



## Department of Finance Canada 2006 Pre-Budget Online Consultations

Keystone Agricultural Producers (KAP) is Manitoba's largest democratically-structured farm policy organization, and our role is to represent and promote the interests of thousands of farm families in the province. It is from this position that we offer recommendations as part of the 2006 federal pre-budget consultation.

In Manitoba, as in the rest of Canada, the agriculture industry is very important to the economy. In 2004, exports of agricultural products and food from Manitoba to points throughout the world exceeded \$3.4 billion. In 2002, according to Statistics Canada, 49,000 jobs were directly or indirectly dependent upon the agriculture industry: One job out of every eleven in Manitoba results from on-farm activity. In addition to those jobs, many rural businesses depend on agriculture and its producers for their success. Agriculture built this province, and we must ensure that it continues to be a stable and integral part of the nation's wealth and culture.

The nation's farmers are facing a realm of new opportunities and initiatives both federally and provincially that may help to diversify, broaden, and rejuvenate farm incomes. These are in areas like ethanol, biodiesel, carbon offset trading, the provision of ecological goods and services (Alternative Land Use Services), hemp processing, increased processing capacity, and ownership of new value-added enterprises. Agriculture, and the farm families at its heart, are poised to create a new and vibrant agricultural economy that continues to impact the lives of all Canadians in a positive way.

However, there is a major financial crisis facing today's farmers. KAP strongly urges the federal government to make an immediate and significant investment in agriculture a top budgetary priority, combined with a long-term plan and investment strategy to pursue the opportunities noted above.

The Canadian Federation of Agriculture (CFA), of which KAP is a member, recently released a report that identifies a \$6.1 billion deficit in farmers' realized net income across the country for the past four years. In Manitoba, Agriculture and Agri-Food Canada is projecting that farmers will have a negative income in 2006.

**The first priority of the federal government must be to reinvest in the agriculture industry to counteract the continued and drastic decline in farm incomes.**

Transition payments to bridge farmers to these emerging opportunities and to move toward long-term sustainability are needed, and the federal government must show leadership. At the same time, the federal government must continue in its commitment to develop predictable, bankable, and adequately funded business risk management programming. The problems with the current Canadian Agricultural Income Stabilization (CAIS) program are well documented and must be addressed to complement the government's other initiatives to move agriculture in a more sustainable direction.

KAP strongly believes that Canadians will receive value and benefit from budgetary investments relating to the following policies and programs:

**Alternative Land Use Services (ALUS) / Ecological Goods & Services:** Manitoba is currently home to the first ALUS pilot project in Canada, which will evaluate the impacts of an agriculturally-led, incentive-based landscape conservation program. KAP encourages the Government of Canada to continue its investment in this pilot project, and to expand funding to other proposed pilot projects in other regions across the country. Should the results of these pilots prove the environmental, and societal benefits of an ALUS program, KAP recommends the government implement a national ALUS program.

**Investment into Publicly Funded Research:** Increased public funding for producer directed research is needed. At present, public funds are often matched to well-funded corporations or mature sectors of the agriculture industry. Although this funding remains necessary and useful, there must be measures in place to support potentially viable small and emerging sectors that do not have access to matching funds from other sources, as this would allow Canada to move into more specialized markets. Continued support for public breeding programs is essential. History has shown that investment in research leads to a 20-to-1 rate of return.

**Transportation / Prairie Grain Roads Program:** In Manitoba, as across much of Western Canada, there has been a transition within the grain elevator system to fewer, higher capacity grain elevators. As a result, producers must transport their grain greater distances by truck for delivery, and there has been an increase in the usage of 'grain roads' by trucking companies, and by farmers. Adequate funding levels are needed to maintain the existing infrastructure and develop additional infrastructure where necessary. As other agricultural sectors expand, such as the livestock industry and other value-added industries like ethanol, the road system will be used by an increasing number of trucks to ship products. KAP recommends that the federal government continue its commitment to infrastructure by renewing the Prairie Grain Roads Program, a cost-shared initiative that assists farming and rural communities in the construction and repair of these roadways.

**Disaster Financial Assistance:** The role of federal Disaster Financial Assistance (DFA) is to ensure that no province or territory incurs an undue economic burden in providing disaster assistance to the individuals, families, businesses, municipalities and other victims of emergencies and disasters. However, the DFA does not adequately address the severity of the impact on farmers, and the federal government should expand the guidelines of the program to include provision for inputs (seed, fertilizer, fuel) lost due to disaster. Farmers and governments have also both seen the damage that BSE and avian influenza have inflicted on our livestock and feather industries. DFA should also include provisions that allow compensation for losses due to diseases, particularly when it affects the entire country.

**Cost Recovery Issues:** Farm inputs, like fuel, fertilizer, seed, and others, are continuously on the rise with no consistency between the input costs and the ability to derive profit. A review of government user fees should be initiated by a third party to assess the correlation between need, real cost to government, impact on producers, and customer benefit.

**Equity Sharing:** The previous federal government announced a ruminant slaughter equity assistance program, which allowed producers the ability to trigger matching government investment in eligible slaughter facilities. This program certainly has the potential to strengthen our industry in Canada, but there is also the potential for government to assist other value-added industries by providing similar programming. While not all inclusive, there are long-term value-added sectors, such as biodiesel and ethanol, which could benefit through this mechanism, should government decide to implement.

**Taxation Changes:** KAP believes that the federal government must review the tax treatment given to intergenerational farm transfers, to determine if the process can be improved for both the retiring and beginning producer. To encourage the creation of new generation co-operatives, the government may also re-examine whether changes can be made to the taxation structure to allow increased value-added opportunities in agricultural Canada.

**Farmer Rail Car Coalition:** As a long-standing member of the Farmer Rail Car Coalition, KAP encourages government to expedite and conclude its negotiations to transfer ownership of the federal fleet to Western Canadian farmers.

KAP believes that agriculture must be considered by this government through a very broad lens, one that extends even beyond the department of Agriculture and Agri-Food Canada, and to make the appropriate investments and policies needed to strengthen this important sector. KAP encourages the government to improve interdepartmental consultation relating to policy / program development, especially within the agriculture, health, natural resources, and environment

departments. All federal efforts must complement one another, while utilizing the expertise of AAFC and farm groups like KAP and the CFA to provide sound perspectives on program / policy development.

Agriculture, and the farm families at its heart, are the economic driver for a wide range of other businesses and industries. KAP strongly believes that strategic investments into agriculture today will create a wealth of benefits for all Canadians.