

Keystone Agricultural Producers



## 2008 Provincial Budget Consultations

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## I. Introduction

Keystone Agricultural Producers (KAP) is Manitoba's general farm policy organization representing individual farmers, farm families and farm organizations throughout the province in twelve geographic districts. The strength of our organization is a result of our structure, which requires policy to be developed and approved by our membership through their district boards or representatives.

Our mission statement reads: "to be a democratic and effective policy organization promoting the social, economic and physical well-being of all Manitoba agricultural producers."

On behalf of our membership, the well-being of agriculture and rural Manitoba, we are pleased to have the opportunity to make a submission to the pre-budget consultation process.

## II. Business Risk Management

*Support for Livestock* – The cattle and hog sectors are currently experiencing a severe and critical economic downturn with cash flow problems, and it is essential that the province recognizes and adequately addresses this issue. The current safety nets are not responsive enough and, in some cases, not readily available. The government must take steps to avoid the potential downsizing of the livestock industry, and the consequential economic and job losses that would create, in addition to the value added that may not be realized.

*AgriInvest Program* – This program was developed to replace margin losses of 15% or less which were previously covered by the Canadian Agricultural Income Stabilization (CAIS) program. The federal government is investing \$600 million to kickstart the program, however it is critical that the provincial government ensure that its portion of funding commitment for AgriInvest is adequate and consistently available to producers. The funds allocated to AgriInvest should not be seen as an offset to other areas of support such as environment and/or food safety initiatives.

*AgriStability* – This program replaces the coverage previously available through CAIS, except for the top 15% covered by the aforementioned AgriInvest program. We must move into the new budget year with confidence that this program will not be subject to prorating. The annual fee attached to the program remains intact, which amounts to a significant cost to producers. Since farmers are now required to put operating capital into AgriInvest to trigger matching funds, we believe this is a viable argument for the elimination of the CAIS (AgriStability) fee.

Farmers in our province were also disadvantaged by receiving 50% or less of the Canadian Inventory Transition Initiative (CITI) program due to the lack of a provincial top-up. This is one area where the province can show leadership by being an active partner.

The administration for the CAIS program is a burden on the overall funding available for the program, and we encourage the provincial government to explore alternatives that would lessen the administration costs of CAIS.

*AgriRecovery* – Originally, discussions about the AgriRecovery program were focused on those disasters not covered by the Canadian Food Inspection Agency (CFIA), DFAA and other BRM programming. Following the most recent ministerial meeting in November 2007, this program has split to focus on smaller (regional in scope) natural disasters. Small impact means that it can be easily contained and have few trade implications. For larger disasters, ongoing discussions on cost sharing and definitions must move ahead quickly to reach resolution. Until this occurs, larger national disasters are not covered and will have to be dealt with by governments when they occur. Therefore, the Manitoba government should have a fund set aside to deal with such catastrophes.

*AgriInsurance* – Manitoba has been a leader in the area of crop insurance for years, and it is essential that enough funding and resources be allocated to provide adequate coverage to livestock and horticulture producers when the program is expanded to these sectors.

*Companion Programming* – There are many areas where Manitoba can assist farm families outside of the parameters of the Agricultural Policy Framework but to do so, our government has to be willing to commit the necessary funding and resources. The provincial government must be willing to increase its support of the industry, as required, and allow companion programming when it is illustrated that there is a need or that there are gaps to be filled. The government must also support farm groups' recommendations that the federal government maintain the \$1 billion of additional funding for regional programming.

### III. Other Pillars of APF

At a recent agricultural ministerial meeting, ministers agreed to seek authority for up to one year of additional funding commencing April 1, 2008 for current APF programming. It is critical that the Manitoba government ensure that this funding is in place.

Manitoba farm families have taken the opportunity to be involved in the environmental farm planning process and we recommend that government allocate sufficient funds for this to remain a valuable tool for

producers and the environment in the next fiscal year without interrupting the service to producers.

As you know, confidentiality is a huge concern among the entire farming community and program delivery by the Farm Stewardship Association of Manitoba (FSAM) has assured confidentiality. In turn, it has gained producers' confidence in the process. Without this level of comfort given by producer-led administration, farmers would not have been as eager to participate. We strongly encourage the government to support FSAM to continue efficient and effective administration of the program.

#### IV. Education Financing

KAP appreciates the commitment to the 65% rebate on farm land that is in place for 2007. The incremental yearly increases for the next three years are also welcome which will bring the rebate to 80%. However, the application of the rebate to farm land only creates a disadvantage for livestock producers by not extending that rebate to production buildings. The position of our organization is that education should not be funded by property taxation on land or production buildings. This is an opportunity for government to support the livestock industry with an immediate removal of this tax burden. At a time of economic downturn in the livestock sector, removing education tax from production buildings would be a positive first step.

All Manitobans benefit from a strong education system, therefore all Manitobans should contribute equitably. The increased burden placed on the back of property owners is unfair and needs to change. The special levy does not recognize one's ability to pay but rather it is based on the assets, which are essential for operation, that a farmer has whether or not those assets actually help a farmer realize a profit.

The current rebate on farm land would be more sustainable for industry if it was applied directly to property tax bills as opposed to being a rebate. This would avoid slippage, reduce the advertising and administration costs of the rebate by government, and also leave the dollars in the community as opposed to paying the tax and waiting for a rebate. We also request that government extend this 65% reduction to production buildings as well.

Education financing is an area where the province can continue to show leadership by developing a firm plan to restructure the financing of education and completely alleviate the burden of funding education from all property, including farm land and production buildings.

## V. Environment / Livestock

*Nutrient Management* - KAP was instrumental in the negotiating process with Water Stewardship on the draft regulation governing water quality issues. The draft regulation is now before the Clean Environment Commission (CEC) and it is critical that the outcome arrived at by the agriculture industry and government not be lost in the process. Overall, we believe that the draft regulation that we arrived at is workable for farmers and we believe that the time and efforts that were invested in the process in 2006 are reflected in the regulation. One area that is still outstanding is the incentive program, which must be an integral part of the implementation of the regulation. There has been a commitment by government to provide financial assistance to help farmers reach compliance. We stress that there must be adequate funding in the form of direct incentives for farmers and it must be a multi-year approach. It is critical that government work with KAP and its commodity groups to design programs that ensure that the incentives are right at the onset, so that the transition to the new rules will not have a negative impact on the financial viability of farm families and enterprises.

*Emergency Planning* – There have been some steps taken to ensure that appropriate measures are in place in the province to deal with a potential foreign animal disease outbreak or a food safety recall. However, there is certainly a major void in emergency planning, especially in the area of consumer and public awareness. Ongoing awareness activities need to occur and appropriate funds need to be put in place on an annual basis to facilitate emergency planning.

*Disposal Sites* – The Canadian Food Inspection Agency (CFIA) does not permit domestic slaughter plants to allow specified risk materials (SRMs) back to the farm of origin. They have to go to a permitted receiving site such as Brady Road and some other municipal sites that handle low volumes. One gap for disposal is in the northwest area of the province.

The provincial government must work with municipalities in various regions to ensure that there are designated sites for the disposal of specified risk materials (SRMs) and deadstock disposal.

*Tire Recycling Fees* – Over the past year, the Manitoba government has taken steps towards a tire recycling program that would include agriculture, and we believe that such a program is an important step towards a more environmentally sustainable future. However, we do have some concerns regarding the potential levies for agriculture tires as laid out by Tire Stewardship Manitoba.

In reaction to these concerns, KAP has been in consultation with its farmer delegation as well as its commodity groups and adopted the following position:

Small industrial tires - \$ 4.00;  
Tires 24" & under - \$ 9.00; and  
Tires over 24" - \$15.00.

A number of issues were discussed and taken into consideration when formulating this response. First, we do not have a realistic assessment of the number of agriculture tires that will actually come into the system in comparison to the proposed budget and fees outlined, and it may be a good idea to undertake a one year pilot project to get a better estimate on that number. Second, we know that the majority of agriculture tires is in southern Manitoba and therefore will be less of an expense to move those tires to recycling depots, as compared to tires in more remote locations. While we do understand the need for a recycling fee, agriculture has no way to pass this on to the consumer like other industries do.

## VI. Retail Sales Tax

*RST on Inputs & Materials* – Manitoba’s farmers are now at a distinct disadvantage due to reductions in sales tax in Saskatchewan. To prevent further erosion of economic development leaving the province, the Manitoba government should consider expanding the exemption list for livestock inputs and construction costs for bona fide farmers. The government must give serious consideration to the expansion of the RST list to include soaps & disinfectants and materials for new buildings, and fertilizer storage bins purchased under BMPs.

*Environmental Projects* – Government must ensure that any projects that are undertaken which have environmental or public benefits should not be subject to retail sales tax. This includes any on-farm investment that occurs as a result of voluntarily or regulatory actions. Sometimes restrictions are placed on farming operations that are not backed by scientific evidence. With numerous challenges facing the industry due to restrictions by government or pressures from the general public, farmers cannot bear the full costs of perceived “environmental” improvements. Financial incentives and recognition for the societal benefits that are undertaken in the areas of environment, food safety, and biosecurity should be exempt from RST.

## VII. Transportation

*Rail Line Preservation* - KAP strongly believes that strategic investment is needed to sustain and enhance the province’s agricultural transportation infrastructure. We encourage the provincial government to take an active

role in creating a comprehensive transportation blueprint for economic growth in rural Manitoba.

While the current economics of grain handling on provincial railways may be a challenge, we now see new economic opportunities coming forward that will require a solid transportation system. These include biodiesel, ethanol, processing, and other value-added industries that the Manitoba government continues to support. Once these rail infrastructure resources are lost, it is likely that they would not be replaced. As a result, many communities will lose out on future development and be denied growth opportunities.

KAP is calling on the provincial government to increase its allocation of resources and expertise to evaluate the future role of rail lines in Manitoba's economic development, and to create a strategic plan for economic growth in this priority area.

*Strategic Upgrades of Manitoba's Highway System* – As the number of rail lines serving rural Manitoba declines, an increasing load will be placed on the province's road infrastructure. KAP believes that strategic upgrades to the RTAC standard are necessary for the continued growth of the agriculture and value-added sectors – particularly in areas that have lost rail service in recent years. KAP supports an ongoing and significant investment in Manitoba's highway infrastructure system, and encourages the government to allocate funds to plan and implement these initiatives.

Agriculture continues to evolve in this province and, as a result, the equipment used by producers has changed. Farm equipment has become larger and the turn radius of many pieces of machinery has also changed. To ensure that the road system continues to be useable by the agricultural sector, and to maintain the safety of this infrastructure, KAP recommends that government should allocate resources to ensure that the highway system is built to meet the transportation requirements of modern agricultural equipment.

## VIII. Rural Development

*Alternative Land Use Services (ALUS)* – KAP would like to recognize the ongoing support of the provincial government for the ALUS pilot project that is currently running in the Rural Municipality of Blanshard.

During the last election, the NDP committed to the launch of the "Farmers Eco Fund," a province-wide program to be based on the ALUS project. KAP strongly urges the government to commence the Fund in the next budget year to build on the successes of the pilot project and keep momentum going on this critical agri-environmental initiative.

*Alternate Energy* – KAP believes that alternate energy is a new opportunity for farmers and rural communities to diversify from traditional agriculture and generate new wealth and opportunity. We encourage Manitoba to continue to take a leadership role by implementing programs, incentives and research projects that enable strong and sustained growth to provide benefits to farmers, rural communities, and all Manitobans.

## IX. Communications

*Buy Local* - Recently, Manitoba Agriculture, Food & Rural Initiatives began consultations on a “Buy Local” concept. Government needs to continue to work with industry partners, including KAP, to encourage consumers to buy local when shopping for groceries or dining in a restaurant. It is critical that government ensure that adequate funding is in place for the program and that the much-needed follow-up and monitoring occurs. In light of the fact that other such initiatives have not been subject to the appropriate follow-up, it is critical that this project be developed and maintained.

## X. Young Farmers

KAP has appreciated the ongoing resources and expertise that the provincial government has shared with the KAP Young Farmers Committee. We encourage government to continue developing programs and policies with the specific needs of young producers in mind. Young farmers need access to dollars at reduced interest rates to help offset the high initial costs of startup. We encourage the government to launch its training program for young women farmers in the upcoming budget year, as well as the ongoing development of programs and taxation policies that allow for the easy transition of farming operations to the next generation.

## XI. Research

Increased public funding for producer directed research is needed. There must be measures to support potentially viable small and emerging sectors that do not have access to matching government funds. Research must address production challenges, environmental measures and the needs of the marketplace. There has to be a clear mechanism whereby farmers can obtain a share of the ownership and financial returns from the outcome of research that their investment helped to achieve.

## XII. Workplace Health & Safety

*Play Safe* – In recent years, Manitoba farm families have had access to a grant provided by government to assist with the development of safe play

areas on the farm. We appreciate that government understands the unique circumstances on farm and has implemented such a program for the benefit of farm families and the safety of our children. During 2007, the uptake on the program has been relatively low; however, we encourage government to continue with this program and to consider increasing the amount of funding available to each project while directly targeting young farmers and their families in their communications activities relating to the program.

*Safe Farms Check Program* – This program was announced in April 2007 by government but to date there have not been any specific details available. It is intended to be a pilot program limited to 60 young producers who implement and actively maintain a safety and health plan and are accessing funding under the Bridging Generations Initiative (BGI). This program could be extended to a broader audience.

It is our organization's position that the government should implement a farm safety incentive based program that would benefit all participating farmers, their families, and farm workers. This program could focus in three primary areas such as occupational health services, individualized education and a farm safety review. The incentive based portion of the proposed program allows those farmers who are actively participating to potentially receive discounts on insurance, preferred interest rates at financial institutions and other supply and service discounts.

### XIII. Concluding Remarks

The agricultural industry in Manitoba is changing from year to year. Each sector seems to carry its share of burdens, whether that be natural, regulatory or trade driven. We need a commitment along with financial resources from our government to ensure that we can move toward a more sustainability and profitable industry with the same levels of support as our counterparts in other provinces.

We need to receive assurance of government's commitment as well as the recognition of our investment to the industry and to the economy. Government's investment results in a more stable, vibrant landscape and a business oriented environment, adding to job creation, economic growth and value added opportunities.