



The Road Ahead: Presentation to the NDP Caucus

April 2005

I. Introduction

Keystone Agricultural Producers (KAP) is Manitoba's general farm policy organization representing individual farmers and farm organizations throughout the province in twelve 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 their 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 the economic viability of rural Manitoba, we are pleased to have the opportunity to meet with you.

II. Farm Income Situation / Investment in our Industry

There are many factors, beyond our control, that contributed to the farm income situation that we find ourselves in today. While this list is not all inclusive, it is extensive and it does illustrate today's environment.

- Commodity prices have dropped drastically while input costs, such as fertilizer and fuel cost, have risen considerably.
- Farmers who have traditionally stabilized their incomes through diversification have seen declines in virtually all commodity values in a similar time frame, which has neutralized any benefits of diversification.
- The impact of the border closure on cattle and other ruminant industries is very extensive.
- There has been a number of difficult production years, i.e. drought, grasshoppers and frost, compounded by the accumulation of currency value and reduced on-farm inventories.
- Subsidies in the US protect producers from commodity value declines contributing to global overproduction which starts a vicious cycle.
- Margins have continued to decline over a number of years, therefore, for some producers there are little or no reference margins for CAIS to protect.
- Crop insurance programs have done what they are designed to do but the fact is that the product in the bin has little to no market value because of severe frost damage which crop insurance cannot address.
- Cash advances that should have been cleared up are still outstanding; as well, for those that have been paid, many are backed by product with insufficient value to repay the advance.
- Debt has grown considerably, amounting to \$21.9 billion for 2003 in the Prairie provinces.

We expect that this number will show a dramatic increase in 2004.

Agricultural operations are in a crisis mode. A combination of economic disasters has created the "perfect storm". Certainly, producers are doing what they can to weather this storm, but it is obvious that they can do little more while governments need to do much more. As we move forward we are facing loss of equity and loss of resources. If we let this situation continue, our industry will face a struggle to rebuild our businesses. Our hope is to get our return from the market but currently this is not a reality. Agriculture contributes significantly to Manitoba's economy in jobs and rural businesses, and to ensure their survival we need additional funding to pull us through and we would like the provincial government's support in our approach to the federal government. Nationally, we are looking for an immediate cash injection of \$1.9 billion for 2003, 2004 and 2005 respectively, to make up the shortfall and return producers to historical averages. As well, in the long term, we need to work with the existing programs and other new initiatives which will help mitigate some of the economic disaster situations which may face us in the future.

III. Right to Farm Legislation

It is vital that the Government of Manitoba do its share to ensure that agricultural production in this province is protected. More often than not, conflicts over land use and production practices are based on emotion and not science. Over the past year, KAP has been actively researching what measures are in place in other provinces in the area of right to farm legislation. We ask that the province form a working committee to develop stronger legislation for Manitoba and that industry be a part of such a committee.

IV. Alternate Land Use Services (ALUS)

When dealing with environmental initiatives, an incentive approach is essential. We need a new approach to agricultural and resource policy that achieves the objectives of economically, socially and environmentally sustainable communities. Implementing alternate land use services would recognize the societal benefits from agriculture beyond the traditional commodities of food and fiber. The Alternate Land Use Services (ALUS) program is a good example of a constructive incentive system and we urge the Government of Manitoba to financially support ALUS and by doing so, ensure that a pilot project is in place in this province in 2005.

We do thank the government, in particular MAFRI Minister Wowchuk and DM Barry Todd, for its support to date in helping us move ALUS to the national agenda with the establishment of a Deputy Ministers Committee to oversee ecological goods and services.

Government has indicated that the intention is to incorporate an incentive program within Bill 22 - The Water Protection Act, for conservation and remedial projects and the ALUS concept could be the delivery vehicle. An incentive program must be also adequately funded by governments.

V. Water Resources

Agriculture is the primary industry using most of the land base in Southern Manitoba, but there are industries more intensive than agriculture. Bill 22 - The Water Protection Act has the

ability to increase costs for farmers and as an industry, we have no ability to pass along those costs.

Initially, a definition was included in the bill which read "commercial operation" includes, without limitation, an agricultural operation. The initial wording caused us some with family farms and agriculture being defined as commercial operations, since it holds many connotations for our industry. We have assurances from government that this definition will not be in the legislation; however, wording will be "commercial and agricultural operations".

There must be an appeal process to protect the interests of stakeholders. The provisions outlined allows for the establishment of zones, guidelines, water conservation programs, etc., but it is imperative that it include an appeal process.

This legislation addresses water shortages and gives the minister the ability to take any action necessary to prevent, minimize or alleviate the water shortage. Government must ensure that, in the event of water shortage, any regulation or steps taken must address compensation to those affected. In the event of a shortage, there must be an awareness of the importance of water for livestock enterprises and irrigation for crop production, as opposed to water needs for recreational uses, such as golf courses and effluent dilution.

The Water Protection Act identifies the contents of a watershed management plan and includes a clause dealing with the possible restoration of water quality. We do believe that some measures can assist with this process through incentives, such as beneficial management practices, but the province must ensure that adequate funding is available to move in that direction. It is imperative that agriculture be given a transition period for investments to be made to comply with the Act.

The bill allows for the establishment of the Manitoba Water Council and it is imperative that KAP, as the provincial general farm policy organization, have representation on this council. We were a part of the Water Strategy process and would bring strong agricultural representation to the Council.

Within the Water Stewardship Fund we believe that the Alternate Land Use Services (ALUS) could play a key role and serve as an incentive based approach. ALUS is an incentive-based concept that recognizes the public environmental services such as healthy soil, clean water and biodiversity. It has the ability to bring real improvements to the rural landscape in a way more acceptable than by regulation.

VI. Sustainable Development of the Livestock Industry

The agriculture industry in Manitoba is becoming increasingly diversified as we have adapted to change. It is imperative that government and municipalities create an environment that will promote this adaptation process. We must work to ensure that this growth continues to have a positive impact on rural Manitoba.

Municipalities must make good decisions which will support the sustainable economic development and viability of communities. Environmental decisions must be made using the proper expertise and under appropriate legislation. It is critical for the future of agriculture in

Manitoba, for the development of value added industries and growth of our rural communities, that all stakeholders accept the expansion of the livestock industry in a positive, reasonable and responsible manner.

The decision to completely scrap Bill 40 - The Planning Amendment Act - is unfortunate. Although some changes were needed, this piece of legislation would have assisted with the planning for agricultural development and decreased the confrontational nature of the current approval process. The government must, in consultation with farmers, implement measures to ensure that the industry can build and expand in a financially and environmentally viable manner. This process must be decided on in a timely fashion so that farmers have the planning tools and environmental protection that is needed. The future viability of agriculture in Manitoba and its value added industries may indeed rest on the decisions that are made on the livestock industry.

VII. Education Financing

Manitoba's farm families currently shoulder an inequitable share of the cost of education, through both property taxes on their residences and a special levy on farm land and production buildings. We do appreciate the recent announcement for the increase to a 50% reduction in the special levy in 2005 but we would ask that the tax bills be reduced as opposed to a rebate. For the future, we need recognition of the fact that agriculture is a unique industry, a natural resource based industry; one that cannot dictate the price of the product, but rather in most cases has the marketplace dictate the price. Manitoba agriculture is largely export dependent and the value of the products we produce are dictated by the world market. Therefore, many producers struggle, as a result of low margins in agriculture because of an inability to pass on additional costs. The special levy does not recognize ability to pay. It is based on the assets that a producer has, which is essential for operation, whether or not those assets are actually generating a return on investment.

If the province increased its share of education funding from general revenues funded by increasing GDP, increased transfer payments and the taxation system, there would be less pressure on local school boards and municipalities. This is an area where the province can continue to show leadership by taking the initiative to restructure the financing of education and completely alleviate the burden of the special levy from the agriculture industry.

VIII. Provincial Sales Tax

The 2004 budget imposed provincial sales tax on accounting, legal, engineering, architectural and security services. This has widely increased the base for collecting PST and does have an impact either directly on farms, or indirectly through costs passed on by municipalities. We request that the government add these services to the PST/Retail Sales Tax Act for Farm-Use Equipment and Other Items (exemption list).

Manitoba producers find themselves at a disadvantage when compared to other provinces, as we are one of the only jurisdictions that continues to pay Provincial Sales Tax on materials for new farm production buildings, soaps and disinfectants. In 2000, KAP conducted a survey across Canada which included the issue of PST and the results illustrated that we are indeed at a disadvantage. With the exception of Saskatchewan, all provinces receive a rebate or are

exempt from PST on soaps and disinfectants. This impacts the special crops and the livestock sectors which are experiencing sustainable growth in this province and it is an area of concern for the producers as it is increasing their cost of operation.

Provincial Sales Tax on materials for new agricultural buildings affect again the livestock sector, and the special and general crops sectors; whose needs include specialized storage facilities. Again, all provinces but British Columbia, receive a rebate or are exempt from PST on materials for new agricultural buildings.

Provincial Sales Tax creates a barrier to expansion and diversification. Every effort must be made to ensure that we continue to maintain our competitive advantage. KAP urges you to give this issue serious consideration and make every effort for this government to eliminate Provincial Sales Tax on farm inputs.

IX. Wildlife, Waterfowl, and Predator Damage

One requirement of provincial governments under the APF, is that companion programs, such as coverage for wildlife, waterfowl and predator damage, be phased out. For 2004, the federal government was allowing 80% coverage for damage and MAFRI had committed the remaining 20% from the wedge funding provided under the APF. During the 2004 budget process this 20% coverage was cut. This year producers will see increased wildlife damage due to late harvest and we request that the 100% coverage be reinstated and where applicable be made retroactive.

While the APF asks for elimination of such companion programs, we ask that the government give consideration for such coverage through the Department of Conservation. It is a cost for farmers and full compensation for such damage should be available. An argument by government is that 20% is the farmers' contribution to the program but the reality is, most farmers do not file a claim unless it's in excess of \$1,000. Therefore, farmers are already contributing to this societal benefit.

X. Regulatory Costs

On an ongoing basis, new regulations are being imposed upon the primary producer, and in some cases, hurting the rural development that they are meant to protect. There have been many efforts, by farm organizations, to attempt to ensure that any hurt is eliminated or kept to a minimum.

We ask that the government conduct economic impact studies on all proposed regulations pertaining to agriculture or those which may have an impact indirectly.

XI. Concluding Remarks

In closing, we would like to state that the agricultural economy in Manitoba has changed drastically during the past three years. Producers need to receive assurance of their ability to remain in business as well as recognition for the investment they have already made in order to adapt to the economic realities of agriculture in Manitoba. We want and need the provincial

government to recognize the importance of our industry to the Manitoba economy and the rural infrastructure.

We would like to thank you for the opportunity to meet and hope that we can continue to have a good working relationship in the future.