



# Canadian Farmers: Targeted Action for Results

Report of the  
Opportunities in Agriculture Task Force  
of the Liberal Party of Canada

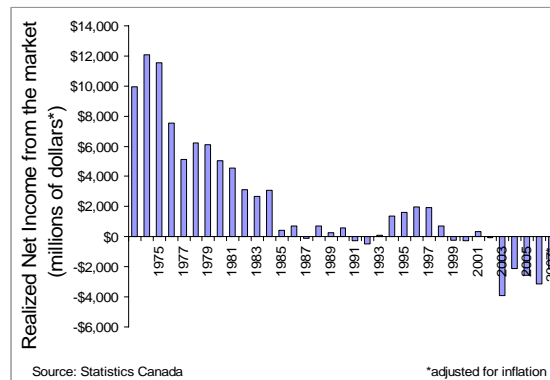
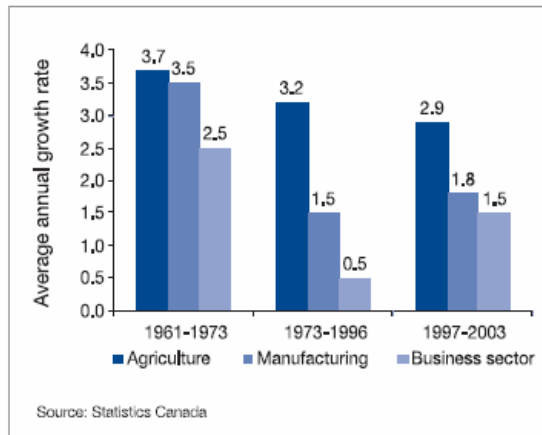
Task Force Co-Chairs  
Hon. Wayne Easter  
Cindy Duncan-McMillan



# Introduction

Employing nearly two million Canadians and representing 9 % of the Canadian GDP, the agriculture and agri-food industry forms the foundation of many of Canada’s rural communities and rural economies. Statistics Canada measures the value added contribution of agriculture to the Canadian economy at \$40 billion each year<sup>1</sup> and for the last forty years agriculture has consistently led Canadian industry in productivity growth.

Yet, despite their ability to innovate, the incomes of Canadian farmers continue to fall. The last four years of Canadian farm income have been the worst in Canadian history<sup>2</sup>. In comparison, the last four years of U.S. farm income have been the highest in their recorded history. Statistics Canada reports in the five years of 2002-2006, farm product prices fell 8%, crop prices by 20 % and livestock 1.0 %<sup>3</sup>. Indications for prices in 2007, particularly livestock, are worse. However, depending on which region of Canada, farm input prices rose 8% -10% in the same time period. Seed prices rose 20 %, nitrogen fertilizer 40%, diesel fuel 75-95 %<sup>4</sup>. Debt levels of Canadian farms hit a record high \$52 billion in 2006, and continue to rise. In contrast, USDA reported in 2007 a record low, 11.8 % debt-equity levels for



<sup>1</sup> Statistics Canada, Agriculture Value Added Account, 21-017-X

<sup>2</sup> Calculations from Statistics Canada, Net Farm Income, 21-010-X, Direct Payments to Agriculture Producers, 21-015-X

<sup>3</sup> Statistics Canada, Farm Product Price Index, 21-007-X

<sup>4</sup> Statistics Canada, CANSIM data, 2007

U.S. farms, nearly half the record high debt-equity levels found in Canada<sup>5</sup>. While good news of improved crop prices in 2007 has lightened the load, livestock producers have been hard hit by high feed costs and rapid shocks in exchange rates. Across the country, international trade distorting subsidies, different regulations across jurisdictions, the Canadian dollar, the environment and production of healthy, safe foods for Canadians are but a few of the issues. The challenges facing Canadian farmers are immense.

On December 5, 2007, Leader of the Liberal Opposition Stéphane Dion struck a special task force to focus both the challenges and the opportunities in agriculture. Canadians want a strong farm sector and understand the critical role farm families play in providing them with safe, high-quality foods. Under the leadership of co-Chairs Wayne Easter and Cindy Duncan McMillan, the Task Force sought input from primary producers and their farm organizations to address the current challenges and opportunities facing Canadian farmers, and recommend specific, actionable solutions.

The Task Force's work builds on the widely supported Easter Report, *Empowering Canadian Farmers in the Marketplace*, tabled in July 2005. Among its recommendations were to:

- ▶ address producers' costs by examining the costs of regulation put on producers, and develop incentive programs for farmers that contribute to the environment and other public goods;
- ▶ address concentration and empower producers in the marketplace by reviewing the Competition Act and supporting farmer cooperatives;
- ▶ review and significantly improve the pesticide and veterinary product approval process to address competitive disadvantages and protect the health and safety of Canadians;
- ▶ vigorously defend and fight for Canadian producers in international trade agreements and negotiations; and,

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<sup>5</sup> Statistics Canada, Farm Debt Outstanding, 21-014-X, Value of Farm Capital, 21-013-X, and USDA Agricultural Outlook Forum, 2007.

- ▶ invest in public research, innovation and rural infrastructure.

Unfortunately, the Liberal government had little time to implement these recommendations between the tabling of the report and the subsequent election. However, the Easter Report still remains a key pillar of the Liberal Party's approach to agricultural policy. This Task Force seeks to build on the Easter Report in light of the latest developments and refine, if possible, some its recommendations.

The immediate crisis now facing the Canadian hog and cattle sector was the issue pressing the Task Force to action. The Task Force met with livestock producers to better understand the crisis and to discuss solutions. Embattled by a perfect storm of rising feed costs, the strong Canadian dollar, and weakening domestic processing capacity, farm families in the hog and beef sectors today face an unprecedented crisis in income. The Task Force offers recommendations.

In addition to the livestock crisis, the Task Force also spoke with farmers about many critical issues such as regulatory hurdles, environmental services, the serious threats confronting supply management and other marketing tools, farm incomes, and supporting production of healthy Canadian foods.

Many challenges were heard, many creative and progressive ideas were given. At its heart however, across all sectors in agriculture, from grain to horticulture to livestock, almost all farmers the Task Force spoke with were looking for a vision, a plan for Canadian agriculture and for Canadian food production. Looking at the history and the daunting present reality of farm incomes, farmers across the country are asking themselves, do Canadians want Canadian foods? Do Canadians want Canadian farmers to continue?

The answer is clearly yes. But more than words, farmers want action. Farmers don't want fancy promises, flowery speeches, the promoting of trade rules before the real needs of farmers. Farmers want practical tools and common sense solutions that are bankable, simple and effective on the ground. Farmers want Canadians to understand and appreciate the contributions farming makes to the environment, to rural communities, and to producing the quality foods put on Canadian dinner tables. Farmers want a level playing field so they can compete fairly in the global marketplace.

In this report, we will outline several of the current challenges raised and some of the recommendations suggested by farmers that we believe are immediately actionable. Though the Task Force heard about many issues and many ideas, unfortunately not all could be addressed in this report. All ideas are welcomed and important; however, this Task Force report focuses on the most critical, common factors raised by farmers across the country in order to better target its recommendations in this time of need.

## Challenge: Livestock sector crisis

For hog, beef and other livestock producers in Canada the combination of rapid increases in feed grain markets, the meteoric rise of the Canadian dollar and the bleeding of processing capacity from Canada, has created a crushing weight of factors severely impacting incomes and families.

In the pork industry as the most acute example, relative hog prices have fallen 35% in the last 2 years and feed prices, representing 60 % of the variable costs of hog production, have risen as much as 80% in 2007. Hog producers, who export as much as two-thirds of their production, have also been severely hit by the rise of the Canadian dollar. Like many other Canadian industries, livestock producers have found it difficult to adapt to a dollar that has increased 17% in little more than six months.

Beef farmers, recovering from BSE, have also faced the dramatic increases in feed prices and exchange rates, as well as a 20% decline in cattle prices in the last two years<sup>6</sup>. In livestock markets, prices cycle up and down. For beef farmers, the current crisis comes just as prices were starting to recover post-BSE. Feed costs, exchange rates and other competitive factors have now essentially extended the beef sector's stay in the trough of its cycle.

For all livestock producers, different regulatory regimes also hamper success and recovery. From inspection fees, to veterinary product registration, to feed restrictions, Canada has some of the strongest standards in terms of food safety. However, while other countries help their farmers bear the costs of these efforts, Canadian farmers bear these costs at home. In 2007, the U.S. imposed new "cost recovery" border inspection fees for products as they flow south but Canadian fees are not reciprocated as products flow north. In Canadian plants, the Canadian Food Inspection Agency (CFIA) charges cost recovery fees for food inspection while south of the border inspection costs are covered by the U.S. government. Following BSE, Canada established rules that prohibited using Specified Risk Materials from cattle in feed to eradicate BSE. The U.S. has not implemented these internationally agreed rules, yet Canadian farmers must continue to compete with U.S. farmers, and Canada continues to import U.S. beef. In each of these

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<sup>6</sup> Information drawn from Statistics Canada, Farm Product Price Index, 21-007-X, the Canadian Pork Council and the Canadian Cattleman's Association.

examples of regulatory policies, Canadian farmers ultimately have additional costs placed upon them, lowering their competitiveness.

Across Canada, livestock farmers have invested in productivity, food safety, traceability, quality assurance and provided Canadians with quality foods. But no business, no family, can adapt or prepare for such dramatic swings, or operate in highly competitive markets with the playing field tilted against them. Against this background it is easy to see how, between 2004 and 2006, the average Canadian farm family producing hogs has gone from making \$50,000 to \$70,000 per year before taxes, to losing as much as \$300,000 per year in 2007-2008. No industry can make rational investment decisions in this kind of market, where costs have skyrocketed. In no uncertain terms, the situation facing farm families raising livestock is dire and immediate.

Hope, however, can be on the horizon. For hog producers world pork trade is forecast to increase nearly 20% from 2006 to 2016, and the share of world pork trade held by Canadian exports is forecast to increase to 26% from 24% in 2006. For many livestock producers, price cycles would indicate that prices will rise again but the key factor is time. Livestock producers across the country have come together and, through their discussions, proposed solutions to address this issue. Their proposals are reasonable: don't give handouts, but help bridge the price cycle gap by giving producers time to transition their industry to the new market reality, and level the regulatory playing field so livestock producers can compete fairly. As time ticks by however, the crisis worsens and many of the farmers the Task Force spoke with were beginning to call for help, regardless of the trade implications. Unfortunately, the current government has failed to listen to farmers, squandered budget surpluses and abandoned Canadians who work in Canada's livestock agriculture, forestry and manufacturing sectors. The federal government must immediately begin to provide real support to the rural farm families in Canada's livestock industry so they can weather this crisis.

## Recommendation One

The Liberal Party, in partnership with livestock farmers develop a **Livestock Crisis Recovery Strategy** of both short and long term initiatives.

Canada's livestock producers are facing an immediate cash flow challenge, just as the U.S. financial sector faced in the recent sub-prime mortgage crisis. Producers are not asking for

giveaways, but many are leveraged such that they cannot absorb the magnitude and speed of the recent price and exchange rate shifts. Livestock producers are asking for short-term cash-flow loans to adjust until markets recover and equilibrate. The Task Force recommends the Liberal Party immediately push the federal government to:

- ▶ put cash in the hands of beef producers immediately by making special 2007 CAIS advance payments of up to \$100 per cow and \$150 for feeder cattle;
- ▶ put cash in the hands of hog producers and implement an immediate short term loan for Canadian hog producers to improve cash flow as markets adjust, (with the loan program secured by long-run future business risk management program payments to be negotiated with hog producers);
- ▶ put, on an immediate priority basis, 2006 CAIS payments and 2007 CAIS targeted and interim advance payments for all hog and beef producers;
- ▶ work with all parties to determine how the livestock Advance Payment Program could be improved and accessed by hog and beef producers, including:
  - amending the security requirements;
  - unlinking CAIS payment offsets with advances given; and,
  - extending time restrictions on advances.
- ▶ allow all hog and beef producers to be given the option of having the top 15% of CAIS or the new AgriInvest program for at least 2007 and 2008, and maintain the \$600 million AgriInvest kick-start already announced;
- ▶ defer not only interest payments but also clawbacks of all CAIS overpayments to hog and beef producers until December, 2008; and,
- ▶ establish immediately a working group to develop a livestock production insurance program to provide hog producers comparable coverage given to crop producers, and help them address margin declines due to disease outbreak.

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In the medium and long term, market competitiveness is the key goal for hog and beef producers. For farmers, significant regulatory hurdles and a non-level playing field relative to their competitors, impedes their success in markets. Specifically, the Livestock Crisis Strategy should also include some medium and long term initiatives including:

- ▶ realigning Canada's regulatory inspection fees and cost recovery rates, such as those applied to border measures, traceability and food inspection, to be competitive with the Canada's major trading partners;
- ▶ working with CFIA and industry groups to significantly improve approvals for new medications;
- ▶ establishing a new, dedicated Trade Directorate that can pull together resources from CFIA, AAFC, and ITC to focus maximum resources on market access agreements for Canadian hog and beef production;
- ▶ establishing a new Trade Quick Response Team to rapidly defend against industry trade challenges;
- ▶ eliminating supplementary imports of beef above current trade commitments in Canada; and,
- ▶ working with all provinces to significantly reduce interprovincial trade barriers such as inconsistent meat inspection regimes, a chronic barrier to innovation and entrepreneurship as producers face a bewildering disarray of different provincial standards and regulations.

This Livestock Crisis Recovery Strategy is composed of suggestions from farmers for farmers, and addresses both short and long term challenges. The Task Force believes these initiatives, put into action, can make a real difference for Canadian livestock farmers.

## Challenge: A level competitive playing field for farmers and the concept of food sovereignty

Canadian farmers face different rules, programs and policies than their international competitors. Economists have pushed farmers saying, “Be competitive.” Canadian farmers reply, “I am competitive, I need competitive policy.” Canadian farmers can compete against other farmers, but they can’t compete against U.S. and EU treasuries, against rules that are not applied equally and can’t make long-term investments in volatile sectors, influenced by government distortions.

As examples, examine Canada’s largest trading partner and the U.S. Farm Bill<sup>7</sup>:

- ▶ \$5.9-\$9 billion per year between 2002-2005, spent directly on milk and sugar price supports. The newest Farm Bill proposal, passed by the U.S. Congress, extends these programs for another 5 years, increases the support prices on sugar, including sugar beets, and extends the Dairy Export Incentive Program (DEIP), a dairy export subsidy.
- ▶ \$7 billion in corn subsidies in 2004-2005, through a guaranteed price floor called Loan Deficiency Programs (LDP), applied to major commodities such as wheat, barley, corn and soybeans. The 2007 Farm Bill proposals passed through the U.S. Congress and Senate increase LDP price floors going forward.
- ▶ \$8-9.6 billion per year between 2002-2005, for input subsidies for energy, feed and irrigation.
- ▶ \$4.5-\$5 billion per year between 2002-2005, for on farm extension, cooperative supports, its Environmental Quality Improvement Program, Wetland Reserve Program, Conservation Technical Assistance Program, Wildlife Habitat Incentive

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<sup>7</sup>Information drawn from OECD and US 110<sup>th</sup> Congress House of Representatives 2007 US Farm Bill

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Program, water management programs, and animal and plant health inspection services.

- ▶ \$2.1 billion per year between 2002-2005, for the U.S. Conservation Reserve Program setting aside land, wetlands and water management programs.
- ▶ \$4-\$6.7 billion per year between 2002-2005, on crop insurance programs and other disaster payments.
- ▶ \$500 million - \$4.7 billion per year between 2002-2005, in counter-cyclical payments for current and historical producers of corn, soybeans, wheat, rice and cotton.
- ▶ Another \$1.6- \$5.3 billion per year between 2002-2005, in “direct payments” for current and historical producers of corn, soybeans, wheat, rice and cotton.
- ▶ \$1.7-\$2.1 billion per year between 2002-2005, for public research in primary agriculture.
- ▶ \$3.8-\$4.6 billion per year between 2002-2005, invested into rural infrastructure.
- ▶ \$17-\$24 billion per year between 2002-2005, for marketing, promotion and domestic food subsidies, of which include:
  - \$7.4 billion per year for the Richard B. Russell National School Lunch Program which states in law the program source U.S. domestic food products as much as possible, contrary to recent Canadian government claims that this is illegal under trade law, and,
  - The U.S. Department of Defense Fruit and Vegetable Program for school lunches which is estimated to spend over \$3 billion per year, also required to source U.S. domestic food products as much as possible.

These examples do not include other direct U.S. government support programs such as those for ethanol and biodiesel production.

Perhaps most telling is the leading statement made under the approved U.S. Congress 2007 Farm Bill Commodity Title: “Investing in a Strong Safety Net that Ensures a Stable Food Supply.” As

U.S. farmers plan their year, they are assured they will be supported when times are tough because the U.S. is committed to its food security.

However, even beyond these different support programs, Canadian farmers face double standards from their own government regulations by taking on costs to meet high food safety and environment standards, only to watch imports that do not meet the same standards price them out of supermarkets. Examples heard from producers:

- ▶ Canadian farmers pay up to 200% more compared to competitors for the same fertilizer and pesticide inputs, due in large part to regulatory barriers.
- ▶ Canada has established rules to eliminate feeds using Specified Risk Materials from cattle to eradicate BSE for the health of Canadians, yet the U.S. has not imposed these same rules, and Canadians continue to import and consume their beef products.
- ▶ Some pesticides are banned in Canada because they are deemed unsafe for the health of farm workers applying the product, yet Canada allows imports using these pesticides, because they meet Canadian food residue limits. **As Canadians consume these imported products, Canada is no longer protecting the safety of farm workers, we are simply exporting the problem to foreign workers in exchange for cheaper foods and undermining the potential of Canadian farmers.**

Canada cannot have it both ways. Imported products that do not meet, or even have to meet, Canada's domestic production standards, undermine Canada's high domestic standards for food safety. Canadian farmers are not only competing in a regulatory system that impedes them in international markets, they are operating in a regulatory environment that gives their international competitors the advantage in domestic markets.

At the heart of the issue, Canadians must ask the fundamental decision, do we want farmers in Canada or not? Do we want local, domestic food production to feed Canadians or should we simply import all of our food? For various reasons of food security, Canadians' strong beliefs in food safety, trends towards supporting local farms and the environment, the answer is clearly yes, Canadians want strong domestic food production.

Food sovereignty, a concept of a country choosing in its own unique way in how it determines and sustains its own food system, is already the current reality, but poorly applied. **If the sovereignty to define Canada's unique food system is important to Canadians then policy must be developed to equally apply the standards of Canadians' social and environmental beliefs and must create a level playing field to allow Canadian producers to compete fairly in the marketplace.**

The Task Force makes four recommendations for action concerning this significant and long standing issue:

## Recommendation Two

Increase investment in the CFIA and bolster border enforcement, charge inspection fees for imported product on a cost recovery basis and ensure imported product meets Canadian standards for food safety, health and the environment. **Canada can no longer export the moral responsibilities of health and environment that we ask our own producers to provide.**

## Recommendation Three

Address differential input costs and regulatory hurdles by establishing a **Farm Regulatory Review Panel** of farm and government representatives to examine closely the multitude of regulations affecting the industry, eliminate unnecessary impediments, and integrate and smooth costs where possible. Farmers want to minimize overly burdensome paperwork, have regulation that promotes progressive innovations and approvals rather than impede them, and regulation that allows transparency and price competitiveness for inputs like fertilizers and pesticides.

## Recommendation Four

Establish a **Canadian Environmental Goods and Services Program**, rewarding environmental stewardship and farmer contributions to the public good such as setting aside land for habitat and biodiversity, or sequestering CO<sub>2</sub> in soils to combat global climate change. In contributing to the public good, costs of these initiatives should not be borne by the farmer, they should be shared by the public. Partnership between local and regional communities, environmental groups and provincial and federal governments can develop non-trade distorting, WTO green incentives for

specific environmental actions that contribute to the public good. Such initiatives are consistent with other international jurisdictions such as the U.S. Conservation Reserve and the EU CAP Reform policies.

## Recommendation Five

Put in action a **Grown in Canada Initiative**. Canadians want Canadian grown product to be easily identifiable in stores. When buying the foods they will put on their table, Canadians want to know three things: What is it made of, where did it come from and how was it grown.

**Canadians want truth in labeling.**

The Grown in Canada Initiative would implement four major actions:

1. Design regulation under the current Consumer Packaging and Labeling Act to clarify the definitions of “Made in Canada”, “Product of Canada” and create a separate “Grown in Canada” label for 100% Canadian grown product.
2. Work with farmers and agri-food value chain partners to create a non-profit governing body that would manage and implement a voluntary “Grown in Canada” Label that would identify 100% Canadian grown product and work with CFIA in establishing an audit process to maintain label integrity.
3. Establish a **Grown in Canada Marketing Fund** with two major objectives: (1) provide marketing grants to local farmers markets and other buy local initiatives in communities across Canada; and, (2) develop a marketing campaign informing Canadian consumers of Canada’s strong record of farm initiatives for environmental sustainability, food safety and others. The campaign will encourage consumers to buy local, support the various provincial labels such as Foodland Ontario, Buy BC, Taste of Manitoba, as well as the “Grown in Canada” label.
4. Develop a **Grown in Canada Toolkit** – a series of knowledge and development programs where farm and industry organizations work in partnership with the government to develop information and business extension tools. These tools will facilitate building of producer cooperatives to grow brands, build linkages with

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retailers, and standards and audit processes to meet label standards locally, provincially and nationally.

## Challenge: Regional flexibility

In every province and region the Task Force examined a central message was heard: One size does not fit all. Climates, soils, production, crops, livestock, markets, and social and environmental objectives are different across the country. In many cases national programs cannot and do not meet all the needs of local farmers. If national programs are not meeting regional needs they are inefficient, spending dollars but not necessarily addressing actual local needs. Farmers from BC to Newfoundland and Labrador want greater program flexibility.

### Recommendation Six

The Liberal Party should immediately implement: (A) flexibility within existing national business risk management (BRM) and non-BRM (e.g. environmental or food safety programs) programs for regional administration, delivery and allocation of funds; and, (B) a **new AgriFlex fund** to support new regional/provincial BRM and non-BRM programs that address regional needs within broad, overarching national objectives, and are cost shared federally and provincially. Farmers have said that rather than simply giving out ad-hoc payments each year that turn into tiny cheques distributed 100 miles wide and half an inch thick, investments should be targeted to provinces, allowing them to build effective, regional programs that meet regional needs. Conditions on any AgriFlex contributions would be restricted by Canada's international trade support limits.

## Challenge: Supporting young farmers

The average age of Canadian farmers continues to increase. As profitability falls and economies of scale increase the capital investments required to be successful, renewal of the industry with young farmers becomes increasingly difficult. Consistently however, the Task Force heard farmers young and old say the critical factor influencing beginning farmers staying or leaving the industry is profitability.

Specifically for young farmers two suggestions were made: (1) continue and build on extension, business development skills programs and innovation initiatives (which will be addressed in Recommendation 12); and, (2) help young farmers capitalize to buy the land and equipment necessary to be successful.

### Recommendation Seven

Extend a new **Young and Beginning Farmer Loan Program**, essentially an extension to the already existing Farm Improvement and Marketing Cooperative Loan Act (FIMCLA). The program would work with young or beginning farmers who have developed strong business plans. The program would:

- ▶ extend a FIMCLA loan guarantee on a loan with a registered financial institution to help the young or beginning farmer with costs of establishing his or her farm;
- ▶ guarantee to cover 95% of a loss sustained as a result of the loan made, provided that the requirements of the Act and regulations have been met;
- ▶ better reflect the current costs of establishing a farm in today's markets by increasing the FIMCLA loan guarantee for young and beginning farmers up to \$500,000; and,
- ▶ work with young and beginning farmers to expand the eligible loan criteria to reflect the purchases required to establish a new farm.

# Challenge: Trade, market access and trade distorting support – achieving real gains for Canadian farmers

Building on the Easter Report, farmers again reiterated the message: real gains for Canadian farmers in international trade must be made.

## Recommendation Eight

The Task Force recommends the Liberal Party make clear and renew its drive to open, as much as possible, international markets in non-sensitive products, achieve significant, real reductions in trade distorting support and defend the interests of Canadian farmers in existing trade agreements. Canada has opened its markets, eliminated the majority of its trade distorting support and remained true to its commitments of the Uruguay Round, contrary to many others sitting around the World Trade Organization (WTO) table. It is time the world steps forward and meets its commitments. Canada should not and must not give more and do more, only to watch competitor markets continue to remain closed and distorted. The government must act:

- ▶ Continue to push at the WTO to reduce massive trade distorting supports, particularly from our largest trading partner, the United States. Canadian farmers cannot continue to compete against the U.S. Treasury.
- ▶ Fight and demand that WTO member nations meet, at a minimum, their Uruguay Round commitments as well as significant new reductions in over-quota and in-quota tariffs for non-sensitive products.
- ▶ Ensure our trading partners adhere to their commitments in all trade agreements, including NAFTA, and will not unilaterally or bilaterally amend conditions to negatively affect Canadian agricultural sectors such as sugar.

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- ▶ Pursue and invest in resources to aggressively achieve more and better bilateral trade agreements targeting market access for Canadian products.

## Challenge: Supporting supply management at the WTO

On Nov. 22nd, 2005, the House of Commons passed a unanimous motion supporting supply management. Its intent was to enable the federal government with negotiating strength and indicate to the world that Canada would defend its supply managed industries. Since that time however, instead of negotiating at the WTO to protect Canada's supply managed industries, the Conservative government has used the motion as a shield to no longer negotiate. In Geneva, Canada left the room and did not negotiate when discussions of sensitive products took place while at home Canada's "new" government made the claim that they refused to negotiate and refused to accept any reductions in tariffs or increases tariff-rate quotas for sensitive products. By exiting these debates the fate of Canada's supply managed system was being negotiated away by other nations. The current results of WTO negotiations speak for themselves. The Text has been weakened and supply management is not being protected.

The Conservative government twisted the true intent of the House of Commons supply management motion to excuse themselves from the table and allowed other WTO nations to negotiate the death of supply management.

What are the Conservative government's true principles? At their core is an ideology of free trade without fair trade and as seen in their battle against the Canadian Wheat Board, their belief in individualism, rather than the right of farmers to choose to work together, to market together and make sustainable incomes.

Speaking about supply management and Canada's position on the WTO negotiations, Conservative Agriculture Minister Chuck Strahl said:

*"It is inconceivable that we would walk away from the WTO so take that as your first gospel truth."*

(Western Producer, March 15, 2007).

On the signing of free trade agreements and sensitive sectors, David Emerson said:

*“I’ll probably get hell for this but I can envisage a time where we are just going to have to say to some resistant sectors that there is a national interest and we should work with sectors to see if they can, with some modest support from government, transition to globally competitive stature or we’re going to just have to go through the painful adjustments.”*

(Western Producer, December 21, 2006)

Will the Conservatives truly protect supply management where it counts, at the WTO?

The Liberal Party has a strong record of defending Canada’s supply managed industries at the WTO negotiations. The Liberal Party believes in the right of producers to choose how they market their products.

## Recommendation Nine

The Liberal Party:

- ▶ reaffirm its commitment to the three pillars of supply management – production discipline, import controls and producer pricing; and,
- ▶ communicate clearly to supply management farmers its commitment to the intent of the Nov. 22nd, 2005 motion in the House of Commons and negotiate forcefully for conditions to achieve no economic harm for supply managed industries.

# Challenge: The fate of the Canadian Wheat Board

Much controversy and acrimony has been generated over the Canadian Wheat Board (CWB) debate with the central themes of profitability, market power, innovation and choice. While the Liberal Party believes in the principle objective of the Canadian Wheat Board, giving western Canadian farmers negotiating strength in wheat and barley markets, the Liberal party also believes no government should decide, through regulation or ministerial fiat, the fate of the Canadian Wheat Board. The fate of the Board must be the choice of western Canadian wheat and barley farmers.

This is in stark contrast to the actions of the supposedly “accountable” and “democratic”- minded Conservative Party of Canada, which claims their election win in 2005 gave them the mandate to dismantle the Wheat Board unilaterally. The Conservative’s have force-fed their agenda to Canadians, consulting only with those who agree with them and crushing dissent. The issue is bigger than the Canadian Wheat Board. It is a question of democracy.

## Recommendation Ten

The Liberal Party must urge the government to act:

- ▶ Hold a free and fair plebiscite on the single-desk barley and wheat powers of the Canadian Wheat Board, with a clear question; and,
- ▶ Strengthen the democratic farmer control of the Canadian Wheat Board:
  - Require that a producer vote be held in advance of the tabling of any legislation that makes significant changes to the CWB’s single-desk system, the vote being by secret ballot on a clear, specific question and the questions stating clearly how the proposed change will affect single desk marketing.
  - Require the federal government consult the CWB Board of Directors before any significant policy decisions involving the Wheat Board;

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- Reduce the number of government appointees to the CWB 15-member Board of Directors from five to three - including the President. The CWB's 10 farmer-elected directors would be empowered to name the other two appointees; and,
- Strengthen the existing provisions in Canadian Wheat Board Act which require that changes to the CWB's marketing jurisdiction must be made through legislation approved by Parliament, and such legislation must be preceded by both consultations with the CWB and a legitimate vote among producers.

## Challenge: Western rail transportation

For western Canadian grain and special crop producers, rail transportation is critical. In today's economy, quality of product and timeliness are key to strong markets. Unfortunately, limited competition, falling service quality, rates and unpredictability have severely hampered the growth and profitability of many western Canadian export grain and pulse markets. It is estimated that grain handling and transportation represents 35% of all input costs for western Canadian farmers. Service declines have cost farmers lost grain sales domestically and internationally, lost revenue for grain sold outside of peak price periods, significant vessel demurrage bills, and lost confidence as a reliable supplier. The magnitude of the rail transportation problem for western farmers is tremendous.

### Recommendation Eleven

The Liberal Party supported the passage of Bill C-8, *An Act to Amend the Canada Transportation Act (railway transportation)*, a bill originally introduced by the former Liberal government to strengthen shipper rights to rail service. Once returned to government, Liberals should immediately call for a full review of western rail transportation issues to improve competition, service levels, and the western Freight Revenue Cap, including assessment of railcar maintenance costs and productivity formulations.

## Challenge: The future of profitability

Farm income and profitability of Canadian farmers faces significant challenges. Farmers across the country, regardless of commodity or region, including supply management, know they will continue to face increasing international competition. Commodities in grain, beef, pork, poultry, dairy and others, are all being produced more and more competitively in South America, Asia, and eastern Europe. Canadian farmers know they cannot be successful, cannot return profit, if they remain static. Their choices: meet this competition head on and compete as low cost producers, or pursue new crops, new technologies, hormone-free beef, free range eggs, organic crops or locally produced foods. Common in both strategies is innovation, research and development and commercialization.

To achieve that success however, Canadian farmers have to be top notch producers, veterinarians, mechanics, food safety experts, environmentalists, marketers, accountants and business people. Though they try, farmers cannot possess all these skills themselves. Canadian farmers need leading edge public research, commercialization strategies for new technologies, market information and access to high quality knowledge extension.

The Liberal Party understands the critical importance of innovation in all Canadian economic sectors including agriculture. Announced in January, 2008, Liberal Leader Stéphane Dion announced the Liberal Party's intent to implement enhancements to Canada's Science, Research and Experimental Development (SR&ED) tax credit that will improve incentives for research in grain and horticulture crop varieties and food manufacturing. But the Task Force knows more must be done.

### Recommendation Twelve

Of all the major issues heard by the Task Force the solution to the innovation agenda is perhaps the most difficult and least addressed. The solutions are complex and diverse. Of the many solutions proposed by leading farmers across the country, the Task Force proposes three recommendations within a Canadian Agricultural Innovation Initiative with:

- ▶ Greater public investments in primary agricultural research and development. However, significant discussion is required to determine appropriate policy direction for how this investment will best be made. Tax credits? Direct investment? Partnerships with universities? Partnerships with agricultural research foundations? Public-private partnerships? A well thought out debate is in order.
- ▶ Much greater focus on commercialization strategies of the outputs of new research, keeping innovation successes in Canada, and creating wealth and jobs. Agriculture can be a tremendous foundation for green, renewable energies such as biomass/biodigestion, bio-fuels, solar, wind, and others, as well as production of renewable materials, health products and others. Canada can be a world leader in this innovation, but again more debate must be had to determine the role of the federal government in how best to facilitate and grow innovation.
- ▶ Commit to working with provincial governments to bolster and significantly improve agronomic and business extension services throughout Canada. This would include practical, relevant extension services for new production techniques, new technologies, business development skills, market analysis, value-chain management, cooperative development, and environmental improvements. If we wish our Canadian producers to be the best, to innovate and create, Canadian producers need the best information, knowledge and skills. The U.S., Canada's largest competitor, understands the fundamental importance of ensuring its farmers are on the cutting edge and expends up to \$5 billion each year on such extension. Canada will only fall farther behind if it does not get smart and enter the race for the future.

## Conclusion

Though tremendous challenges face Canadian agriculture, Canada's rich agricultural history, its people and innovations are a tremendous foundation for future opportunity. What Canada lacks is a vision. In contrast, Canada's greatest competitors in the U.S. and EU have clearly defined their commitment to their farmers and built comprehensive strategies accordingly. Canada has no such plan, no such strategy. Armed with a mish-mash of programs here, regulations there, and agriculture, environment, and health departments here, there and everywhere, Canada has a collage of funding programs with little coordinated strategy.

It must be understood that Canadian farmers are the key components of the agri-food value chain. Primary producers purchase a tremendous amount of agricultural products and services such as fertilizers, crop protection products, seeds, and veterinary products. Farm production supports the transportation industry, processors and retailers, culminating in products that meet the needs of consumers. While primary agriculture is the economic driver of the agri-food industry, farmers are relegated to price takers for input costs and output prices, and are vulnerable, like no other industry, to the forces of market power. While many around them make profit, farmers are continually squeezed of almost all profit and see little gains from their innovation, their productivity gains and hard work.

Only with a comprehensive vision and a strategy that includes leveling the playing field, investing in young farmers, future innovation, and tools that will make agriculture successful, will farmers feel they understand their role in the Canadian economy and Canadians' commitment to ensuring a strong and vibrant Canadian food production system.

It is the opportunity to create a vibrant and uniquely Canadian food system that must drive us. Canadian agriculture can be the foundation for a more sustainable future. Canadian agriculture has great potential for building more sustainable, healthy food systems for Canadian communities, as well as the development of renewable energies, bio-fuels, green renewable materials, and new food health products. As one further step in building this positive, new Liberal vision for agriculture, a vision built in partnership with farmers, the Task Force submits this report with its recommendations.

With this in mind, the Task Force submits one last recommendation that was heard from all farmers across Canada. Farmers said clearly that they have an expectation that their federal representatives will take action. Beyond words, beyond reports, beyond task forces, the Liberal Party must act, because it is partnership, commitment and action that will convince rural Canada to believe in Liberals once again. Only the bold and visionary will succeed in building the future.

## Task Force Chairs



**Wayne Easter** is the federal Liberal Member for Malpeque, Prince Edward Island and the Official Opposition Critic for Agriculture and sits on the House of Commons Standing Committee of Agriculture and Agri-Food. Mr. Easter was first elected in 1993 and in government served as, among other roles, Solicitor General and Parliamentary Secretary to Agriculture and Agri-Food with special emphasis on rural development. Before entering federal politics Mr. Easter served for eleven years as president and CEO of the National Farmers Union.



**Cindy Duncan McMillan** and her family have a cattle farm along the Gatineau River in West Quebec. She was the first Quebec Farmers Association President to sit on the General Council of the Union des producteurs agricoles (UPA). Ms. Duncan McMillan is the Past President of the Comité du bassin versant de la rivière Gatineau and has served as the Outaouais Laurentides representative on the Quebec Beef Federation's Cull Cow Marketing Committee as well as the UPA's representative on the CFA's environment committee. On April 15, Ms. Duncan McMillan was elected to be the federal Liberal candidate for the Quebec riding of Pontiac.

## Farm Organizations Consulted

Canadian Federation of Agriculture  
Newfoundland and Labrador Federation of Agriculture  
PEI Federation of Agriculture  
Nova Scotia Federation of Agriculture  
Agricultural Alliance of New Brunswick  
Union des Producteurs Agricoles  
Ontario Federation of Agriculture  
Keystone Agricultural Producers  
Agricultural Producers Association of Saskatchewan  
Wild Rose Agricultural Producers  
British Columbia Agricultural Council  
Cdn. Egg Marketing Agency  
Chicken Farmers of Canada  
Dairy Farmers of Canada  
Cdn. Hatching Egg Producers  
Cdn. Turkey Marketing Agency  
National Farmer's Union  
Cdn. Cattleman's Association  
Grain Growers of Canada  
Canadian Wheat Board  
Cdn. Horticultural Council  
Cdn. Ornamental Horticultural Council  
Cdn. Organic Federation  
Cdn. Pork Council  
Western Farm Leadership Council  
Canadian Young Farmers Forum  
Pulse Canada  
Cdn. Canola Growers' Association  
Cdn. Sugar Beets Producers  
Ontario-Quebec Grains and Oilseeds Producers Coalition

## Canadian Farmers: Targeted Action for Results

Local Foods Plus

Food Secure Canada

Fédération des producteurs de bovins du Québec

Fédération des producteurs de porc du Québec

Ontario Greenhouse Vegetable Growers

As well, input was received by more than 40 local and county farm and growers' organizations.