

January 17, 2020

Hon. Rod Phillips
Minister of Finance
Frost Building South
7th Floor
7 Queen's Park Crescent
Toronto, ON M7A 1Y7

Email: Minister.fin@ontario.ca & submissions@ontario.ca

Dear Minister Phillips:

Re: 2020 Ontario Pre-Budget Consultations

On behalf of our 38,000 farm family members and supporters, the Ontario Federation of Agriculture (OFA) is pleased to provide our views on the budgetary priorities of the Ontario government. On January 17, 2020, OFA presented to the Ontario Legislative Standing Committee on Finance and Economic Affairs as part of the Committee's Pre-budget Hearings. We wish to submit the same recommendations to your Ministry as well.

The Ontario Federation of Agriculture (OFA) recognizes that the well-being of our families and the strength and viability of our farm businesses is increasingly dependent on the state of our rural communities. We also recognize that the economy of Ontario is intrinsically tied to the well-being of our rural economy.

Rural Ontario, driven by the agri-food industry, has the potential to grow food, add value through further processing and grow our economy. But this potential requires investment – real public investment in physical infrastructure to enable business to operate efficiently and social infrastructure to accommodate the people who will drive the businesses and the economy forward. Without this investment, the decades-long trend of imbalanced population and economic growth, concentrated in the Greater Golden Horseshoe and Ottawa, will likely continue.¹

When our local schools close it affects our families and dissuades newcomers. When we cannot access information or conduct business over the internet it affects our children's ability to excel at school and our ability to grow our businesses.

When health care is not readily available it affects our quality of life and our businesses. When our energy bills are 30-100% higher than in urban areas because we don't have access to natural gas, it significantly affects our competitiveness and the sustainability of our communities.

¹ Ontario Chamber of Commerce. 2019. "The Great Mosaic: Reviving Ontario's Regional Economies" <https://occ.ca/wp-content/uploads/The-Great-Mosaic-Reviving-Ontarios-Regional-Economies.pdf>

The consequence will be a continued population boom in the Greater Toronto Area, with its share of provincial population projected to rise from 47.8 per cent in 2018 to 51.8 per cent in 2046. Ontario's population is projected to grow by 38.0 per cent, or over 5.4 million, over the next 28 years, from an estimated 14.3 million on July 1, 2018 to almost 19.8 million by July 1, 2046.² Yet without a focus on distributed economic development, new immigrants are most likely to continue to settle in larger communities. In 2015, 94.2% of new immigrants to Ontario settled in Toronto, Ottawa-Gatineau, Hamilton, Kitchener-Waterloo, London, or Windsor.³

These issues are real and are seriously impeding the ability of our rural communities to optimize our contribution to the Ontario economy. But these issues can be addressed in a way that will help all of Ontario grow and prosper.

OFA has developed a campaign to secure a policy of distributed economic development through prudent public investment – it's called **Producing Prosperity in Ontario**. That's the advice we're presenting to government. Sound investments in rural Ontario will jump-start farming, agri-business and rural Ontario growth, and in turn, stimulate the entire Ontario economy.

Our rural municipalities are eager to repair roads and bridges, have access to reliable broadband, install natural gas pipelines and attract new families and businesses to their communities. These improvements require a concerted effort and partnership between business and governments. The Barton Report provided the general outline for growth, but we need to collectively focus efforts in the right direction. Distributing economic development across the province will provide a higher rate of return than the status quo.

OFA is strongly recommending the province of Ontario invest public funds in building rural infrastructure. We fully understand the province's fiscal situation and the need for restraint. We also know that prudent investment pays dividends that ultimately improve our fiscal outlook by driving our economy forward.

A recent report for the Broadbent Institute, prepared by the Centre for Spatial Economics, indicates that:

"the benefits from public infrastructure extend beyond direct impact, with public capital promoting economic growth and productivity. A highway, for example, allows trucks to transport goods in less time than if they used slower, local roads. This reduces shipping costs, helping private companies produce their products at a lower cost."

The same can be said of the information highway.

The study concludes that the benefits of a public infrastructure spending program include:

- GDP rises \$1.43 per dollar of spending, in the short term
- 9.4 jobs are generated per million dollars spent, and 44 cents of each dollar spent by government is recovered in new tax revenue
- GDP "return on investment" lies between \$2.46 and \$3.83
- Private-sector investment **rises** by as much as \$0.34 per dollar spent in the short term, and by up to \$1.00 per dollar spent in the long run

² Ontario Government. 2019. "Ontario Population Projections, 2018–2046"

<https://www.fin.gov.on.ca/en/economy/demographics/projections/>

³ CIC News. 2016. "Rural Areas and Small Cities Across Canada Eager to Attract More Newcomers."

<https://www.cicnews.com/2016/10/rural-areas-and-small-cities-across-canada-eager-to-attract-more-newcomers-108558.html#gs.xtau67T1>

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- Businesses are more productive and competitive in international markets
 - Real wages rise, providing a higher standard of living for Canadians

Public investment is not only for the direct benefit of our farms and rural communities. OFA contends that distributed economic development is the only practical long-term solution to relieving the Greater Toronto Hamilton Area (GTHA) transportation crisis and the pressure on the urban housing market.

Strengthened rural communities with new economic opportunities for families will help distribute population growth and alleviate the GTHA infrastructure crisis.

Infrastructure investments like widespread broadband, access to affordable energy with natural gas, and increased social infrastructure including local schools and medical care will attract new business. New jobs will attract new residents that will, in turn, contribute to social infrastructure.

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 core funding to rural municipalities to implement the program.

More specifically:

Access to Natural Gas

OFA appreciates the adoption by the government of *Bill 32, Access to Natural Gas Act, 2018*. With this Bill, the province has recognized the value of providing access to a reliable and economical source of energy across rural Ontario. We estimate that an investment of \$75 million per year over a 20-year development cycle will begin to pay dividends on the investment after the first year. Once fully implemented, access to lower cost energy will save rural Ontarians over \$1 billion annually in the cost to heat homes and run businesses.

This program will significantly curb energy poverty while positioning rural Ontario as also **Open for Business**.

OFA is concerned that some fundamental aspects of a sound policy are not clearly implicit in the Access to Natural Gas Act and so make the following recommendations for its implementation:

- **Ensure there is a smart, long-term development plan with consideration of optimal routes and capacity sizing to meet long-term objectives**
- **Proper expansion plans will provide returns to local communities within year 2 of a development**
- **Rate riders should be volumetric for all rate classes**
 - **Simpler to administer if all potential connections pay and benefit from expansion**
 - **Allows access to the highest number of potential connections which makes a project more viable**
- **Only a plan that includes commercial industrial and institutional anchor loads in the incentive will be effective**

Transportation

All business depends on the ability to economically transport inputs and outputs from and to markets. It is fundamental. For rural Ontario the efficient transport of people, given the unavailability of public transit, is also fundamental. The rural Ontario economy relies on sound roads, bridges and proper drainage to support the growth and transportation of our goods and services.

As the government continues to make long-term infrastructure investments, OFA is prepared to work with the Government of Ontario and municipalities to identify ways and means to safely provide infrastructure at reduced costs. Practical alternatives exist and can be identified as part of the government's plan to **reduce red tape**.

Broadband

Reliable internet supports farms and rural communities and has been deemed to be an essential service. Without it, our businesses, residents and schools are severely disadvantaged from a business competitiveness perspective as well as an ability to attract families and investment.

OFA is actively petitioning the federal government to roll out a broadband access plan. We urge the province to join this campaign and facilitate functional access to internet across rural and remote Ontario.

Schools and Health Care

Rural schools and quality health care are essential to attract and retain local employees by providing quality education, local community hubs and adequate medical services for the next generation of Ontarians. A concurrent investment in physical and social infrastructure (schools, health care) will provide opportunities and reasons for families to look to rural Ontario as an affordable and ideal place to work, live, play and invest.

Ontario's pre-budget consultation themes

As part of the pre-budget consultation process, the Ontario government has asked for input on specific themes. OFA is pleased to provide the following input.

A. Making life more affordable

Families that find new opportunities in rural Ontario will enjoy a fulfilling lifestyle with the more realistic possibility of home ownership.

Lowering hydro bills would be a welcomed relief for many families and farm businesses who have struggled over the years to pay those bills. Providing our rural communities with some relief from electricity costs by providing alternative energy in the form of natural gas would provide a near term solution. Likewise, the availability of a pipeline system would enable rural renewable gas production for electricity generation – a possible point of relief for a high cost electricity system.

B. Creating a more competitive business environment

OFA also makes the following recommendations with respect to creating a more competitive business environment:

1. Financial assistance for abattoirs for food safety upgrades

Abattoirs and meat processing plants are essential for livestock farmers seeking to market locally grown and processed food directly to consumers. Compliance with government regulations has put a significant financial strain on many small local abattoirs in Ontario.

OFA requests the Ontario government make financial assistance available to abattoirs for food safety upgrades to maintain the high standards for food safety.

Ontario's livestock sector is currently severely challenged by the lack of adequate processing capacity in the province. Therefore, OFA requests that the Ontario government work with Ontario's livestock sector to develop a strategic action plan to address the processing capacity issue to ensure the financial sustainability of Ontario's livestock farms.

2. Biomass Development Funding

Surplus biomass from Ontario farms could provide a potentially significant source of renewable energy.

OFA is pleased the Ontario government has announced consultations to identify potential changes that would allow farmers to expand the emerging renewable natural gas market in Ontario and make the province a North American leader in the biogas sector. These consultations will focus on changes designed to reduce red tape and grow untapped economic opportunities for on-farm biogas operations.

The anaerobic digestion process produces biogas by decomposing organic waste, such as manure and crop and food processing waste. Biogas systems can be used to generate renewable natural gas, electricity or heat.

OFA requests that the Ontario government fund the development and adoption of new technology to use surplus biomass from Ontario farms as an alternative energy source to replace fossil fuels.

3. Ontario's Risk Management Program

OFA greatly values and appreciates the Ontario government's commitment to continuing the Risk Management Program. This program helps farmers manage risks beyond their control, like fluctuating costs and market prices. The program is available for the grains, cattle, hogs, sheep, veal, and edible horticulture sectors.

OFA also appreciates Premier Ford's commitment to increase the Risk Management Program's cap by \$50 million annually to help farmers manage risks outside of their control. This funding cap increase will ensure the program can adequately respond to market deficiencies.

4. Agri-Recovery

Under the federal-provincial-territorial Canadian Agricultural Partnership policy framework, the Agri-Recovery Framework is available to support farmers impacted by situations not covered under other Business Risk Management programs such as Production Insurance and Agri-Stability.

When a disastrous situation occurs, the provincial government would request a joint federal-provincial assessment be undertaken to determine whether further assistance is needed to help

farmers deal with the extraordinary costs of recovery. If governments decided to implement a program under the Agri-Recovery Framework, funding would be provided on a 60-40 Federal-Provincial basis.

OFA requests that the Ontario government set aside funding to provide the required 40% provincial contribution towards Agri-Recovery assistance programming. This would ensure that Ontario would have budgeted funds available to cover any approved Agri-Recovery Framework programs.

5. OMAFRA extension staff

OFA is concerned about the ongoing loss of Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) extension staff and the negative impact on rural and agricultural communities. OFA and our members work closely with the extension staff and see firsthand the impact that they have on our communities and the detrimental effect when their position is not replaced when they leave the position or retire. In some parts of the province, ensuring extension services are continued to be made available in both French and English is also very important.

Specifically, OMAFRA Agriculture Development Advisors in Northern Ontario have shrunk by half or more since 2017. There are great distances to travel between farming regions across Northern Ontario and unique production agriculture needs. OFA urges the government to replace retired OMAFRA staff in these crucial positions in Northern Ontario and across the province.

6. Beneficial ownership & farm tax programs

As more farm families begin planning and executing succession plans, the number of farms with a corporate structure has increased. 25% of all farm businesses in Ontario have chosen to incorporate their business. Incorporated farm businesses are mostly family owned. One of the primary purposes of incorporating the farm business is to assist in passing the farm down to the next generation.

The eligibility requirements around two critical farm tax programs need to be updated to reflect the complex reality of how modern farm businesses are structured.

1. The Family Farm Exemption for Ontario Land Transfer Tax (LTT)
2. The Farm Property Class Tax Rate Program

Consistent with the purpose and intent of family farm exemption to LTT, we ask that the current ambiguous wording of O. Reg. 697 be amended to clarify that an individual or individuals, who own and control a farm corporation, are deemed to have carried on farming exclusively on lands farmed by their farm corporation.

Additionally, we ask that the eligibility requirements for the Farm Property Class Tax Rate Program be amended to ensure an incorporated farm business is eligible for the program. Currently the program guidelines state a farm corporation is eligible if at least 50% of the shares of that corporation are owned by a Canadian citizen or permanent residence.

We ask that a farm corporation can also be eligible if 50% or more of it's shares are owned by another corporation if at least 50% of the shares of the second corporation are owned by a Canadian citizen or permanent residence.

7. Farm Forestry Exemption

Under Section 3(19) of the Assessment Act, one acre of every 10 acres of farmed property may be entitled to receive a Farm Forestry Exemption. The Exemption is warranted if the property is assessed as a farm and the property has some forested or woodland portion that is not subject to either the Managed Forest Tax Incentive Program or the Conservation Land Tax Incentive Program.

To incentivize property owners to keep woodlots on their property, OFA recommends the Ontario government enhance the Farm Forestry Exemption provisions in the Assessment Act to increase the portion of woodlands exempt from property tax assessment.

OFA believes that farmers should be recognized for their efforts in managing and enhancing environmental and ecological systems for the public benefit. OFA also believes Ontario's government needs to create a fair system of incentive-based policies and programs that recognize the significant environmental contributions that result from the adoption of beneficial management practices, and that this is far more effective than the use of regulatory instruments.

OFA encourages the provincial government to develop incentive-based policies and programs, under its Made-in-Ontario Environmental Plan, to recognize the efforts of farmers in managing and enhancing Environmental and Ecological Goods and Services for the public's benefit.

C. Building healthier and safer communities

From our perspective as rural Ontarians, the answer is simple – ensure basic health care and access to advanced care is available at or very near to our rural communities.

We realize the economics of rural population densities make the availability of health care centres a challenge. However, economic development across rural Ontario must include and work lockstep with the provision of social infrastructure like easier access to quality schools and health care facilities.

D. Establishing a collaborative, cooperative and efficient government

Accountability must be clearly demonstrated by government and trust must be earned. OFA submits that a government that engages stakeholders in open and honest consultation and clearly demonstrates that it has listened to the stakeholders will help earn trust.

OFA applauds the government for listening and responding to the farming community's concerns about harassment and threats from animal rights activist. The Ontario government's introduced Bill 156 (Security from Trespass and Protecting Food Safety Act, 2019) is critically important legislation to protect farmers, livestock and our food supply chain.

OFA recommends that the government implement a system to obligate Agricultural Economic Impact Studies on regulatory and policy proposals, in consultation and collaboration with the agriculture and agri-food sector.

OFA also recommends that Environmental Assessments, under the Environmental Assessment Act, include an Agricultural Impact Assessment (AIA) when a project has the potential to impact agricultural lands or activities. OFA recommends this AIA requirement be incorporated into the environmental assessment process.

As Ontario's largest industry, that is affected by legislative action to a significant degree, the agri-food sector's needs must be clearly understood and accounted for in all public policy initiatives.

In conclusion, OFA believes it is time to adopt a new approach – a concerted effort to boost our rural economy through a planned program of investment in distributed economic development. Economic growth throughout Ontario, including small town Ontario, will increase government tax revenue, reduce government dependency and benefit *all* Ontarians...not just those living in rural areas.

Strategic investments in infrastructure will:

- Create jobs in new small and medium size enterprises
- Provide new opportunities for families and youth
- Spark investment in rural Ontario communities

Through increased investment and job creation, Ontarians:

- Will find work in smaller and mid sized communities to grow our economy
- Can realize new home ownership and lifestyle opportunities

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 all its citizens.

We look forward to working with you as you prepare the next Ontario budget and would be pleased to meet with you to discuss these items and other issues.

Sincerely,



Keith Currie
President

cc: OFA Board of Directors