportunity for our industry in this market, it would be beneficial if CFIA would work with us to create a solution, such as asking accredited vets upon completion of their certification for permission to release their contact information. The SCA requests federal department cooperation to meet the regulatory requirements of trade deals and when necessary provide funding to industry to do so.

Conclusion

The issues addressed above highlight the need for attention from the federal government to help ensure the Canadian cattle industry continues to remain competitive in a global market. Some of the biggest challenges the industry faces are found at home. Burdensome and inconsistent regulations, compromised and inadequate infrastructure, and labour shortages are just some of the issues we face on a daily basis. We believe there is the opportunity for significant investment in rural Canada to support the industries who ensure the survival of those small towns which contribute significantly to the economy.