



Beef Farmers of Ontario's Submission to Standing Committee on Finance and Economic Affairs:

“Study of the recommendations relating to the Economic and Fiscal Update Act, 2020 and the impacts of the COVID-19 crisis on certain sectors of the economy”

Beef Farmers of Ontario (BFO), representing 19,000 beef producers across the province, appreciates the opportunity to participate in the study of the recommendations relating to the *Economic and Fiscal Update Act, 2020*, and the impacts of the COVID-19 crisis on certain sectors of the economy.

Overview

- There is surging demand for local food in Ontario right now. Though locally raised and processed beef is in high demand, bottlenecks in the supply chain due to processing capacity issues prevent the sector from contributing to economic regrowth at its full potential.
- Beef is a commodity product, and market instability during the COVID-19 pandemic has led to instability on farms. Farmers are taking on much of the risk of growing food, while funding programs like the Canadian Agricultural Partnership (CAP) are too limited for farmers to utilize, and business risk management (BRM) programs like AgriStability need critical updates.
- The Ontario beef sector is in a prime position to meet the demand for local food, help ensure food security for the province, and spur economic activity in production, processing and retail across the province. Support from the province in four key areas will set the sector up to deliver in these areas. Individual beef farmers are powerless to address these challenges on their own. We implore the province to take immediate action on this most critical matter.

Recommendations for Economic Recovery

1. Support for Ontario's meat processing sector through a **Beef Processing Infrastructure Fund** for large projects that will increase processing capacity provincially using a combination of no-interest loans, nonrepayable loans, and cost-share funding.
2. Continued support from the province for our ask of the federal government to make critical updates to Canada's suite of BRM programs, including changes to **AgriStability**.
3. Continued commitment to improving the **Ontario Risk Management Program (RMP)** through future investment and review.
4. Improvements to funding programs offered to producers through the **Canadian Agricultural Partnership**.



Background & Rationale

1. Support for Ontario's meat processing sector through a **Beef Processing Infrastructure Fund** for large projects that will increase processing capacity provincially using a combination of no-interest loans, nonrepayable loans, and cost-share funding.

We appreciate government funding for Ontario's abattoirs (provincial processing plants), such as the Emergency Processing Fund. However, the funding has been focused on health and safety protocols, and we need to urgently address capacity issues in beef processing. Infrastructure funding for provincial abattoir expansion should be made available.

2. Continued support from the province for our ask of the federal government to make critical updates to Canada's suite of BRM programs, including changes to AgriStability.

We appreciate the ongoing efforts of Premier Ford and Minister Hardeman to strengthen the federal suite of business risk management programs for Ontario farmers.

Throughout the pandemic, the federal government has suggested that Canadian farmers and ranchers need to utilize the current suite of business risk management programs before additional support can be considered. Canada's beef producers would support this position if the suite of business risk management programs were properly designed to meet the needs of the Canadian beef industry.

As currently constructed, AgriStability – the core business risk management program – does not meet the needs of beef producers due to 1) an inequitable limiting of reference margins, 2) an outdated payment cap, and 3) the current trigger threshold.

AgriStability is funded by both the feds and the province. Provincial funding support that gets to farmers through the RMP counts towards any support coming later from AgriStability. Both programs are optional to farmers, so some farmers are enrolled in both, or just one, or neither.

Since 2018, federal and provincial governments have been conducting a comprehensive review of business risk management programs with a key focus on improving program equity amongst agricultural sectors. We ask that all Ministers of Agriculture work collaboratively to quickly address these shortfalls within the AgriStability program, which will allow beef producers to better mitigate risk and have confidence to invest in their operations for years to come.

Implementing our three main recommendations would help make AgriStability a more effective risk management tool for the Canadian beef industry:

1. Remove the reference margin limit
 - Removing the reference margin limit under the AgriStability program is the most effective amendment to narrow the equity gap within the suite of business risk management programs.
 - The removal of the reference margin limit will make the program predictable, bankable and ultimately more equitable for Canadian cattle producers, especially in the cow-calf sector.
 - Operations that have reference margin limiting applied require an extensive, if not devastating, drop in their program year revenue in order to trigger support. This



significantly decreases the value of AgriStability to many producers, especially those with low cost structures such as cow-calf producers who typically produce their own feed and have non-arms-length labour expenses.

2. Increase the payment trigger to 85 per cent of the reference margin.
3. Increase the \$3 million payment cap, which has not seen an increase in over twenty years, while inflation has cumulatively increased by over 45% and input costs have increased by over 70% in the same timeframe.

3. Continued commitment to improving the **Ontario Risk Management Program (RMP)** through future investment and review.

We appreciate the Ontario Government's recent investment of an additional \$50 million into the RMP.

The RMP is a cost-shared insurance program designed to provide stability to Ontario's farms by providing partial financial protection against downturns in commodity markets. As farmers across Ontario struggle with COVID-related market uncertainty and losses, the recent investment in the RMP will provide much-needed support for this vital program when it is truly needed most.

RMP is an excellent program; the only problem is that it's chronically underfunded. While \$50 million is an excellent addition, the RMP agriculture sectors and the province should jointly be looking to get the program to a more sustainable funding level that can sufficiently cover the RMP sectors in the worst years. \$150 million annually in total for the program and all the participating sectors is still not likely to sufficiently cover farmers' risks. Also, the more participants who enter the program, the fewer dollars that are available for everyone enrolled.

Funding the RMP is an excellent investment by the province. A study by Cummings and Associates found that every \$1 dollar invested into the RMP results in \$2.24 in positive economic activity. In addition, the study found 62 per cent of participating farmers indicated the program had a positive effect on their decision to hire and/or maintain employees.

Minister Hardeman has committed to re-designing the RMP in some capacity. Some agriculture sectors that participate in the RMP have their own sections of the RMP that operate differently than others'. While we are not opposed to a review of the program, we do not wish to see significant changes: the beef section of the RMP is working well for the beef sector.

The policy goal should not be to seek changes for the sake of change. We are open to reviewing components of the program that could be strengthened to provide better coverage to farmers, and to ensure that farmers who need funds are able to access them in a timely manner.

The Minister has been clear that the goal of this program review is not to limit the province's liability under the program. We have taken him at his word on that, as that will be a very important piece of any discussions around program design.

4. Improvements to funding programs offered to producers through CAP.

Most farm funding programs do not provide funding for "normal business costs" or for expansion or growth proposals that have the ability to increase jobs and economic output. Examples of ways to improve CAP funding allowances include:

- a. Permit funding for manure storage projects.



- b. Allow business expansion activities to be included as part of eligible activities or dedicated projects.
- c. Create a technical industry-government working group to develop solutions to reduce the administrative burden for producers that apply for CAP funding, while ensuring the evaluation process supports the types of projects deemed valuable by producers, industry and government.
- d. Create a perimeter fencing program.

Why the beef industry matters in Ontario:

- Contributes \$2.69 billion to Ontario's GDP on an annual basis.
- Sustains more than 61,000 jobs through primary production, processing and retail.
- Gross sales from Ontario beef production, processing and retail exceed \$13 billion.
- Gram-for-gram, beef is one of the most accessible and affordable ways for the human body to obtain essential nutrients.
- Has one of the lowest GHG footprints of all beef production systems in the world – it's at less than half of the global average.

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Beef Farmers of Ontario represents 19,000 beef producers in Ontario by advocating in the areas of sustainability, animal health and care, environment, food safety, and domestic and export market development. BFO's vision is help foster a sustainable and profitable beef industry, and have Ontario beef recognized as an outstanding product by our consumers.

