



Ontario Federation of Agriculture

**Ontario AgriCentre**

100 Stone Road West, Suite 206, Guelph, Ontario N1G 5L3  
Tel: (519) 821-8883 • Fax: (519) 821-8810 • [www.ofa.on.ca](http://www.ofa.on.ca)

January 20, 2012

The Honourable Dwight Duncan  
Minister of Finance  
7 Queen's Park Crescent, 7<sup>th</sup> floor  
Toronto, ON  
M7A 1Y7

Dear Minister Duncan:

The Ontario Federation of Agriculture (OFA) is pleased to provide the views of Ontario's farm businesses on the budgetary priorities of the Ontario government. Our pre-Budget Brief is enclosed for your review.

Ontario agriculture is a key economic driver in Ontario. Farming creates 164,000 jobs paying over \$7 billion in wages to Ontario workers. Agriculture is also a unique industry, providing a basic necessity while contributing to environmental stewardship, energy production and habitat protection.

Due to this, our farm businesses are impacted by the activities of multiple Ministries. Our brief necessarily touches on fiscal and non-fiscal issues that will improve the business climate for agriculture and enable it to realize its full potential as an Ontario growth industry.

We look forward to meeting with you in the coming weeks to further elaborate on the policies that will improve our farm economy.

Sincerely,

A handwritten signature in black ink that reads 'Mark Wales'.

Mark Wales,  
President

cc: Hon. Ted McMeekin, Minister of Agriculture, Food and Rural Affairs



Ontario Federation of Agriculture

Ontario AgriCentre

100 Stone Road West, Suite 206, Guelph, Ontario N1G 5L3  
Tel: (519) 821-8883 • Fax: (519) 821-8810 • www.ofa.on.ca

## Ontario Federation of Agriculture

### Submission to the Hon. Dwight Duncan, Minister of Finance

### Regarding the Ontario Budget – January, 2012

---

The Ontario Federation of Agriculture (OFA) represents the interests of over 36,000 farm family businesses across Ontario.

Ontario's agriculture sector is a major economic engine, providing jobs across our rural and urban communities. It offers stability to our rural communities and represents an integral part of our social fabric. Canadian farms provide a healthy, safe food supply and contribute to environmental health through the protection of soil, water and air.

Over 80,000 Ontarians make their living directly on farms and 718,000 Ontarians work in the agri-food industry.

In a recent study, economic activity associated with farm sector production in Ontario was shown to sustain 164,000 jobs across Ontario with an expenditure on wages and salaries of \$7 billion. These jobs contribute \$3.4 billion in taxes to all three levels of government including \$1.2 and \$1.8 billion to the Ontario and federal governments respectively.

The study revealed that Ontario's farm outputs contributed \$22 billion in gross economic stimulus to Ontario in 2009 with a net value of \$10.7 billion. This economic contribution also includes \$3.4 billion paid in federal and provincial taxes to help support our health, education and transportation systems, as well as other vital infrastructure.

Agriculture contributes to a better Ontario economy and can continue to grow its contribution. The OFA fully recognizes the fiscal circumstances of Ontario and, indeed, of the global community. Within this context, the OFA respectfully submits that Ontario capitalizes on the potential of our agricultural sector by focusing on:

1. Strategic investment in agriculture and necessary infrastructure; and
2. Investment in good government.

More specifically:

#### **Invest in Agriculture:**

#### **Continue to Invest in Business Risk Management:**



The Ontario Federation of Agriculture greatly appreciates the support for the Risk Management Program (RMP) announced in the 2011 provincial budget. OMAFRA and Agricorp have worked diligently to implement the RMP plans. We will continue to work with commodity partners to secure federal commitment to a bankable and predictable business risk management program.

The Ontario government has shown great leadership by accepting and committing to provide its 40% funding for the Risk Management Program (RMP) in advance of a federal commitment to do the same and we urge its continuation.

In addition, reforms are needed to the national **AgriStability** program as follows:

- Remove the negative margin viability test;
- Provide farmers with the choice of having either the top 15% of the reference margin coverage or participation in the AgriInvest program;
- Provide the highest reference margin by using in the calculation either a five-year Olympic or a previous three-year average reference period;
- Increase negative margin coverage to 70% from 60%; and
- Adjust the AgriStability reference margins to include BSE payments, circovirus proxy payments and other program payments for 2007 and 2008.

The current Growing Forward policy framework will expire on March 31, 2013. Federal and provincial governments are currently negotiating the next five-year policy framework. We need the Ontario government to continue to advocate for BRM reforms at the federal provincial negotiations around next five-year Growing Forward Agricultural Policy Framework.

Agriculture has demonstrated a remarkable rate of productivity improvements. This performance has been the result of investment in research that has enabled consistent enhancement of output with reduction of inputs such as water, energy fertilizer and pesticides. The OFA urges the government of Ontario to maintain basic research to secure our growth and competitiveness.

### **Recognize and Compensate Ecological Goods and Services**

Farmers supply benefits to the public in providing food safety systems, environmental stewardship initiatives, wildlife habitat and preservation of the rural landscape. Many of these benefits are positive externalities. Currently, farmers bear the costs associated with providing these benefits without receiving compensation.

Ontarians are demanding more of these public goods and the Ontario government is responding with regulations governing land use to preserve species and biodiversity, green house gas mitigation and source water protection. Farmers, as the primary land owners affected by such regulation cannot continue to bear the cost of providing goods and services for the benefit of the public that serve to render the farm business non-competitive.

The concept of using public funds to purchase ecological services provided by those who own and manage land has been debated for years, but to date Ontario has no policy providing guidance on this important issue. Other jurisdictions do have such public policy.

The Ontario government must work with the OFA to develop a mechanism for establishing the value to society of such ecological services as carbon sequestration sites, groundwater



recharge areas, vegetative filter strips to prevent sedimentation in surface water bodies and wildlife habitat.

In particular, the government must develop a fair mechanism to compensate farmers affected by the Clean Water Act. Farmers should not incur net cost, nor loss of productive land due to legislated restrictions without fair compensation.

In today's increasingly competitive marketplace these services must be valued and those providing the services must be compensated at a rate that is reflective of their value.

### **Invest in Infrastructure**

Modern agriculture requires sound infrastructure across rural Ontario to operate efficiently and competitively. This includes roads, on which machinery and products must travel, sound bridges, effective drainage systems, broadband access and modern handling and processing centres.

Investment in these areas will enable our food system to grow.

The OFA recommends the Province of Ontario update its contributions to the Ontario Municipal Partnership Fund (OMPF) to enable municipalities, responsible for transportation infrastructure, to afford adequate maintenance and improvement projects.

As we noted in our joint letter with the Eastern Ontario Wardens' Caucus dated August 4, 2011, the OMPF fails to provide the level of transfers to rural municipalities that would be received from the Farmland and Managed Forest Tax incentive programs if calculated separately. As you know, the Farmland Managed Forest Tax incentive programs are one of the many components in the OMPF transfer calculations.

The complexity of the OMPF transfer formula coupled with the fact that it is "principle-based funding" and combines transfers for many service delivery components totally unrelated to the farmland and managed forest assessment tax base has clouded the issue. Insufficient transfers and the loss of an estimated \$200 million annually in transfers to rural municipalities (2008 figures) has been the result.

On behalf of our organizations, we believe it to be a fair and reasonable request that the Provincial government provide municipalities with transfers equivalent to full provincial reimbursement of incentives for the Farmland and Managed Forest Tax incentive components of OMPF. This would enable rural communities to better support the services they provide to their residents and businesses and help deal with pressures caused by the growing infrastructure deficit.

We commend recent investments in regionally based economic development and further encourage investment in food processing capacity to enable value added outputs across rural Ontario.

Presently, Ontario's food processing sector purchases 70 per cent of Ontario's farm production. This enables a \$33 billion food processing industry that directly employs 110,000 Ontarians. Investment in food processing capacity will pay dividends in jobs and economic output.



But development of value added enterprise will require a sound energy grid, capable of managing expansion and enabling on-farm generation to connect. We urge the government to invest prudently to ensure our electrical grid has the capacity to facilitate growth across the agriculture and agri-food sector.

### **Invest in Good Government:**

The Province of Ontario has initiated a regulatory modernization process called Open for Business. The OFA congratulates the government for this initiative and is proud to have led the agriculture and agri-food sector's contributions so far. We look forward to continuing our work with the government to secure sound regulation that protects the public interest and enables a competitive sector.

Good government costs less than bad government. In this sense it is appropriate to discuss regulatory modernization in the context of the provincial budget. In general, the OFA has pointed out that the cost of enforcement in a command and control regulatory environment is significantly more expensive for all concerned than working with industry to educate and engage in sound business practice that complies with regulatory intent.

The OFA will actively engage with the government on developing a comprehensive regulatory impact analysis and an early consultation process. We will work with respective Ministries in reviewing existing regulations cope with industry and technological change. The OFA strongly encourages the government to continue to engage agriculture and agri-food in meaningful regulatory modernization initiatives.

More particularly, we look to the Province of Ontario in the following regard:

#### **Farm Property Assessment**

We look forward to the establishment of the farm property assessment committee agreed to at our December, 2010 meeting. We reiterate our thanks for accepting our proposal to establish such a committee to review and provide recommendations on farm assessment issues.

Carefully and properly articulated farm property tax assessment rules will avoid costly appeals and encourage on-farm economic activities.

We look forward to working closely with all key stakeholders, including farm representatives, municipal representatives, MPAC and government officials, to identify and help resolve farm tax assessment issues as they arise.

#### **Procurement – Buying Ontario**

Ontario food providers and Ontario institutions are learning how to better provide local food to institutional buyers through the Broader Public Sector Investment Fund. The program aims to increase the amount of Ontario foods through municipal, university, school and hospital food services. The program has proven beneficial in educating institutional buyers on the benefits of local food procurement and the ways and means of securing local food.

The OFA encourages the provincial government to sustain such programs and to set a clear example by ensuring public institutions actively pursue all opportunities to buy local.



## **Advisory Panels**

The OFA fully recognizes the fiscal situation Ontario faces, owing to local and global economic events. We believe that Ontario can continue to grow and prosper through prudent investment and good government. Nonetheless, there will need to be budgetary reallocations based on priority matters.

The OFA recommends that, before there are wholesale reductions in public spending in any particular area, that the government of Ontario consult with those affected – in our case the agriculture sector, to ensure programs that build productivity and promote growth are developed or retained.

The OFA is pleased to present the above priorities of the agriculture sector to the Ontario government. They represent fiscal and non-fiscal measures that can and will promote private investment, jobs and growth. Investment in agriculture will enable a sustained food production sector providing nutritious food to contribute to the better health of Ontarians.

An investment in agriculture is a sound investment in the future of Ontario.

Respectfully submitted,

Ontario Federation of Agriculture  
January, 2012