Pre-budget Consultation Submission to

The Honourable Charles Sousa, Ontario Minister of Finance

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130 Malcolm Road, Guelph, ON N1K 1B1
P/ 519.824.0334 TF/ 1.866.370.2333 F/ 519.824.9101

www.ontariobeef.com

Dear Minister,

On behalf of the Beef Farmers of Ontario (BFO) we appreciate the opportunity to participate in the 2018 pre-budget consultations. BFO provides leadership to 19,000 beef farmers in Ontario by advocating in the areas of policy planning, industry development and research, animal health and welfare, and domestic and export market development.

The beef industry is an important economic driver of Ontario's agri-food sector, contributing $2.69 billion to Ontario's GDP on an annual basis from primary production, processing and retail. Gross sales from the sector exceed $13 billion annually and sustain more than 61,000 jobs.

Despite the beef industry's positive impact on the Ontario economy, the sector is faced with growing competition with cheaper imported products and more frequent and volatile shifts in global commodity markets, which is creating significant financial risks for our members, risks that cannot be sufficiently mitigated by private sector risk management strategies. Additionally, national and provincial risk management programs are under review, NAFTA's future is in question, and escalating production costs associated with: cap and trade, an increase in mandatory ethanol content to 10% (rising feed costs), energy cost increases, and an additional rural property tax burden, among others, have created an unprecedented level of uncertainty and risk for Ontario farmers and, more specifically, for beef and non-supply managed livestock farmers.

The best option to address these risks, and to sustain Ontario's beef capacity and economic output is to increase Ontario's investment in the Risk Management Program (RMP).

The Beef Farmers of Ontario is calling on the Ontario Government to increase the annual allocation to the Risk Management Program (RMP) by $50 million and to allow unused portions to rollover to the next program year

RMP is a cost-shared insurance program designed to help stabilize the industry by offering partial financial protection for farmers against downturns in commodity market prices by providing assistance when market prices fall below a participating producer's support level.

The program is the preeminent business risk management tool available to Ontario beef farmers and aids in offsetting losses caused by low commodity prices and rising production costs that are global in nature and beyond farmers' control. The program has also served to partially address shortcomings in national farm programs that have historically disadvantaged the non-supply managed livestock sectors.

While RMP continues to be an essential made-in-Ontario solution, the benefits of the program cannot be fully realized under the current funding cap of $100 million. As an example, existing program funds covered only 21% of actual need for beef producers enrolled in the program in 2016.

Increased investment in the RMP has been and remains of critical importance to the Ontario beef industry. Adequate funding will allow farmers to better manage risk and focus on greater innovation, their farms' sustainability, and making investments leading to job creation in rural and urban Ontario, just as the program was originally designed to do.

The second issue we would like to raise is the government's recent commitment to increase the average ethanol content of regular grade gasoline from 5% to 10%. While BFO supports Ontario's commitments to renewable energy, further encouragement of grain-based biofuel will cause irreparable damage to the Ontario beef industry, and to other livestock sectors dependent on feed grains.

In Ontario, increased demand for corn due to ethanol production has driven up livestock feed prices, resulting in significantly higher operating costs for beef producers and compromising our province's economic competitiveness as a location to feed cattle. While we feel that our industry may have already absorbed any negative shocks to our input costs from the current 5% ethanol content mandate for gasoline, BFO does not believe a higher mandate could be implemented without resulting in serious damage to the Ontario beef industry.

Ethanol production driven by content mandates and government subsidies has increased the price of feed grains in Eastern Canada by approximately $15-20/tonne, which resulted in increased feed costs of $100-$180 per head of cattle. Overall, ethanol production has cost Canadian livestock producers approximately $130 million per year as a result of reduced livestock feeding margins and other losses, such as lower feeder livestock prices. BFO believes that an increase to Ontario's ethanol content mandate will lead to additional feed costs that could be catastrophic to Ontario's multi-billion dollar beef finishing sector.

Any increase to the 5% ethanol mandate must be accompanied by direct compensation to Ontario's beef producers to offset market distortions, preserve the province's infrastructure for feeding and processing beef cattle, and maintain our ability to feed our own citizens

While the ethanol content mandate increase is often interpreted as an environmentally positive move because it will reduce carbon emissions from fuel use in vehicles, policymakers must take a more comprehensive view of the environmental impacts of increased ethanol production in the province.

Pastureland is being lost at a much higher rate than cropland in Ontario, and the province cannot afford to lose more grasslands and forage production. Grasslands are widely recognized by government, industry, and environmental groups as a highly valuable ecosystem and environmental feature, and the majority of Ontario's grasslands are managed by livestock farmers.

The potential environmental consequences of creating further financial disincentives for forages and pastureland range from loss of organic matter and perennial crops that store carbon, loss of wildlife habitat, release of carbon stores from land use conversion, degradation of soil health, and increased risk of nutrient run-off in our water sources.

BFO also has concerns regarding the actual GHG-mitigation benefits of ethanol and the amount of energy used in its production. According to research on corn ethanol production for California's Low Carbon Fuel Standard, the carbon dioxide released from the associated land conversion cancels out any benefits ethanol has in mitigating emissions in fuel use. In addition, a study out of Cornell University found that production of corn for ethanol requires 29% more fossil fuel energy than the fuel it produces. This finding was based on the inputs and energy used in producing corn for ethanol, such as production of pesticides and fertilizers, running farm equipment, and processing and transporting the crop.

Ultimately, Ontario's ethanol content mandate puts pressure on Ontario's price difference with other corn-producing jurisdictions, artificially raises the domestic price of corn, and weakens the natural economic factors that enable Ontario to produce and process livestock for the international market. An increase to Ontario's ethanol mandate and production incentives for ethanol producers and processors must be offset by direct compensation to Ontario's beef producers to counteract market distortions caused by current and anticipated government intervention in the ethanol market.

On behalf of the Beef Farmers of Ontario (BFO), we thank you for the opportunity to comment on Budget 2018. We would welcome any opportunity to discuss the recommendations contained in this submission in further detail at your convenience.

Yours sincerely,

Matt Bowman
President