

October 16, 2020

Hon. Rod Phillips
Minister of Finance
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7 Queen's Park Cres
Toronto, ON M7A 1Y7
Email: Minister.fin@ontario.ca & submissions@ontario.ca

Dear Minister Phillips:

RE: 2020 ONTARIO PRE-BUDGET CONSULTATIONS

Ontario is at a critical point.

Heading into 2021, the priority is rebuilding an economy that was hit hard by the COVID-19 pandemic by creating an environment that will allow Ontario businesses to emerge stronger and better from one of the most challenging times in the history of the province.

With the right investments in the right places, agriculture can be a significant player in bringing Ontario's economy back to its pre-COVID might. Agriculture is already a powerhouse in the province, growing and producing more than 200 farm and food products, supporting more than 860,000 jobs and contributing more than \$47 billion to Ontario's annual GDP.

Sound investments in rural Ontario will jumpstart farming, agri-business and rural Ontario growth — and in turn stimulate the entire provincial economy.

As the voice of 38,000 Ontario family farms, the Ontario Federation of Agriculture recommends four key areas in rural Ontario where the province can stimulate the economy:

1. Invest in rural infrastructure (roads, bridges, drainage, broadband Internet, energy).
2. Preserve rural schools and health care.
3. Restore Ontario's capacity for food sovereignty and food safety.
4. Respect the unique needs of rural Ontario.

Infrastructure investments rural roads and bridges, widespread broadband, access to affordable energy 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.

Public investment is not only for the direct benefit of Ontario farms and rural communities. 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 Distributed economic development is the only practical long-term solution to relieving the Greater Toronto Hamilton Area (GTHA) transportation and infrastructure crisis and the pressure on the urban housing market and encouraging investment and growth in Ontario's rural hubs.

INFRASTRUCTURE

Recommendation:

- ***The Ontario Federation of Agriculture recommends that the Ontario government work with municipalities across rural Ontario to develop a cost-effective infrastructure program, and provide core funding to implement the program.***

When we can't get trucks on the road, Ontario food doesn't make it to Ontario stores.

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**.

The 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.

But this effort requires 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:

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 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 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 34 cents per dollar spent in the short term, and by up to \$1 per dollar spent in the long run.
- Businesses are more productive and competitive in international markets.
- Real wages rise, providing a higher standard of living for Canadians.

Recommendation:

- ***Facilitate functional access to high-speed Internet across rural and remote Ontario.***

The COVID-19 pandemic and economic shut down has magnified the impact of limited or poor access to high-speed Internet across rural and remote Ontario. 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.

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.

According to the Canadian Radio-television and Telecommunications Commission (CRTC), a minimum of 50 megabits per second (Mbps) for downloads and 10 Mbps per second for uploads is needed to successfully participate in the digital economy.

As reported in Government of Ontario’s *Up to Speed: Ontario’s Broadband and Cellular Action Plan*, 12 per cent of Ontarians (or 1.7 million individuals) live in communities without access to minimum Internet service.

The Northern Policy Institute estimates that almost 16 per cent of northern Ontarians continue to experience bandwidth speeds below the CRTC’s target. These Ontarians rely on Digital Subscribe Line (DSL), cable modems, fixed wireless or satellite. These options are not only slower, but significantly more costly, and are insufficient in today’s economy.

All Ontarians need access to high-speed Internet to participate in online learning, remote working, operate on-farm technology, access farm management participation, purchase or market products online, communicate with customers, access government services and, especially during COVID19, participate in the community. Broadband infrastructure is therefore key to

ensuring businesses, workers and learners in rural, remote and northern communities can continue to grow and are not at a competitive disadvantage in comparison to urban Ontarians.

Investing even more significantly in broadband expansion is also expected to create prosperity and jobs in rural Ontario. An increase in broadband availability by 10 per cent could create up to 7,500 new jobs in rural Ontario, including new high-skilled jobs tied to the installation, deployment and maintenance of digital broadband infrastructure.

The OFA estimates that bringing Internet access to underserved southwestern Ontarians could increase wages by \$129 million. With more money in their pockets, southwestern Ontarians would be able to spend on local goods and services, generating additional revenue for the rural economy.

OFA is actively petitioning the federal government to roll out a broadband access plan. We appreciate the Province's commitment to this strategy but urge you to fast track Ontario's *Broadband and Cellular Action Plan*.

Recommendation:

- ***When implementing Bill 32: Access to Natural Gas Act, 2018, the government should:***
 - ***Ensure there is a smart, long-term development plan with consideration of optimal routes and capacity sizing to meet long-term objectives.***
 - ***Put proper expansion plans in place to provide returns to local communities within year two of a development.***
 - ***Make rate riders 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.***
 - ***Include commercial industrial and institutional anchor loads in the incentive to ensure it is effective.***

When our energy bills are 30 to 100 per cent 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.

Lowering hydro bills would be a welcome relief for many families and farm businesses who have struggled over the years to pay those bills. Providing 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.

The OFA appreciates the adoption 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 more than \$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**.

Recommendation:

- ***Fund the development and adoption of new technology to use surplus biomass from Ontario farms as an alternative energy source.***

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

We are 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.

SCHOOLS AND HEALTH CARE

Recommendation:

- ***Acknowledge the realities of rural Ontario differ from those of urban Ontario, and accommodate the unique needs of rural schools and medical services and facilities to ensure they remain open to serve the families of rural and small town Ontario.***

When our local schools close, it affects our families and dissuades newcomers.

When health care is not readily available, it affects our quality of life and our businesses.

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.

We realize the economics of rural population densities make the availability of schools and 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.

FOOD SOVEREIGNTY AND SAFETY

Recommendations:

- ***Work with Ontario's livestock sector to develop a Meat and Poultry Growth Strategy to address the processing capacity issue to ensure the financial sustainability of Ontario's livestock farms.***
- ***Provide financial assistance to abattoirs for food safety upgrades to maintain high standards for food safety.***

When we lose food growing and processing capacity, we are forced to look abroad for less reliable and less safe food options.

When the COVID-19 pandemic hit Ontario full force in the spring, it exposed the precarious situation of our food supply chains. For the first time in generations, we faced the real possibility of an actual food shortage as grocery store shelves were quickly emptied of important staples.

It caused Ontario to refocus on the importance of making the items we need in Ontario, supported by the government with the launch of the *Ontario Made* strategy in July.

While that strategy was specifically targeted to our manufacturing and exporting sector, the principles of *Ontario Made* apply to agriculture. The less Ontario has to rely on foreign food, the more we can reinforce our food sovereignty, the stronger our province will be.

Ontario-grown food and food processing is not only good for Ontario farmers.

It is good for consumers to have ready access to safe, fresh, healthy and local food.

It is good for trucking and shipping firms who transport food from the farm to the processor to the market.

It is good for retail outlets offering Ontario consumers Ontario choices on their shelves.

It is good for Ontario, creating jobs and economic opportunity in rural and small-town Ontario.

The COVID-19 pandemic has put a spotlight some of the barriers that stand in the way of Ontario's food sovereignty.

Besides a shortage of workers, shrinking markets and closed borders restricting export opportunities, it has revealed something our sector has known for some time: We do not have adequate abattoir and livestock processing capacity in Ontario. Compliance with government regulations and fighting through red tape has put a significant financial strain on many small local operators in Ontario.

Since 1999, the number of abattoirs in the province has dropped by 54 per cent, and with no action the remaining operations will only grow more threatened.

Abattoirs and meat processing plants are essential for livestock farmers seeking to market locally grown and processed food directly to consumers.

They are also a key piece to ensuring we can protect more of our food supply chain, not only reducing our reliance on food sources from abroad, but also creating economic opportunities and employment in Ontario.

But, with the right investments and collaboration with the sector, the Ontario government can help the province's livestock sector grow by \$500 billion in the next five to seven years.

UNIQUE NEEDS OF RURAL ONTARIO

Recommendation:

- ***Replace retired OMAFRA Agriculture Development Advisors in Northern Ontario and across rural Ontario.***

We are concerned about the ongoing loss of Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) extension staff and its negative impact on rural and agricultural communities.

OFA and our members work closely with the extension staff and see first-hand the impact 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.

Recommendation:

- ***Update eligibility requirements around two critical farm tax programs to reflect the complex reality of how modern farm businesses are structured:***
 - ***Clarify the Family Farm Exemption for the Ontario Land Transfer Tax by amending the ambiguous wording of Ontario Regulation 697 to ensure that an individual or individuals who own and control a farm corporation are deemed to have carried on farming exclusively on lands owned by their farm corporation.***
 - ***Amend the eligibility requirements for the Farm Property Class Tax Rate Program to ensure an incorporated farm business is eligible for the program.***

As more farm families begin planning and executing succession plans, the number of farms with a corporate structure has increased.

An estimated 25 per cent of all farm businesses in Ontario have chosen to incorporate their business, but most of these incorporated farm businesses are family owned. One of the primary purposes of incorporating the farm business is to assist in passing the farm down to the next generation.

Current Farm Property Class Tax Rate guidelines state a farm corporation is eligible if at least 50 per cent 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 per cent or more of its shares are owned by another corporation if at least 50 per cent of the shares of the second corporation are owned by a Canadian citizen or permanent residence.

Recommendation:

- ***Develop incentive-based policies and programs, under the 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.***

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.

Recommendations:

- ***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.***
- ***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.***

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 Bill 156 (*Security from Trespass and Protecting Food Safety Act, 2019*) is critically important legislation to protect farmers, livestock and our food supply chain.

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.

THANK YOU

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.

We thank you for the Ford government's swift action and leadership in confirming and enhancing the Risk Management Program earlier this Spring with an additional \$50 million/annually and your commitment to partner with the federal government in the suite of Business Risk Management Programs with a 40% contribution from the province.

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 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: Honourable Ernie Hardeman, Minister of Agriculture, Food and Rural Affairs
OFA Board of Directors