



**Ontario Federation of Agriculture**

**Ontario AgriCentre**

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## **Ontario Federation of Agriculture**

### **Submission to:**

### **The Ontario Standing Committee on Finance and Economic Affairs**

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The Ontario Federation of Agriculture (OFA) appreciates the opportunity to outline the key issues impacting the agriculture industry and the priorities of Ontario's farm business community in advance of the next Ontario Budget.

The OFA is Canada's largest voluntary farm organization. As a dynamic, farmer-led organization, we represent more than 37,000 farm family businesses across Ontario.

Simply put, the 2014 Ontario Budget must ensure Ontario sets a sound course through prudent investment and pragmatic policy choices. We know that our current fiscal situation is not healthy and must be addressed in the near term. However, we also know that strategic government investments and sound policy and programs can drive the Ontario economy forward. Growth in Ontario's farm and rural economy will greatly alleviate the fiscal pressures we face. Ontario Agriculture is well positioned to grow Ontario's economy and with prudent investment and policies, we will accomplish that goal.

Farming in Ontario does deliver. In 2013, the OFA commissioned an updated analysis of the economic contribution of the Ontario farm sector. The report found that the production from Ontario farms:

- Sustains 157,829 (full-time equivalent) jobs with wages of \$8.1 billion in 2012.
- Farm Sector Economic Activity contributed \$3.9 billion in taxes to all three levels of government including \$1.4 billion to the Government of Ontario in 2012.
- Ontario's farm outputs contributed \$26.6 billion in gross output in 2012 with a Gross Domestic Product (GDP) of \$13.7 billion.

The above statistics are based only on the upstream linkages to input suppliers and do not include the economic activity that occurs when farm products are further value-added. The additional contributions that can be made by a healthy processing sector, adding value to Ontario products, are staggering.

Premier and Minister of Agriculture and Food Kathleen Wynne has challenged the sector to double its annual growth rate and create 120,000 jobs by the year 2020.



The OFA appreciates the Premier's attention to, and the confidence she has placed in the sector. The years 2014 and beyond hold promise for continued and potentially accelerating growth in the Ontario Agri-Food sector.

However, to meet the Premier's growth challenge and our own aspirations, Ontario's agriculture and agri-food sector needs to have the right tools from government - the right investments, the right services and programs required to create an enabling business environment. Similarly a sound and supportive regulatory environment is needed.

The OFA respectfully outlines Ontario's farm sector needs to enable growth and to contribute to a healthier and sound provincial economy.

### **Natural gas for rural Ontario:**

A public / private sector partnership in extending natural gas to rural Ontario is the single best investment Ontario can make in its rural economy. Rural access to natural gas is a serious game changer.

Ontario farms and rural businesses are disadvantaged by high energy costs. Ontario farms and rural businesses with natural gas will have significantly lower energy expenses. For heat, natural gas is 30% of the cost of electricity and approximately one-half the cost of propane. But, natural gas is accessible to less than one-fifth of Ontario farms. Canada's prairie provinces have undertaken to extend natural gas across their rural landscapes. Alberta and Saskatchewan are virtually fully serviced while Manitoba exceeds Ontario's access rates and continues to expand.

Expanding the natural gas pipeline network across rural Ontario will help farmers reduce the operating costs of heating barns, providing hot water for dairy operations, drying grain and running greenhouses and other facilities. Access to natural gas in rural Ontario will also reduce demand on our burdened electrical supply by eliminating the need for over 600MW of generating capacity now used for electric heating.

Providing natural gas for 500,000 rural Ontario farm and non-farm families will cut their home energy bills by more than \$1,000 per year, while 30,000 farms and other small businesses will save even more. This amounts to an energy saving estimated at over \$800 million per year. That money will be reinvested in rural Ontario families and businesses, generating jobs and growth.

In addition, access to competitively priced energy will 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 OFA strongly recommends the provincial government commit to a long-term public / private sector partnership to expand natural gas infrastructure in rural Ontario starting with the 2014 provincial budget.***

The OFA suggests public infrastructure investment cover about 35% of the costs of buying and installing pipe over the next 20 to 25 years at a targeted rate of 5,000 km. of pipe per year. Gas companies would pay the remaining 65% of new rural gas line costs. Those companies will



recover their costs over a ten year period with a delivery rate set by the Ontario Energy Board. Gas companies earn a regulated rate of return on their capital costs.

**OFA recommends the Ontario Energy Board, in establishing the rate of return, set a rural delivery rate for new customers on new rural lines to reflect the lower density and that the rates be made more stable by the use of a higher monthly service charge as well as a higher delivery charge per cubic meter.**

**In addition, OFA recommends a government low interest loan program to assist households with hook up costs and installation of gas furnaces and appliances to ensure connections and in turn help keep delivery costs lower for everyone.**

The OFA proposal is designed so that no customer on an existing line would pay more as a result of extending rural service.

### **Property Assessment and Taxation:**

Having a predictable assessment and property tax system is critical to growing our businesses. The OFA appreciates Parliamentary Assistant Steven Del Duca's work on the Special Purpose Business Property Assessment Review.

***OFA encourages the government to implement the recommendations in the report of the Special Purpose Business Property Assessment Review as soon as possible.***

The OFA fully supports Mr. Del Duca's recommendations with respect to grain elevators. We hope implementation of the recommended amendment to the property class regulation under the Assessment Act for the 2014 tax year can be expedited.

With respect to farmland valuation, the OFA is committed to continuing our work with MPAC to identify the range of new procedures and discuss their effective implementation as recommended in the report. The OFA fully supports the recommendation that clearly-defined processes and procedures be established to strengthen MPAC's assessment methodology for farm properties. This includes an improved sales verification process as well as ensuring that an adequate sample size is used for farm sales analysis, such as having regard for a larger geographic area and expanding the sales analysis period.

### **Provincial Transfers to Municipalities:**

The OFA believes the portion of the tax burden raised from property taxes is inappropriate. We believe that property taxes are an appropriate means to raise public funds needed to finance the delivery of public services related to property. However, property taxes should not be levied to finance public services for citizens, as is currently the practice.

Given their limited taxing authorities and ongoing reductions in the real value of transfers from the province, municipalities have had little choice but to raise property taxes to cover services they provide to citizens. This phenomenon results in burdensome and non-competitive taxation of land-based industries such as farming.



***OFA strongly recommends that provincial transfers to municipalities be increased to ensure municipalities do not have to excessively tax property to raise required municipal revenues. In addition, or in the alternative, the province could phase out property taxes for education.***

### **Rural Infrastructure Investments:**

OFA stresses the importance of investments in rural infrastructure. Properly maintained roads, bridges and culverts allow farmers to transport their inputs to and their products from their farm businesses. Infrastructure enables farmers to do business.

Rural infrastructure is critical to the ongoing competitiveness of our farming sector and to attracting new businesses and manufacturers to rural Ontario.

Ready access to quality health care, schools and other public services that our urban counterparts can more readily access are vital to keeping our rural communities thriving and to attract new investment.

***The Ontario government must ensure rural Ontario farms and businesses have access to physical infrastructure capable of handling current and future needs and that rural Ontarians have access to a level and quality of services and infrastructure comparable to their urban counterparts.***

Provincial investments are needed, for example, to ensure rural Ontarians have comparable access in:

- Health care;
- Education;
- Child care; and
- Services delivered by municipal governments.

### **Local Food Act:**

The OFA was very pleased to see the development of the *Local Food Act*, highlighting the benefits of local food promotion. OFA is committed to working with the Ontario government to further our common goals of having food produced in Ontario available and accessible to Ontario consumers. The new *Local Food Act* has the potential to grow Ontario agriculture and to improve the well-being of Ontarians. All Ontarians (consumers and farmers) will benefit from increased awareness and access to local Ontario food products.

The OFA commends initiatives to make Ontario produced food available to hospital patients and others. Experience has shown that public institutions require assistance to change their processes to facilitate the purchase and handling of Ontario-grown food.

***OFA recommends additional funding and expertise be made available to enable hospitals, schools and other public sector institutions to support the purchase and use of more Ontario-grown food.***

Marketing and distribution present fundamental challenges to Ontario farmers. The development of local food hubs through incentives and supportive regulation will facilitate



increased marketing and distribution of local food. The OFA actively supports local food initiatives, including farmers' markets, on-farm value-added activities, and the development of regionally oriented food systems, as another option for farmers to market the more than 200 safe, nutritious products grown in Ontario.

The OFA firmly believes human health and illness prevention starts with a strong food literacy component in our school curriculum, and ends with a healthier population and a less taxed health care system. For this reason we have strongly advocated for the Ontario government, through the Local Food Act or other appropriate instrument to instigate a significant food literacy program through elementary and secondary school curriculum enhancements and through adult education.

It is well known that proper nutrition greatly elevates learning capacity of children. A concerted effort to improve school-age children's nutritional intake will have a significant long term effect on the health and well-being of all Ontarians.

Improved nutritional well-being depends on food literacy and on food access. OFA believes that Ontario must now engage in a serious long-term effort to improve literacy and access for food across Ontario.

***OFA recommends that the Ontario government develop and implement curriculum enhancements to the elementary and secondary school systems to improve food literacy by a targeted and measurable amount on an annual basis; and that***

***The Ontario government must work closely with the agri-food sector to provide enhanced school nutrition programs to remote and vulnerable communities across Ontario.***

Ontario farmers will continue supporting our local food banks and community programs, using the tax credit for local food donations, recognized as an important feature of the Act.

#### **Ontario Risk Management Program (RMP) Funding:**

Farming involves managing multiple risks. Ontario farmers should and do manage some risks on their own. Other risks, however, cannot be managed by farmers alone, a fact recognized by virtually all jurisdictions around the world.

Under the RMP, the government shares market risk with farmers. Government business risk management programs in general and the RMP program in particular have given farmers the confidence to make the investments necessary to keep their farm operations competitive.

In the 2012 Ontario budget, the provincial government capped their contribution to the RMP program at \$100 million for the 2013 program year. This cap significantly reduces claims and results in a delay in paying RMP claims to farmers. The cap effectively transfers a high level of market risk to farmers.

***OFA requests the Risk Management Program cap of \$100 million be reassessed and raised to enable more adequate risk management capacity.***



### **Minimum Wage Review Advisory Panel:**

The OFA made a submission to the Minimum Wage Advisory Panel that was established subsequent to the 2013 Ontario Budget. In that submission we expressed a number of concerns with Ontario's minimum wage policy and with the concept of minimum wage as a means of poverty reduction. Although we fully support the intent of alleviating poverty in Ontario, we believe the use of a minimum wage for this purpose is unsound public policy and will, in fact, be counterproductive.

Unexpected, ad hoc jumps in the provincial minimum wage rate have been shown to significantly reduce seasonal and youth employment while failing to address the issues faced by low income workers.

Food production, particularly in the horticulture industry, is extremely sensitive to dramatic changes to the minimum wage rate. The major input cost for fruits and vegetables grown in Ontario is labour. From the perspective of the agriculture sector, an increase to the minimum wage is an increase in the cost of production for which there is no mechanism to recoup that cost from the marketplace. Increases in the minimum wage rate come right off the bottom line of farm businesses because the resulting higher costs cannot be recovered in prices. Consequently, the policy will significantly reduce farm income while negatively affecting youth and seasonal employment.

Even if Ontario farmers were able to increase prices to recover higher production costs, the new prices resulting from a higher minimum wage would make Ontario fruit and vegetables unaffordable for low income households. Again, minimum wage policy is counterproductive.

***The OFA urges the government to actively investigate alternative poverty reduction strategies that won't negatively impact farming and small businesses. These could include:***

- ***Focus on full employment and sustainable growth in the economy;***
- ***Reduce Income Tax on low-income households;***
- ***Fine tune welfare programs, reduce claw backs on support programs;***
- ***Support long term care;***
- ***Improve support for child care;***
- ***Facilitate affordable housing;***
- ***Enable access to affordable education.***

### **Agricultural Research:**

Research has proven to be key to tomorrow's agriculture, tomorrow's competitiveness and tomorrow's jobs. Unfortunately, Ontario is not investing adequately in agricultural research. Ontario's budget for agricultural research has languished for 18 years and provincial government support remains lower in dollar terms than it was in 1994. In inflation adjusted dollars, provincial support is one sixth of what it was.

***The Ontario government should move immediately to increase the funding for university-based agricultural research to \$100 million per year.***



Continued Ontario farm sector performance over the long-term is contingent on agricultural research to develop new technologies to enable Ontario farmers and agri-food companies to adapt to changing weather, tastes, environmental concerns, etc. Ultimately, new knowledge and technology have to make their way to industry and be used.

It is the adoption and commercialization of new technologies that generates jobs and promotes growth. A concerted effort to effectively and efficiently transfer these technologies to the farm and agri-food sectors is absolutely necessary. Therefore, the OFA further recommends:

***The Ontario government must continue to develop knowledge and technology transfer processes and provide farmers with financial incentives, as needed, to encourage the adoption of new, validated farming techniques and technologies.***

### **Ontario's Emerging Bio-economy:**

Research and innovation continues to find new uses for crops and crop residues like wheat straw, corn stalks and purpose grown crops like Miscanthus, in the form of biomass. Biomass-based products have the potential to create significant growth for Ontario's agri-food industry. Biomass can be dried and used as a pellet fuel to generate electricity.

Crop residue and manure can be used in an on-farm bio-digester facility to generate bio-gas for direct use as a source of energy or, subsequently, to produce electricity.

As a province reliant on a readily available and competitively priced energy supply, Ontario needs to encourage these new bio-based technologies to ensure future energy competitiveness. Farm based energy needs to be brought on line as bio-gas and/or farm generated electricity.

***The Ontario government needs to encourage and facilitate the availability of additional energy generation through bio-digestion or purpose-grown energy crops.***

Another exciting innovation is the use of cellulosic sugars derived from agricultural biomass in the production of numerous bio-based products. Because these products are bio-based they can be marketed as green products.

The OFA has organized and managed a \$3 million research project funded by the Agricultural Adaptation Council to discover new and innovative uses for biomass. In addition, a corn stalk project has been initiated to capitalize on the sugars available in corn and corn stalks.

A new company (BioAmber), is setting up a plant in Sarnia to produce bio-based succinic acid from sugars and reflects the potential of this new technology. The global market potential for succinic acid is \$10 billion. Bio-based succinic acid is less expensive to produce than succinic acid produced using petrochemicals, and has the added advantage of being suitable for the production of biodegradable plastics.

The facilitation of establishing regional bio-economy clusters across Ontario will be an important component in growing our rural economy.



## **Open for Business:**

Although the budget process tends to focus on investment, the agriculture community's success is increasingly dependent on sound regulatory policy as well as fiscal policy. In fact, farmers consider regulations to be the number one issue affecting their businesses

Provincial regulatory renewal should remain a key government priority. Investment in the agricultural sector will be rendered less effective, or even ineffective, unless consistent and supportive regulatory policy is part of government planning. Smart regulation does not require any cash outlay from the government, but will yield great benefits to the Ontario economy. In fact, an improved regulatory approach would conceivably save public expenditures due to a reduced enforcement burden.

The Ontario government can build a regulatory regime that is effective and not detrimental to the farm economy by involving the farm sector early in the regulatory development process. When the regulated sector is recognized by government as an essential contributor to the regulatory development process, it fosters a climate of mutual respect, dispensing with the traditional command and control approach to development and implementation.

OFA was very pleased to work with several Ministries while coordinating the Ontario Agriculture and Agri-Food Sector Strategy for the Open for Business initiative. An important outcome was the establishment of an Ontario Agriculture and Agri-Food Forum that meets twice annually to air regulatory concerns and update on beneficial regulatory changes.

As announced as part of the Premier's Agri-Food Challenge, the government is expanding the mandate of the Open for Business Consultation Forum beyond regulations to all aspects of economic growth in the sector.

This is welcomed news to the OFA and, in this regard, we also caution against legislation that is unnecessary. For example, the proposed *Great Lakes Protection Act (Bill 6)* has recently been added to the Open for Business Agriculture and Agri-food Consultation Forum discussions, at the request of the OFA. The proposed Act replicates a number of existing statutes such as the *Ontario Water Resources Act*, *Clean Water Act*, *Planning Act* and the *Nutrient Management Act*. The desired outcomes of *Bill 6* can and should be achieved through these existing statutes.

*Bill 6* is an example of unnecessary legislation, brought forward to bring relevance to the Great Lakes Strategy through its own regulatory regime. The test of regulatory need requires evidence that a regulatory gap exists. The extensive list of regulatory tools available to protect water quality in Ontario suggests the test was not performed. Compliance with existing regulatory requirements will accomplish the desired goal while avoiding potentially conflicting regulations.

Another piece of legislation of concern to the OFA is the *Not-for-Profit Corporations Act*. While intended to provide more transparency and accountability by not-for-profit corporations to their members, this Act encroaches on rights that OFA members currently value.

Amongst other concerns with the Act, the OFA disagrees with the elimination of geographic-based elections. The election of directors by all voting members at an annual general meeting eliminates geographic representation and members' ability to vote for a director in their area — an important issue for OFA members.





Allowing proxy voting exposes the OFA and other organizations to “takeovers” by special interest groups. We propose proxy voting and the eligibility of a proxy holder be legislated as options provided for in the corporation’s bylaw, as determined by members.

**Meeting the Premier’s Agri-Food Challenge:**

Ontario leads Canada in farm production. Ontario farmers produce over 200 different commodities and no province exceeds Ontario’s total farm market receipts. Our farms are forecast to produce food and fibre amounting to almost \$12 billion in value in 2013. Our farmers will account for 29% of total farm market receipts in Canada this year.

Growth and innovation continue to be hallmarks for our industry as we push the boundaries of traditional agriculture, driving jobs in input suppliers, food production and processing across our agri-food system.

The OFA sees the key government expenditures and policies highlighted in this submission as the minimum prerequisites to attaining the goal of doubling the agri-food sector’s annual growth rate and creating 120,000 jobs by the year 2020. OFA is proposing a mix of short and long-term initiatives to provide for a sustainable farming and agri-food industry and sustainable growth across our rural economy.

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

Respectfully submitted,

Ontario Federation of Agriculture  
January, 2014