



Ontario Federation of Agriculture

Ontario AgriCentre

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The Ontario Federation of Agriculture (OFA) is Canada's largest voluntary general farm organization, representing more than 36,000 family farm businesses across Ontario. These farm businesses form the backbone of our robust food system and rural communities with the potential to drive the Ontario economy forward.

We appreciate the opportunity to outline the key issues impacting the agriculture industry and the priorities of Ontario's farm businesses and our rural communities before the next Ontario Budget.

The OFA remains committed to working with the Ontario government to help see the Premier's [Growth Challenge for the agri-food sector](#) achieved. The Premier challenged the agri-food sector to double its annual growth rate and create 120,000 new jobs by 2020. This is an ambitious goal that will require a direct strategic investment and policies that provide for an investment in rural Ontario.

To help rural Ontario and the agri-food sector exceed the Premier's challenge, **Ontario must embrace rural Ontario growth and the fact that facilitating growth requires a necessary set of prerequisites borne by real investment and sound public policy.**

OFA urges the government of Ontario, in its 2017/2018 budget, to invest in rural Ontario to jump-start farming and rural Ontario growth. Which will, in turn, stimulate the entire Ontario economy.

Investing in rural infrastructure

A strategic investment in rural infrastructure is essential to achieve the level of growth required to meet the Premier's challenge.



Roads, bridges, drainage, and broadband access are all vital to maintaining our food system. Efficient transportation infrastructure is the key to productive supply chains. The entirety of our agri-food value chain depends on the successful operation of our transportation system. From the flow of inputs to producers, to the delivery of products to processors and ultimately the consumer, we rely on an effective and efficient water, road, and rail transportation system. Our energy and water infrastructure will face numerous future challenges from increased demand from a growing population, and from damage extreme weather events cause.

Rural communities have a disproportionately large stock of infrastructure compared to their local tax base. It is critical to ensure that future infrastructure funding prioritizes innovative projects that deliver infrastructure needs in a cost-effective manner. For example, if a project proposal acknowledges that, rather than an expensive concrete bridge, a steel culvert would meet local infrastructure needs at a fraction of the cost, this should be taken into account to maximize the return on infrastructure funding.

The Ontario Municipal Partnership Fund (OMPF) is one of the primary provincial transfer vehicles for rural and northern municipalities. Over the past 10 years the annual support provided through OMPF to rural and northern municipalities has been reduced by nearly \$120 million per year.

This reduction in funding has been felt most by lower tier municipalities in rural and northern areas that do not receive the same level of benefit that upper and single tier municipalities receive from the uploading of certain services to the provincial level.

Restoring the OMPF to provide a more meaningful level of funding to rural and northern municipalities will help these communities meet the unique challenges they face.

OFA strongly recommends the Ontario government work with municipalities across rural Ontario to develop and adopt a cost-effective infrastructure program (roads, bridges, drainage, and broadband) and provide funding to rural municipalities to implement the program.

Within this investment, and more specifically, the Ontario government needs to provide for an increased allocation to the Agricultural Drainage Infrastructure Program (ADIP). Municipal drains are a critical piece of rural infrastructure, benefitting not only farmland, but also protecting municipal roads and other properties from flooding. Farmland productivity improvements and capacity to deal with more extreme weather events through adequate drainage provide two important reasons for a higher allocation.

ADIP funds an offsetting grant for drainage assessments for agricultural lands - a one-third of cost grant for new drain construction or maintenance and repairs of existing drains in Southern Ontario and a two-thirds of cost grant for Northern Ontario projects. There is also a component that offsets some of the municipality's costs of employing a Drainage Superintendent.

The current ADIP allocation is \$7 million, unchanged for the past 8 or 9 years.

OFA recommends an increase in the allocation to the Agricultural Drainage Infrastructure Program (ADIP) to at least \$10 million.



Natural gas for rural Ontario

Modern farms run on, and rely on energy. Energy is required for heating, ventilation, hot water, drying, lighting, motors, and hundreds of other uses. Energy represents an average of 20% of input cost for Ontario farms and that cost is increasing, making our farms less competitive in a global market.

If we can halve the costs of on-farm energy our farm businesses will realize an input cost reduction of 10%. This is an enormous contribution to present and future competitiveness and sustainability. Likewise, rural businesses, manufacturers and processors could see a 20 or 25% reduction in operating costs with more affordable energy.

Expanding the natural gas pipeline network across rural Ontario will provide such cost savings. With natural gas, farmers can reduce operating costs for heating barns, providing hot water for dairy operations, drying grain and running greenhouses and other facilities. Conservatively, Ontario farms could add \$200 million in net farm income with access to natural gas. That means doubling farm income in poor years. It means the difference between profit and loss in bad years. It also means a \$600 million per year multiplier contribution in rural Ontario.

Access to natural gas across rural Ontario will significantly reduce energy costs and alleviate energy poverty. OFA estimates that achieving 60% coverage of rural Ontario with access to natural gas will provide **over \$1 billion in energy savings annually** in home heating and appliance costs alone. That is the equivalent of 25,000 full-time jobs in rural Ontario every year.

Access to competitively priced energy will also attract new food processing, manufacturing, and service firms. Growth in the agri-food and rural economy will accelerate with access to lower cost natural gas energy.

The economic activity generated by the savings in energy costs could amount to \$3 billion per year. This new economic activity requires only a modest public investment.

Economic development in rural Ontario will also alleviate development pressures in our urban centres. Toronto and other urban centres are constantly playing catch-up to accommodate growing transportation and infrastructure needs. The influx of new residents seeking economic opportunities, cannot be matched by infrastructure. Rural Ontario development would ease that pressure if job opportunities are enabled with affordable energy opportunities.

Young families would be able to pursue job opportunities across rural Ontario and may realize their dream of home ownership.

OFA recommends Ontario adopt a program to provide at least \$75 million per year for 20 years to enable rural natural gas infrastructure. This must be accompanied by a support program that enables and promotes conversion to gas and energy conservation.

The extension of natural gas pipelines in rural Ontario is the largest and best economic stimulation the provincial government can provide. Expanded natural gas lines in rural Ontario would give farmers access to savings for heating barns, operating grain dryers and generating electricity on an as needed basis. Providing access to natural gas to the Ontario farm businesses, and rural communities which do not currently have access, is essential to meeting the Premier's Challenge.



Benefits from sale of Hydro One

The OFA has serious concerns with the 2015 budget announcement of the partial sale of Hydro One Networks Inc. (HONI) and the distribution of the sale proceeds.

HONI is owned by the Province but was paid for by its rate payers, not taxpayers. Transmission assets, approximately 40% of the company, are funded by most Ontario residents in proportion to their power use. This is not the case for the distribution assets of HONI.

The distribution portion serves rural and small town Ontario. Farmers consume about 25% of HONI distributed power and so have paid for about one quarter of the distribution assets or 15% of the total company, despite making up only 1% of Ontario's population. Other rural and small town residents make up 15% of the population, and have paid for roughly 50% of the company.

Given the disproportionate contributions paid by farmers and other rural residents, using proceeds from the sale of HONI for infrastructure assistance to the Greater Toronto and Hamilton Area (GTHA) is inappropriate. Although GTHA infrastructure investments are needed (see Natural Gas Access), the revenue raised from the sale of HONI should be proportionally allocated to those that paid for the company. The OFA supports directing equivalent proceeds to rural communities.

Rural electricity customers currently pay an average of \$60 per month more for delivery than do urban customers. This creates another energy impediment for rural economic development. Rural businesses and families are disproportionately disadvantaged.

The OFA believes Ontario farms and rural communities need reasonably priced electricity to be able to compete and to contribute to the growth of our rural economy.

The OFA is working with industry to explore options for a return to a Farm and Industry Electricity Rate to provide farmers with a level competitive field compared to neighbouring provinces and states. We are also proposing Distributed Energy Resources as part of the Long-Term Energy Plan to better utilize all energy options including natural gas for more economical energy in the future.

In the near term, Ontario needs to find ways to enable affordable and competitive electricity rates for farming and industrial users while a Farm Electricity Rate is being developed and as the LTEP rolls out.

OFA strongly recommends the Ontario government acknowledge that proceeds from the sale of Hydro One assets should accrue to rural Ontario and use that rationale to balance the distribution costs of electricity so rural Ontario is on a level (distribution) playing field with urban electricity customers.

Supporting farmers, managing risks

The OFA fully supports the need of Ontario farmers for adequate and bankable risk management programming. In times of volatile global markets, the RMP and SDRM programs



are more critical than ever. As we approach the end of Growing Forward 2 we are working closely with industry partners across Ontario and Canada to develop the next suite of programs that will help farmers guard against uninsurable market risks. These programs are essential to the stability of farm businesses and the ability of our farmers to plan for sustainable businesses.

As we work through the details of the next Agricultural Policy Framework for 2018, we again join with Ontario commodity organizations in calling for Ontario to:

Maintain Ontario's commitment to the Risk Management Program (RMP) and the Self-Directed Risk Management Program used by the horticulture industry.

Meeting the challenge

Growth and innovation remain hallmarks for Ontario's farming and food sector as we push the boundaries of traditional agriculture, driving jobs in input supply, food production and processing across our agri-food sector.

Premier Kathleen Wynne has challenged our sector to double its annual growth rate and create 120,000 jobs by the year 2020. The OFA appreciates the Premier's attention and the confidence she has placed in the sector and looks for potential ways to accelerate growth in the agri-food sector to meet this challenge. We believe a real investment and sound policy environment are necessary prerequisites to accelerating agri-food sector and rural growth.

The Ontario Federation of Agriculture believes the Ontario government must look directly at the fundamental building blocks of a sound economy and robust economic development. Infrastructure is the building block of growth. Rural Ontario and our farm businesses need a real investment in necessary infrastructure including transportation and energy. These two vital and essential inputs will sustain our farms and drive strong economic development across rural Ontario. Such development will, in turn alleviate the pressures on our urban centres.

The OFA and our farm business members and associated organizations are prepared to work closely with the Ontario government to deliver these necessary investments and programs for the benefit of Ontario's economy and its citizens.

Respectfully submitted,

Ontario Federation of Agriculture
January, 2017