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Mr. Wayne Easter, P.C., M.P
Parliamentary Secretary to the Minister of Agriculture and Agri-Food

Ms. Josée Roy
Special Assistant to the Honourable Andy Mitchell, P.C., M.P.
9th Floor, Sir John Carling Building
Ottawa Ontario
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February 11, 2005

Re: Farm Income Consultation Follow Up

Sent via email: royjo@agr.gc.ca

Dear Mr. Easter and Ms. Roy,

I attended the January 22nd, 2005 consultation session held in Guelph on behalf of the Ontario Veal Association (OVA). The OVA certainly appreciated the opportunity to have been involved with this process.

At this time, I would like to submit the attached written comments so that you may be able to take these into consideration, in addition to those expressed at the meetings.

The question of *"how can primary agricultural producers achieve long-term sustainable incomes and derive more benefits from the marketplace"* is indeed a complex issue facing the agricultural industry today. However, it is also a timely question as the entire Canadian agricultural industry is facing record breaking low prices yet production costs continue to increase.

We need to act now with workable solutions and programs to not only avoid a financial disaster for Canada's farm families, but also to ensure that Canada's farms will continue to operate in the future and that Canadians continue to enjoy safe and high quality Canadian produced food.

Yours truly,

Judy Dirksen

Judy Dirksen
President

ONTARIO VEAL ASSOCIATION COMMENTS WITH RESPECT TO THE QUESTION:

"How can primary agricultural producers achieve long term sustainable incomes and derive more benefits from the marketplace?"

There are three immediate issues that we see need to be addressed:

1. Quebec ASRA program and its impact on other provinces
2. Primary agriculture obtaining a fair price for product produced
3. Investigate marketing opportunities that encourage value chain thinking

Quebec ASRA Program and its Impact:

The federal government must truly stand behind the notion that all programs are equal across Canada so that no one province can obtain a competitive advantage, through artificial means, over another province. The Quebec ASRA program must be eliminated.

Ontario veal producers, and other commodities, are facing a continuous battle against the Quebec ASRA program which provides Quebec veal producers with very rich subsidies year after year. This program is funded in part by the Canadian government.

Additional details include:

- Since the inception of the ASRA program for Quebec veal producers in 1980 there has never NOT been a payout to producers
  - What does this say about the state of the industry if producers are continually receiving a payout?
- Even though producers have to contribute a premium to participate in this program the return on the premium is often more than 3:1
  - Quebec veal producers are receiving an average of almost $125 per calf annually through the ASRA program
- It has been proven time and again that subsidy programs only serve to 1) raise the level of production beyond what it could naturally have achieved and 2) drive up the cost of inputs
  - Quebec has been able to aggressively grow their veal production at almost 10% a year while Ontario has been decreasing by 10% thanks in large part to the disparity between Ontario and Quebec producers
  - Quebec producers are not any better at producing a better veal product than Ontario is, however, they do have more money to invest in capital improvements to their operations.
  - Quebec producers also enjoy a return on their labour through the ASRA formula which no other producer in Canada receives
  - ASRA payments are also based on a cost of production model which does not encourage efficiencies or economic rationalization. This has driven up the cost of inputs, more specifically bob calves, to an artificially high level that is usually out of reach for most Ontario veal producers.

Obtaining a Fair Price for Product Produced:

Primary agricultural producers are at the mercy of the ups and downs of unreliable commodity based pricing. No other industry in the world has been subject to such a demeaning way of paying for products produced. Understandably, everything is related to supply and demand. However, agriculture seems to be the only industry that has no control on the price that is paid or offered.

If primary agricultural producers are going to derive more benefits from the marketplace they have to progress towards price setting rather than being price takers. Canada has been fortunate to have an abundance of food for our citizens. Agriculture is the solid foundation from which our country has been built by hard working farm families.

In the veal industry, when our producers sell a veal calf for processing they are paid a price by the packer. This price fluctuates throughout the year. However, when the packer sells the processed veal meat to a retailer, foodservice operator, etc. they build into their price both cost of production and a profit margin. When the retailer sells that veal to a consumer, again cost of production and a profit margin are built into the price. The end result is that what the consumer pays is in no way a direct correlation to what the primary producer has received.

Additional information to consider:

- Ontario veal producers are investing both time and money into providing assurances that they veal that they produce is of the highest quality in terms of food safety, the environment, animal welfare, etc.
  - There is no extra money being paid to the producer for this onerous work. Producers are told it is required in order to maintain access to buyers and markets.
    - At the same time, buyers are importing product from around the world that is produced at standards far below those set by both the Canadian government and the marketplace in Canada.
- Canadian farmers cannot continue to be price takers if we are attempting to solve this financial crisis
  - If the benefits are to be derived from the marketplace perhaps consumers need to pay a food tax that is remitted back to primary producers
    - Consumers need to walk the talk through their wallets
- Canadians are spending less and less of their disposable income on food at the grocery store. Increasingly, more is being spent on restaurant food, entertainment, travel, etc.
  - Disposable income continues to rise in Canada while the equity that has been built up over generations continues to erode at the farm level.
- Canadian farm families must see a future in farming in order for the agricultural industry to remain viable.
  - While many in the industry would say that the “way of life” farming affords is one the greatest benefits, there must be economic incentives for the current and next generation of farmers to consider remaining in the industry.

    - For this reason, Canadian agriculture is facing a crisis of historical proportions.
- The Canadian government provides more money to private business than they do agriculture.
  - For example, there are tremendous amounts of money spent on the automotive sector in order to keep factories open in Canada. Bombardier receives millions in compensation in order to stay in business in Canada and to be able to compete against lower cost providers from around the world.
  - Yet, Canada's primary producer continues to struggle.

Fundamentally, this comes down to a question for Canadian society to consider:

Do we want a cheap food policy that encourages the lowest cost provider or do we want a food policy that encourages safe, accountable production practices sourced from Canadian producers at sustainable prices?

Investigate Market Opportunities that Promote Value Chain Thinking

One of the ways in which primary agriculture can attempt to capture some share of the marketplace is to form value chains with other members of the food chain continuum. The OVA has been involved in two value chains, however, they are very expensive to build and very expensive to maintain.

Additional points to consider:

- Consumer awareness of Canadian produced products must be increased. Increase consumption through increased demand.
  - Often times, Canadian commodity groups do not have any where near the resources they need to be able develop marketing campaigns and promotions that can even begin to rival multi-national brands.
    - Retailers are looking for what financial benefits we can bring them in order for them to carry our product. There are listing fees, promotional incentives, credits, etc. that retailers are used to receiving that the average commodity group involved in a value chain cannot even begin to live up to.
- There are a number of opportunities for export markets to be developed but small organizations like the OVA do not have the financial resources to fund these projects at 100% or even 50%
- New business risk management tools need to be developed for the new reality of the 21^{st} century. How can producers minimize risk?