



**HOUSE OF COMMONS
CANADA**

YOUNG FARMERS: THE FUTURE OF AGRICULTURE

**Report of the Standing Committee on
Agriculture and Agri-Food**

**Larry Miller, MP
Chair**

**NOVEMBER 2010
40th PARLIAMENT, 3rd SESSION**

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THE STANDING COMMITTEE ON AGRICULTURE AND AGRI-FOOD

has the honour to present its

SEVENTH REPORT

Pursuant to its mandate under Standing Order 108(2), the Committee has studied young farmers and the future of farming and has agreed to report the following:

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YOUNG FARMERS: THE FUTURE OF AGRICULTURE

INTRODUCTION

The Canadian farming population is aging: between 1996 and 2006, the average age of farmers increased from 48 to 52. Furthermore, there are fewer and fewer young people to replace retiring farmers. This situation is worrisome as young farmers guarantee the future of agriculture and play a key role in rural economic development. Indeed, many other activities in rural communities depend on the agricultural sector, including milling, hardware, slaughter and transport. Aware of these various issues and interested in determining how the federal government can improve its programs and policies to keep young farmers in the industry, the Standing Committee on Agriculture and Agri-Food (hereinafter referred to as the “Committee”) decided to consult farmers. To this end, the Committee travelled, between April 26 to May 13, 2010, to the four western provinces, Ontario, Quebec and the Maritime provinces. The Committee met with 132 farmers—including young farmers—and provincial farm organizations and visited 18 farms and agriculture related businesses. The Committee also held hearings in Ottawa during which it consulted 17 witnesses.

These hearings and visits allowed the members of the Committee to realize that Canadian young farmers are innovative, market-oriented, enterprising and, because they work in a sector that generally requires high capital investments for relatively low returns, are more than ordinary entrepreneurs. During its tour of Canada, the Committee met a large number of young farmers and found that they have a clear understanding of the challenges they face to enter and prosper in the agriculture sector. The Committee mainly focussed on young farmers’ comments to make its recommendations on general policy directions or specific programs.

The federal government supports young farmers’ organizations such as the Canadian Young Farmers Forum (CYFF) and the Canadian 4-H Council, and offers a number of measures such as the capital gains exemption to facilitate farm succession. The Committee, however, notes that there is no comprehensive federal policy targeting young or new farmers. As one witness pointed out, despite the fact that the title of the main agriculture policy framework in Canada is “Growing Forward,” young farmers are not mentioned in the text of the agreement. This omission could be rectified as the future of agriculture rests on new entrants that can invigorate the industry.

Young farmers also know perfectly well that agriculture faces numerous challenges related to increasing costs of production, reduced margins, trade and marketing issues, and government support. The Committee agrees with their message that the growth of agriculture in this country depends on its profitability. As a young farmer told the Committee:

I don't see many young farmers wanting to get into a business that you have to spend money to make none.¹

The sections in this report follow the three principal themes covered by the witnesses. The first section addresses how farmers have seen agriculture change from a time when hard work was the main factor to make a living to today's environment where advanced management skills and the adoption of new technologies are more and more essential for success. The second section discusses the challenges facing young farmers that want to enter the sector, and the need to provide specific programs to overcome these challenges. The third section looks at the main incentive required to attract new entrants i.e., improving the profitability of agriculture.

The Committee travelled across Canada to meet young farmers during a busy time of the year for agricultural producers. The Committee wishes to thank all the witnesses that took time away from their daily operations to contribute to this study.

1. A CHANGING AGRICULTURAL SECTOR

Any discussion on young farmers and the future of agriculture cannot start without a better understanding of how farmers perceive the changes in agriculture during the last few decades. Urbanization and an aging population, globalization of the economy, and consolidation throughout the agri-food chain have brought fundamental and structural changes at the farm level. More specifically, the need to develop new markets and to comply with consumer demands has required an adaptation of production structure and practices within the agricultural sector. Although this adaptation creates new opportunities, it poses some challenges to agricultural stakeholders, notably young farmers.

Agricultural production is facing an aging farming population. Statistics Canada data indicate that the average age of farmers increased by about four years between 1996 and 2006 (Table 1).

Table 1—Average Age of Farm Operators²

2006	2001	1996
52.0	49.9	48.4

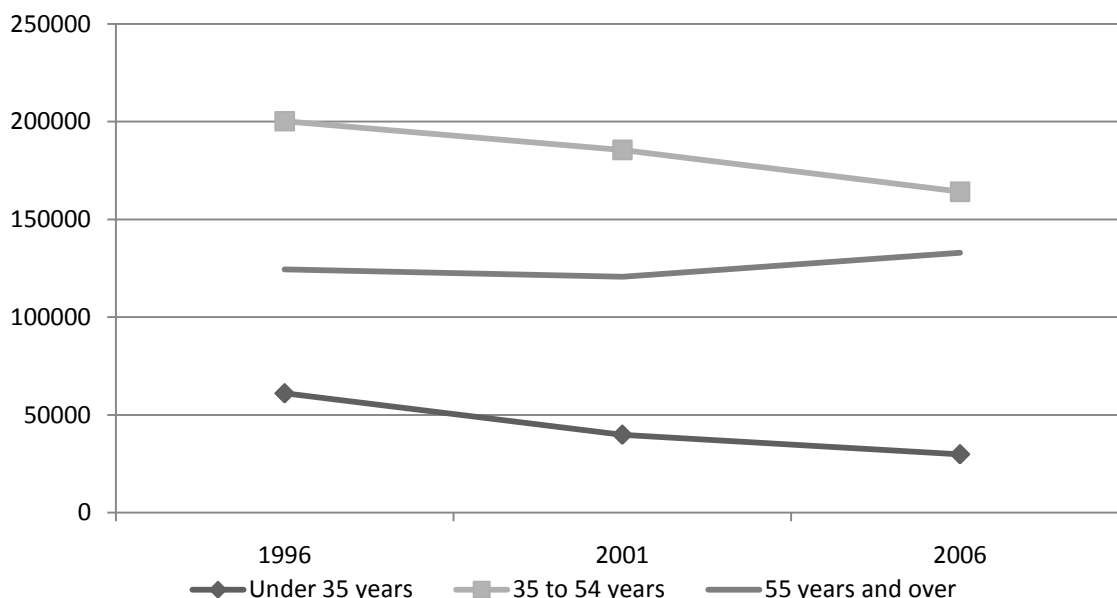
Source: Statistics Canada, Historical Data from the Census of Agriculture, Section 6.

The aging of the population has led to a 14% drop in farmers under 55 and an 11% rise in farmers 55 and over (Figure 1). This means there are fewer and fewer young people to replace retiring farmers.

1 Dylan Jackson, The Committee, *Evidence*, No. 17, 3rd Session, 40th Parliament, Wiarton, Ontario, May 4, 2010, 0850.

2 Statistics Canada defined a farm operator as a person responsible for the day-to-day management decisions made in the operation of a census farm or agricultural operation. Up to three farm operators can be reported per farm.

Figure 1—Change in Number of Farm Operators by Age in Canada



Source: Statistics Canada, Historical Data from the Census of Agriculture, Section 6.

The number of farms dropped by 17% between 1996 and 2006 (i.e., from about 277,000 to 229,000). This decline, coupled with a growth of the production and the adoption of new technologies, increased the size of operations by 20% over the same period (see Appendix A for detailed statistics).³ This rise in farm size is seen as a way to improve farm profitability as, according to some witnesses, it enables farmers to benefit from the advantages of economies of scale.

Farms are growing right now in size because that is what makes them profitable [...] it's the economies of scale that earn us dollars.⁴

It's a game of economies of scale. We all know that. Bigger isn't always better, but it's just something you have to do to pay the bills, we have to get those economies of scale.⁵

However, this concentration of the agricultural sector should not eclipse the importance of maintaining small operations as well.

3 Statistics Canada, Selected Historical Data from the Census of Agriculture, Section 1—A statistical portrait of agriculture, Canada and provinces: census years 1921 to 2006, "Table 1.1".

4 Barb Stefanyshyn, The Committee, *Evidence*, No. 14, 3rd Session, 40th Parliament, Lanigan, Saskatchewan, April 28, 2010, 1310.

5 Brian Lewis, The Committee, *Evidence*, No. 16, 3rd Session, 40th Parliament, Ilderton, Ontario, May 3, 2010, 1330.

There are many smaller successful farms [...]. A lot of them are involved around direct marketing of their own produce, vegetable gardens and so forth, and these people are actually making money farming.⁶

Indeed, small operations, as well as big ones, contribute to the vitality of rural communities. As mentioned by Mr Doug Scott, they also allow young farmers to start out their career.⁷ Furthermore, the presence of older operations with a large amount of capital and their ability to overpay for assets and land can create a barrier to the entrance of young farmers into the agricultural sector.

Witnesses also recognized that economies of scale, the tendency towards concentration, and the need to stay competitive both domestically and internationally are many factors that incite producers to invest in their operations. Thus, agriculture is more and more capital intensive. Producers have to invest in buildings, machinery and other equipments to become more efficient and be able to satisfy consumer demand for low produce prices. Market conditions also contribute to increasing the value of assets such as land and quotas. This can cause some challenges to young farmers as the rise in asset values are not always covered by sufficient income.

On the demand side, consumers have increasingly high expectations with regards to food quality, food safety and environmentally-friendly practices. Meeting these requirements is a challenge for Canadian farmers as they have to adopt new technologies, improve their agricultural practices and comply with standards and regulations. This adjustment implies higher costs of operation that producers are willing to incur. But as farms have become bigger, more capital intensive, and high-tech, agriculture's image in society has not kept up with this reality. Witnesses indicated that they are aware of the growing disconnect between the general population and agriculture: many people do not know where the food they eat comes from or simply do not realize what farming is about.

Because many consumers lack this understanding of agriculture, many producers—mainly farmers from non supply-managed production—deplore the fact that they are not able to obtain higher prices that reflect the increasing costs of production.

People want the best quality for the cheapest price.⁸

I think something that's involving Canada too is the mentality of consumers and their want for cheaper food. I know in other countries that produce a high quality standard of food as we do in Canada as well, they're able to pass it on to their consumers. That's

6 Doug Scott, The Committee, *Evidence*, No. 13, 3rd Session, 40th Parliament, Crossfield, Alberta, April 27, 2010, 0755.

7 Ibid.

8 Joe Bouchard, The Committee, *Evidence*, No. 15, 3rd Session, 40th Parliament, Portage la Prairie, Manitoba, April 29, 2010., 0910

something we need to be able to educate our consumers better on, to show the standards we have in Canada, to pass that on to our consumers.⁹

It causes us to wonder why we continue to strive to produce safe, high quality food for people who don't value or appreciate the importance of local food.¹⁰

According to the witnesses, however, there is a renewed interest from consumers in where and how food is grown. With regard to niche markets, producers are interested in producing certified commodities or developing local food initiatives that will allow them to obtain fair prices from the market.

We've done some market surveys and consumer testing, and certainly understand that there is some very goodwill at the moment for the consumer to be purchasing locally and to be purchasing B.C.¹¹

Although farmers are price takers, and consumer demands result in increased production costs, witnesses indicated that they are aware of the opportunities that these needs might create in terms of green technology and niche markets. Indeed, the production of "alternative energy" is seen as a way to diversify farmers' source of income.

Another alternative in the farming industry that would benefit everyone and the future of the farming industry is green energy. Having another source of income to pay for rising costs in production annually is always beneficial. Methane digesters, wind turbines, solar panels, pressed solids, for example, undigested fibres, are just a few examples.¹²

Witnesses recognized that to compete in a more globalized economy and to take advantage of new opportunities, management skills are essential and new farmers must approach their operations like businesses. Succeeding in the agricultural sector now requires a different skill set than two generations ago and producers are aware of this change:

I'll even take it one step further to my grandfather's time, when whoever worked the hardest got ahead in life. The next one was whoever could find efficiencies would get ahead. In my generation now it's who's willing to adapt to technology, who's willing to look beyond just the meat and potatoes of a grease gun and a wrench that is in your back pocket. Agronomy and growing crops, that's in your back pocket. You can't even play the game unless you have those two. What is setting us apart in profitability is the marketing, the business arrangements, even if it is a multinational—partnerships. It is not being scared to take on the new challenges [...] things from satellite imagery variable rating,

9 Kerry Froese, The Committee, *Evidence*, No. 12, 3rd Session, 40th Parliament, Kelowna, British Columbia, April 26, 2010, 1030.

10 Tim Ansems, The Committee, *Evidence*, No. 21, 3rd Session, 40th Parliament, Wolfville, Nova Scotia, May 12, 2010, 1115.

11 Christine Dendy, The Committee, *Evidence*, No. 12, 3rd Session, 40th Parliament, Kelowna, British Columbia, April 26, 2010, 1125.

12 Karl Von Waldow, The Committee, *Evidence*, No. 20, 3rd Session, 40th Parliament, Sussex, New Brunswick, May 11, 2010, 0900.

which we're doing on our farm, to RTK guidance.¹³ Those are the minor things we're adjusting and those are making the difference now. It's using the computer and using technology to get ahead. The other things are important as heck to be there, but that's to even get in the game.¹⁴

Agriculture has all it takes to be a motivating and interesting career choice because it requires entrepreneurial and management skills, the use of state-of-the-art knowledge and technologies to grow products, because it provides a unique lifestyle, and because of the rewarding feeling of feeding the world.

2. YOUNG FARMERS IN AGRICULTURE

(A) Definition of a Young Farmer

In spite of the existence of a federal organization for young farmers, namely the CYFF and its members scattered across the country, there is no unique definition of a young farmer. Evidence indicates that the definition of a young farmer varies according to provinces and stakeholders' perceptions. In its testimony, the CYFF defined a young farmer as being under the age of 40 (namely between the ages of 18 and 40),¹⁵ while for the Fédération de la relève agricole du Québec (FRAQ) a young farmer varies between 16 and 35 years of age¹⁶. In Prince Edward Island, the Young Farmers' Association indicated that its membership is comprised of young farmers aged from 17 to 30 years. Some stakeholders also have their own opinions on this matter.

[...] I say farmers under 35 should be classified as young farmers and that is where the bar needs to be set.¹⁷

In addition to the difficulty in identifying the age bracket of young farmers, the CYFF and the FRAQ agreed that there is a lack of information on the number, the locations, the size, the scope and the type of young farmers' operations. According to these organizations, it is important first to know how those farms are structured, what their characteristics are before developing any tools, initiatives or programs targeting young farmers.¹⁸ Therefore,

13 RTK (real time kinematics) is a guidance system that requires a satellite GPS signal plus a second signal from a fixed point on earth, usually a transmission tower, to correct errors and achieve a higher level of accuracy.

14 Brad Hanmer, The Committee, *Evidence*, No. 14, 3rd Session, 40th Parliament, Lanigan, Saskatchewan, April 28, 2010, 1600.

15 Rod Scarlett, The Committee, *Evidence*, No. 13, 3rd Session, 40th Parliament, Crossfield, Alberta, April 27, 2010, 1000.

16 <http://www.fraq.qc.ca/frag/frag.html>, May 21, 2010.

17 Carter Bezan, The Committee, *Evidence*, No. 14, 3rd Session, 40th Parliament, Lanigan, Saskatchewan, April 28, 2010, 1500.

18 Rod Scarlett, The Committee, *Evidence*, No. 13, 3rd Session, 40th Parliament, Crossfield, Alberta, April 27, 2010, 1000, and Frédéric Marcoux, The Committee, *Evidence*, No. 19, 3rd Session, 40th Parliament, Québec, Québec, May 10, 2010, 0855.

Recommendation 2.1

The Committee recommends that Statistics Canada add as promptly as possible questions in the Census of Agriculture questionnaire that will enable the establishment of a profile of young farmers in Canada.

Several witnesses underlined the importance of young farmers in the development of agriculture and the development of rural communities. Indeed, young farmers guarantee the future of agriculture as they are necessary to replace the increasing number of retiring farmers. They also contribute to the economic vitality of rural communities as many activities and services are involved with the agricultural sector. It is therefore important that they remain involved in agricultural activities.

The average farmer today is 60 years of age. If no one in the younger generations can take their place, everyone will have to pay more for the food they eat and it will mean a loss of jobs in the other branches that deal with agriculture in general.¹⁹

Except for certain sectors, young farmers revealed to the Committee that the farming profession cannot ensure a good standard of living as agriculture is not always profitable.

I think that if there was a return, that a lot of people would probably think it was a good occupation or an interesting occupation and be inclined to pursue it. I think that they probably would.²⁰

In conclusion, the best way to keep young farmers in the industry is to make it profitable. Farming is a lifestyle, not just an occupation, but, at the end of the day, you still need to make money. We do not expect our health professionals to work for free, and we cannot expect the producers of our food to do so either.²¹

Young farmers aren't going to invest millions of dollars in something they don't know is going to produce a return. So supply management provides that to them and it gives them stability.²²

In their testimony, young farmers showed their love for farming; they appreciate the lifestyle. Nevertheless, this passion alone is not sufficient to convince them to set up in agriculture. They consider it first and foremost as a business that must be profitable. They are therefore willing to tap into market opportunities even if there are challenges that need to be overcome.

19 Grant Caswell, The Committee, *Evidence*, No. 17, 3rd Session, 40th Parliament, Wiarton, Ontario, May 4, 2010, 1040.

20 Dylan Jackson, The Committee, *Evidence*, No. 17, 3rd Session, 40th Parliament, Wiarton, Ontario, May 4, 2010, 0950.

21 Geneve Newcombe, The Committee, *Evidence*, No. 21, 3rd Session, 40th Parliament, Wolfville, Nova Scotia, May 12, 2010, 1040.

22 Kerry Froese, The Committee, *Evidence*, No. 12, 3rd Session, 40th Parliament, Kelowna, British Columbia, April 26, 2010, 1030.

(B) Challenges and Opportunities for Young Farmers in Agriculture

a. Access to funding and farm transfer

Most witnesses revealed they need loans to improve the economic viability of their farms through investments in technical support, land and infrastructure. Others need loans to set up in agriculture via farm acquisition. However, young farmers are facing some difficulty in obtaining financing from financial institutions because young farmers do not have enough assets to secure their loans.

Farm Credit Canada, which has been established for many years to help farmers, when I went to them about interest rates and mortgage loans, told me that they couldn't help young farmers because they didn't have the background or the assets, which is part of the security, but being in the business they're in, they need to help the young farmers, because the old farmers won't be around that much longer.²³

There is a federal program intended to facilitate young farmers' access to credit—the *Canadian Agricultural Loans Act* program (CALA). This program is a financial loan guarantee program. Farmers, including “beginning farmers” can use the loans to establish, to improve and to develop farms. According to some testimony, loans under CALA are not accessible as the program is not sufficiently flexible. Furthermore, some young farmers find it difficult to comply with certain of the program's criteria.

Under CALA, beginning farmers are defined as farmers who intend to be or have been engaged in farming in Canada for less than six years. Some young farmers indicated that they have more than six years of experience in farming and, therefore, were not eligible for the program even if they were considered to be young farmers.

To be classified as a beginning farmer by Farm Credit Canada or the *Canadian Agriculture Loans Act*, you must have less than six years of farming experience. So by the lending institutions and government standards, I would be classified an old farmer at the age of 25.²⁴

Implementing this six-year limit could financially penalize young farmers who want to become established farmers but have more than six years of farming experience. It has been suggested that an age bracket, in lieu of the criterion of six years of farming experience, be set in order to properly consider young farmers. Therefore,

Recommendation 2.2

The Committee recommends that Agriculture and Agri-Food Canada review the eligibility criteria of the *Canadian Agricultural Loans Act*,

23 Greg Ardiel, The Committee, *Evidence*, No. 17, 3rd Session, 40th Parliament, Warton, Ontario, May 4, 2010, 0900.

24 Carter Bezan, The Committee, *Evidence*, No. 14, 3rd Session, 40th Parliament, Lanigan, Saskatchewan, April 28, 2010, 1500.

including the six year of farming experience limit, in order to take into consideration the age of applicants.

Another limit of the program that was mentioned by young farmers is the security loan criterion. The CALA requires financial institutions to take a security interest in accordance with normal lending practices.²⁵ Providing this security is difficult for young farmers that are starting out in the sector, do not have assets and have tuition debts (for those who graduated from academic institutions). Also, some of them have to lease land as this asset is too expensive to be purchased but this practice is detrimental to them. Indeed, lending institutions do not consider leased land as a valuable asset.

[Accessing financing] I did have to come up with capital for infrastructure and start-up expenses. Because I didn't own the land, even though I had a 99-year renewable lease on that land, which is as secure as ownership, no financial institution and no government program would recognize that as equity for securing a loan.²⁶

Given the financial challenges that the CALA poses to young farmers, some of them consider that the program was designed for large operations that have enough capital to be eligible. They would like to see funding programs intended for small operations. In this regard, they presented some programs available at the provincial level that could be implemented at the federal level.

In Saskatchewan, the Livestock Loan Guarantee (LLG) program provides producers with alternative financing options to purchase livestock, or to construct or to expand feedlot facilities. Some producers also use the program as a management tool to generate cash flow. Credit access is at competitive interest rates, and livestock and assurance fund deposit of producers' association serve as loan security. Eligible applicants are at least 18 years of age. The Government of Saskatchewan guarantees 25% of the outstanding amount on loans at the time of a first default. In the case of a default after all inventory has been disposed of, the association repays loans from the assurance fund before any payment is made under the government guarantee.²⁷

A program structured similar to the Saskatchewan Livestock Loan Guarantee Program [guarantee] might allow young farmers to purchase land or equipment at lower interest rates with a lower down payment. The Saskatchewan Livestock Loan Guarantee Program is the only reason I have grown my cow herd to its current size. It has allowed me to continue growing my cow herd when the banks in this country would not even look at my applications.²⁸

25 <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1257339202666&lang=eng#s7>, May 25, 2010

26 Cammie Harbottle, The Committee, *Evidence*, No. 21, 3rd Session, 40th Parliament, Wolfville, Nova Scotia, May 12, 2010, 0945.

27 <http://www.agriculture.gov.sk.ca/Default.aspx?DN=3b562dcc-041c-4de5-8343-0163ad4272e5>, May 25, 2010.

28 Carter Bezan, The Committee, *Evidence*, No. 14, 3rd Session, 40th Parliament, Lanigan, Saskatchewan, April 28, 2010, 1500.

In Quebec, the Financière agricole du Québec, which is a crown agency, manages the Financial Support program for Aspiring Farmers. The purpose of this program is to assist young farmers in setting up and encourage them to acquire adequate training. More specifically, the program subsidizes the start-up and establishment of agricultural businesses. It also provides young farmers with protection against rising interest rates. Eligibility criteria are based, in particular, on age (18 to 40 years), recognized training and ownership of at least a 20% share in the business.²⁹

We could have lower interest rates for new entrants. There is currently a commitment from the Financière agricole du Québec, but could we not see lower rates supported by Agriculture and Agri-Food Canada? That could be significant, because starting up an agricultural farm, whether it is dairy or other, requires a considerable amount of money. Lower interest rates could make a difference.³⁰

Other provinces such as Alberta, Manitoba and Nova Scotia also offer programs that include interest rate rebates, which the federal government could use as models for creating such programs.

There are different funding support models across Canada for new entrants to farming. Alberta, Manitoba, and Nova Scotia have crown financial credit agencies attached to the ministry of agriculture that lend to farmers at reduced rates.³¹

Given that these programs mentioned by stakeholders have achieved positive outcomes,

Recommendation 2.3

The Committee recommends that Agriculture and Agri-Food Canada improve the *Canadian Agricultural Loans Act* or create new programs by adding tools similar to those available in provincial programs, such as interest rate rebates, in order to improve access to credit for new farmers.

It is worth noting that in addition to government programs, there are also some industry-run initiatives designed to encourage young farmers to acquire assets through loans. These programs were mostly implemented in supply-managed commodities to facilitate quota ownership. For example, in 2006 in Quebec, the Fédération des producteurs d'œufs de consommation du Québec launched the Programme d'aide au démarrage de nouveaux producteurs d'œufs de consommation. This program targets new non-family farmers. They must hold at least 60% of the share of the business and possess a degree in agriculture or management. Eligible applicants must be between 18 to 40 years of age.

29 <http://www.fadq.qc.ca/index.php?id=8&L=1>, May 25, 2010.

30 Richard Lehoux, The Committee, *Evidence*, No. 19, 3rd Session, 40th Parliament, Québec, Québec, May 10, 2010, 1110.

31 Ajay Thakker, The Committee, *Evidence*, No. 14, 3rd Session, 40th Parliament, Lanigan, Saskatchewan, April 28, 2010, 1515.

The producers who have taken advantage of this program have settled in various regions in Quebec—Chaudière-Appalaches, Saguenay-Lac-Saint-Jean, Pontiac, Lanaudière and the Eastern Townships.³²

The Fédération des producteurs de lait du Québec, through the Programme d'aide à la relève en production laitière, offers five kilograms per day of butterfat quota through a loan spread out over 10 years. The farmer must hold at least 50% of the shares of the business to be eligible. In addition, the applicant must be between 18 and 35 years of age and possess a degree in agriculture.

In Québec and Ontario, dairy farmers associations lend 12 kilograms per day of butterfat quota. This loan enables young farmers to start off a dairy farm with 25 to 30 cows. The program should be available in Nova Scotia in August 2010.

When it is difficult for young farmers to access government and industry funding programs, many have to rely on their families to finance their establishments, especially for family-run businesses.

[...] it takes a very significant amount of shares in farming in order to get a return. Therefore, the current generation almost always finances the transfer of farms to the next generation. Whether we are talking about the grains sector, supply management or any other sector, the price of land, quotas, shares do not allow the purchaser to fully finance the acquisition through the bank. It is the current generation that finances the next generation.³³

However, accessing funding through this channel can still be difficult for young farmers. Indeed, for the majority of retiring producers, income derived from farm and land sales is the farmers' retirement pensions.

The sale of a farm has to provide for the seller's retirement and cover any existing debts the business has.³⁴

As agricultural asset values are high, retiring farmers are reluctant to sell their farms below market prices, and young farmers do not have enough equity to acquire these assets. In that context, parents often prefer to break-up their farm in order to sell or transfer parts of it to their children or to others.

We have never struck a deal because the reality of trying to purchase a dairy farm is that break-up value of the farm is greater than the business's ability to cash flow.³⁵

32 Philippe Olivier, The Committee, *Evidence*, No. 19, 3rd Session, 40th Parliament, Québec, Québec, May 10, 2010, 0905.

33 Marcel Groleau, The Committee, *Evidence*, No. 19, 3rd Session, 40th Parliament, Québec, Québec, May 10, 2010, 1000.

34 Erica Versteeg, The Committee, *Evidence*, No. 21, 3rd Session, 40th Parliament, Wolfville, Nova Scotia, May 12, 2010, 0920.

35 Ibid.

Farm dismantling is an obstacle to the establishment of young farmers in agriculture, but the needs of retiring farmers to obtain the best income from their farm sales is understandable. To avoid such a dilemma, the Fédération de la relève agricole du Québec suggested that a farm transfer savings plan be designed. This plan would encourage producers to invest in a pension plan in conjunction with governments. The fund would be available to retiring producers only if they transfer their farms to the next generation.

Given that this suggested program might not only facilitate young farmers to set up in agriculture, but might also ensure a reasonable pension to retiring producers,

Recommendation 2.4

The Committee recommends that Agriculture and Agri-Food Canada conduct an analysis of how the farm transfer savings plan recommended by the Fédération de la relève agricole du Québec could be designed and implemented, and that Agriculture and Agri-Food Canada report the outcome of this analysis to the Committee within three months.

Some witnesses also highlighted the importance of farm succession planning and intergenerational communication as a key step of this process.

As one generation looks to exit agriculture, we look for ways to encourage another to enter and succession planning is critical.³⁶

[...] we're trying to equip our young farmers with the ability to go back and talk to mom or dad or grandfather or grandmother about the challenges that exist in succession, and in day-to-day management.³⁷

In order to learn how to communicate with their relatives, some young farmers admitted that participation in workshops or training sessions was helpful. They were able to share their experiences and learn some techniques aiming at facilitating discussion with older generations on succession planning. They would also like to see retiring farmers attending these sessions in order to increase their awareness of farm succession planning.

Tax incentives exist at the federal level to ease farm transfers between generations. Provisions within the *Income Tax Act* such as Capital Gains Exemption enable intergenerational transfers, whether before or at the time of death of the farm owner, with lower tax consequences. Some witnesses felt that the amount eligible under the current Capital Gains Exemption could be increased, while other witnesses encouraged the fortification of other intergenerational transfer models to make the transition easier for the

36 Michael Latimer, The Committee, *Evidence*, No. 13, 3rd Session, 40th Parliament, Crossfield, Alberta, April 27, 2010, 0930.

37 Cedric MacLeod, The Committee, *Evidence*, No. 20, 3rd Session, 40th Parliament, Sussex, New Brunswick, May 11, 2010, 0920.

next generation of farmers. In addition, given the fact that not all intergenerational transfers are directed to the children of farmers, the Committee was urged to look at creating opportunities of intergenerational transfers to other related and non related people.

One witness criticized the fact that market value is considered for the calculation of capital gains rather than the economic value of the farm property.

[Farm transfer], but there is also the problem of the economic value of the business as opposed to its market value. People are taxed on the market value, but the true price of the business should be based more on its capacity to generate money. That is where the business transfer becomes a problem.³⁸

Some would like to see the capital gains deduction limit increased while others do not think that is necessary.

Increasing the capital gains exemption when selling the business to children could make a huge difference.³⁹

The capital gain exemption greatly assists in inter-generational transfers. I think from time to time there is a lobby to have that increased. I don't feel that it needs to be increased. A husband and wife get \$1.5 million; my own personal opinion is that it shouldn't be used as a tax shelter, and I think it's quite adequate where it is.⁴⁰

Most of the programs target young farmers from farming families. However, it is important to also consider young farmers who are not from the farming sector and are interested in acquiring farms. In this regard, the Government of Quebec has recently designed a program aiming at facilitating farm transfer to young farmers who have no relatives in agriculture. According to some witnesses, this program should be implemented at a federal level.

One thing I would strongly encourage you, as the Standing Committee, to keep an eye on is the *capital patient* program that's coming out in Quebec through the work of the FRAQ. If this does come out and work the way they expect it to, this is something we should be looking at on a national level.⁴¹

b. Young farmers and education

Although some witnesses mentioned that the current generation is more educated than older generations, the majority admits that young farmers need to be better educated. Acquiring planning, financial, and risk management tools and management practices could

38 Frédéric Marcoux, The Committee, *Evidence*, No. 19, 3rd Session, 40th Parliament, Québec, Québec, May 10, 2010, 0950.

39 Richard Lehoux, The Committee, *Evidence*, No. 19, 3rd Session, 40th Parliament, Québec, Québec, May 10, 2010, 1110.

40 Wayne Ferris, The Committee, *Evidence*, No. 17, 3rd Session, 40th Parliament, Warton, Ontario, May 4, 2010, 0915.

41 Joe Dickenson, The Committee, *Evidence*, No. 16, 3rd Session, 40th Parliament, Ilderton, Ontario, May 3, 2010, 1345.

improve the efficiency of farms, contribute to reducing farmer debt and provide opportunities to create value-added products.

I think there's far too many producers who don't pay enough attention, not only to their operation but to their costs and to their banking. I don't think there's enough out there that do know their costs.⁴²

It is important to keep farmers educated and up to date with current processes and technological developments. This is what creates efficiencies and more opportunities for us on the farm.⁴³

Witnesses pointed out that producers, instead of isolating themselves, should have a collaborative approach. They need to work together in order to share information, to learn from each other and to work towards a common goal. They need to compare their technical and economic data in order to pinpoint problems that need to be resolved.

Mentorship is also seen as a valuable activity whereby young farmers or new entrants can learn from experienced farmers. The latter can thus pass on their know-how, advise young farmers on day-to-day farming activities and provide moral support. This activity, according to witness testimony, is all the more useful since it allows new entrants who have not been raised on a farm to acquire enough knowledge to operate their farms efficiently.

Industry stakeholders have undertaken some actions aimed at providing farmers with best management practices. For example, the CYFF offers best management practice sessions where participants can share information and carry out economic benchmarking. In Ontario, FarmStart—a not-for-profit organization—offers the New Farms Incubator Program where young farmers benefit from business planning support, technical training and mentorship.⁴⁴ The British Columbia Young Farmers' Association holds activities such as business-training workshops, development planning and industry networking. However, these types of initiatives are not spread across the country. For this reason, young farmers would like to have more support from governments in order to augment this type of service. They would also like federal programs related to young farmer training to be restored.

There used to be more government extension workers in our area and I miss them. Some of them were quite helpful. The dairy nutritionist was particularly helpful any time you ran into trouble with cattle.⁴⁵

42 Corey MacQuarrie, The Committee, *Evidence*, No. 20, 3rd Session, 40th Parliament, Sussex, New Brunswick, May 11, 2010, 1145.

43 Becky Perry, The Committee, *Evidence*, No. 20, 3rd Session, 40th Parliament, Sussex, New Brunswick, May 11, 2010, 0910.

44 <http://www.farmstart.ca/programs/new-farms-incubator-program/>, May 27, 2010.

45 Bob Woods, The Committee, *Evidence*, No. 20, 3rd Session, 40th Parliament, Sussex, New Brunswick, May 11, 2010, 1050.

Our recommendations to aid young and future farmers are as follows: [...] Government assistance for young farmers to take the training and development needed to run profitable business like the CASS (Canadian Agricultural Skills Services) program which was also available under APF.⁴⁶

Some concerns regarding a possible reduction of federal government contributions were expressed. Some organizations that are involved in agricultural extension services benefit from these contributions.

I am dismayed somewhat that at this point in time there is a question with respect to renewed funding for the Canadian Farm Business Management Council. In terms of business trade that is one of the key resources in Canada, in terms of extension materials. I'm hoping that the federal government can step up to the plate and do something there.⁴⁷

c. Public awareness and “buy local” initiatives

One of the barriers to the entry of young farmers in the agricultural sector that was regularly mentioned was the disconnect between citizens and farmers.

There are still people in the city and in urban areas who do believe that we can't produce chocolate milk because our cows are all white.⁴⁸

This disconnect can result in frustration that weaken relationships between citizens and farmers especially in rural areas. Indeed, an increasing number of urban residents seeking rest and nature settle in rural areas but are not willing to bear smell and noise from farming practices. According to some witnesses, this behaviour would be corrected if the public was better informed of agricultural practices. It is therefore necessary to educate consumers and increase their awareness of agricultural activities. Some organizations (e.g., the Canadian 4-H Council) carry out activities such as conferences or on-farm activities to encourage young people from both rural and urban areas to choose careers in the agricultural sector.

Some young farmers suggested the introduction of agricultural and/or food science courses in school curricula. These courses could be compulsory like English or Mathematics courses and could be completed with on-farm tours.

46 Alberta Ag Business Consultants, Brief to the House of Commons Committee on Agriculture and Agri-Food, May 20, 2010.

47 Keith Duhaime, The Committee, *Evidence*, No. 12, 3rd Session, 40th Parliament, Kelowna, British, April 26, 2010, 1055.

48 Becky Perry, The Committee, *Evidence*, No. 20, 3rd Session, 40th Parliament, Sussex, New Brunswick, May 11, 2010, 0955.

If you can expose young people to agriculture so that they understand the industry, I think that would be really important [...] It needs to be a key component of primary education, elementary education right through to the high school level.⁴⁹

Farmers also should open their doors to the general public, showing their daily practices and their efforts that go into making a quality product. Whether it be tours of the operation, open farm days once a year, school field trips, all of these will educate the present and future adults.⁵⁰

The Canadian 4-H Council also suggested that industry stakeholders, in partnership with the federal government, establish new methods of communication using electronic platforms in order to efficiently reach young people and increase their awareness of farming activities and agricultural careers.

The Committee recognizes that access to agricultural courses in school programs would allow youth to be aware of farming activities and practices and could also foster youth involvement in agriculture. Therefore,

Recommendation 2.5

The Committee recommends that Agriculture and Agri-Food Canada offer to cooperate with the provinces, notably through the Council of Ministers of Education, Canada, in order to consider the possibility of including agricultural courses or introducing agricultural issues into existing programs or courses.

In addition to public education, it is important that a positive image of agriculture be promoted. The agricultural sector produces high quality food and contributes to the economic growth of the country.

There needs to be a solid recognition of the contribution that agriculture makes to our overall economy, to rebuilding suffering rural communities, to fulfilling the demands of local food by your urban voters, the huge financial contribution to export markets, and the substantial economic ripple effect of food-related industry.⁵¹

This positive image could not only attract young people but could also encourage local food consumption. Local food purchase is perceived as a way to improve the agricultural sector's profitability hence the development of "buy local" and "buy Canadian" initiatives by producers. Movements such as the 100-mile diet and Buy Local New Brunswick have emerged across the country. Witnesses also highlighted the importance of promoting farmer markets and of developing advertising campaigns and labels in order to increase public interest and therefore sales.

49 Chan Wiseman, The Committee, *Evidence*, No. 23, 3rd Session, 40th Parliament, Ottawa, May 26, 2010, 1615.

50 Karl Von Waldow, The Committee, *Evidence*, No. 20, 3rd Session, 40th Parliament, Sussex, New Brunswick, May 11, 2010, 0900.

51 Margo Staniforth, The Committee, *Evidence*, No. 13, 3rd Session, 40th Parliament, Crossfield, Alberta, April 27, 2010, 0825.

We need these buy-local campaigns to identify those kinds of attributes but also to be able to identify local products in grocery stores.⁵²

We've done some market surveys and consumer testing and certainly understand that there is very good will at the moment for the consumer to be purchasing locally [local purchase], but they don't know what they're buying. It's a problem when the labelling isn't there.⁵³

The local markets are a great idea, [...], but we're in the commodity market. We're going large scale. How much room is there for these little markets? Until we get this labelling thing under control, to prove that a product was grown and raised and produced in Canada, and put that in the large-scale chains, Loblaws and other large grocery stores, we're never going to make it.⁵⁴

The federal government could also play a key role in local food promotion by drawing inspiration from provincial campaigns such as Select Nova Scotia⁵⁵ which was launched by the Nova Scotia Ministry of Agriculture, Fisheries and Aquaculture.

Recommendation 2.6

The Committee recommends that Agriculture and Agri-Food Canada, in collaboration with industry stakeholders and the provinces, encourage “buy local—buy Canadian” campaigns in order to promote local food consumption across the country. The Committee also recommends that Agriculture and Agri-Food Canada launch a national campaign to promote the benefits that agriculture provides to Canada and Canadians.

3. A PROFITABLE AGRICULTURAL SECTOR

Witnesses indicated almost unanimously that lack of returns in the agricultural sector is the main reason why young people do not choose farming as a career or why established farmers often discourage their children to carry on and take over their farms. It is therefore not a surprise that discussions inevitably revolved around the profitability of the agricultural sector. If one thing can attract young and new farmers, it is the ability of agriculture to provide a fair return on investment and an adequate living for the families that work on the land.

52 Madeleine Van Roechoudt, The Committee, *Evidence*, No. 12, 3rd Session, 40th Parliament, Kelowna, British Columbia, April 26, 2010, 0805.

53 Christine Dendy, The Committee, *Evidence*, No. 12, 3rd Session, 40th Parliament, Kelowna, British Columbia, April 26, 2010, 1125.

54 Nathan Phinney, The Committee, *Evidence*, No. 20, 3rd Session, 40th Parliament, Sussex, New Brunswick, May 11, 2010, 1040.

55 <http://www.selectnovascotia.ca/>, May 27, 2010.

I love our farm and I love our history. I enjoy breeding the best cattle we can and I enjoy feeding, calving, weaning, and marketing. But I do not enjoy the frustration of having a superior product that is worth less than it costs to raise it.⁵⁶

[...] How do we make farming profitable? Everything else is irrelevant. You can have all these wonderful programs, all these wonderful supports but if farming isn't profitable, it's not sustainable.⁵⁷

Farm income has steadily decreased in the past four decades due to a combination of increasing production costs and prices that have not followed inflation. The factors behind this cost-price squeeze are well known, although witnesses usually disagree on which are the most prominent ones. Some structural factors are:

- increased competition from low-cost producing countries and from heavily subsidized farmers;
- the lack of market power to negotiate with highly concentrated input suppliers, services providers, processors and retailers, which makes farmers price takers; and
- consumer and societal demands that increase production costs without providing premiums (health and safety regulations, Environmental Farm Plans, On Farm Food Safety Systems, etc.).

Those factors are regularly aggravated by economic and cyclical circumstances such as export market closures or technical barriers to trade, dumping, regional or worldwide overproduction, energy prices, exchange rates, and diseases or weather-related events.

As indicated earlier in this report, farmers have adapted to these situations and for many of them it has meant expanding the size of the farm, whereas others have invested individually or collectively in processing ventures, converted to low input agriculture like organic farming, found niche markets, or diversified into green energy. The Committee visited several farms during its travel around Canada and was encouraged to see so many innovative people, who believed in the future of agriculture. Nevertheless, despite positive signs, for many farmers that appeared before the Committee, making a fair living remains a struggle.

Many of the challenges and solutions put forward by the witnesses were addressed in the recent Committee report entitled *Competitiveness of Canadian Agriculture*.⁵⁸ The report was tabled in May 2010 at the same time the Committee was touring the country.

56 Wyatt Hanson, The Committee, *Evidence*, No. 13, 3rd Session, 40th Parliament, Crossfield, Alberta, April 27, 2010, 0830.

57 David Machial, The Committee, *Evidence*, No. 12, 3rd Session, 40th Parliament, Kelowna, British Columbia, April 26, 2010, 0820.

58 House of Commons, Standing Committee on Agriculture and Agri-Food, *Competitiveness of Canadian Agriculture*, Third Report, 3rd Session, 40th Parliament, May 2010.

As witnesses did not have the opportunity to react to the Committee's recommendations made in that report, particularly those on market development, competition law, research, and regulations that are key areas for action to improve the profitability of Canadian agriculture, some of the witness testimony was on these issues. This section will focus mostly on issues that were not dealt with in the *Competitiveness of Canadian Agriculture* report.

(A) National Agricultural Policy

Some witnesses told the Committee that the current situation of the farming population is the result of a "cheap food policy". The Committee wishes to clarify that there has never been a specific "cheap food policy" in this country; policies over the years have tried to help farms adapt and react to the market place; ultimately, the producers' share of the food dollar has eroded because of pressures from buyers (processors, retailers, etc.) and consumers, that are both looking for better prices. The Committee is aware that the consumers' tendency to choose the cheapest product is a challenge that the agriculture sector needs to overcome.

Several witnesses have asked that Canada develop a long-term national food policy with a goal of providing a return for its farmers and safe and healthy food for Canadians. The idea of a Canadian agricultural or food policy is not new, and the Agricultural Policy Framework (APF) and its successor, *Growing Forward*, are generally steps in that direction.

What should be included in this policy has been discussed during the hearings. Some witnesses suggested that it should be targeted at food sovereignty, whereas for others, the first priority should be ensuring the stability of returns to farmers. Several witnesses wanted to put the preference on encouraging innovation rather than on income support. Some witnesses suggested clarifying and separating the role of each level of government—for example, the province would be responsible for business risk management programs and income stabilisation; while the federal government's focus would be on research, health and safety regulations, and market expansion. There were many different opinions and no real consensus, a characteristic of the agricultural sector as indicated by Mr. Jamie Robson:

We had ten people together in a room this morning, and everybody had a different opinion on what government should do. I think that, unfortunately, is how things have gone probably for a long time.⁵⁹

This lack of consensus prompted some witnesses to suggest that it should be the agricultural community's responsibility to bring all interests together and develop a long-term national food strategy. Indeed, given the diversification of the industry into non-food agricultural products, it may be called a national food/farm gate strategy. After

59 Jamie Robson, The Committee, *Evidence*, No. 16, 3rd Session, 40th Parliament, Ilderton, Ontario, May 3, 2010, 1350.

defining goals and a process to achieve them, the agriculture and agri-food industry stakeholders should work with both federal and provincial governments to implement it.

As to whether this policy should encourage a specific model of agriculture such as an emphasis on small farms or family farms, witnesses were divided. The definition of “family farm” was discussed at a few meetings, and there was a consensus among witnesses that a family farm can be large or small, have hired help or not, but that the owner and his/her family must work on the farm and be the main decision makers. There was no clear consensus on the need to limit farm size. During its travel, the Committee saw that many different models of agriculture can work and that their success depends on the specific economic environment: for example it may be easier for a small farm to thrive close to a populated area where direct marketing is a possibility, however, not all farms have good access to niche markets. Furthermore, large farms may be better equipped to enter commodity markets. Canadian agricultural land is large and diverse and many types of agriculture are possible.

Many witnesses, however, pointed out it is often harder for small farms, and by extent young farmers, to access programs. For example, Mr. Jean Lecours told the Committee that while programs and financing to encourage specialty products and direct marketing are becoming more and more available, as a business adviser he still encourages new entrants to sell, at least partially, into commodity markets because of the security they provide.

The Committee already recommended in 2007 that the vision for the next generation of agriculture and agri-food policy must place more emphasis on farmers and on primary agricultural production, and it wishes to reiterate this here. The Committee also agrees with the idea that farmers must be the ones deciding the directions of this policy, and that programs should encourage all types of agriculture and business models equally.

(B) Business Risk Management Programs

Business Risk management programs, and more generally income support programs, were a hot topic during the discussions in Committee. Witnesses were unanimous that farmers need to be profitable first and that government programs are a backup. Farmers want to make their living from the marketplace, but, as Mr. Layton Bezan pointed out:

It seems ironic that since the start of government programs such as GRIP in the late seventies, early eighties, we have unfortunately depended upon those subsidies more and more.⁶⁰

60 Layton Bezan, The Committee, *Evidence*, No. 14, 3rd Session, 40th Parliament, Lanigan, Saskatchewan, April 28, 2010, 1520.

Opinions were mixed on the type of support the government should provide: while some witnesses only saw the need for a program like Agri-insurance with very little additional support, others preferred more comprehensive programs to ensure the stability of farm income. The following paragraphs summarize the testimonies on this topic.

Many different ideas were put forward by witnesses regarding the current suite of business risk management programs. Regarding AgriStability, some comments were not new to the Committee: its whole farm approach works rather well for specialized farms but penalizes diversified farms; and the program provides very limited assistance to any industry, like the livestock industry currently, that is experiencing a continuous decline in margins or several bad years in a row. To make it more responsive to the livestock industry, some witnesses suggested eliminating the viability test and changing the way reference margins are calculated by using the best three years of the past five years rather than the Olympic average. Witnesses also complained that the program is not simple and its delivery is not timely—several witnesses were still waiting for their 2008 application to be processed, and as a result it is difficult to go negotiate with the bank with an assurance that the AgriStability payment will be received in time. The Committee was also told that some operations such as incorporated farms are treated differently, which adds delay to the processing of applications. Overall, the long delays to issue payments make the program less responsive for industries that are in crisis. The delay of payment, in some contexts, creates unexpected tax consequences. Witnesses were split on the issue of program caps; some witnesses wanted to impose or lower caps for AgriStability to limit the eligibility of large farms and leave money for new and/or smaller farms, while others opposed caps because they would penalize too many producers.

What was CAIS is now AgriStability. It's the same idea, roughly, but it still doesn't work for my operation. Anyone who grows average to above average crops and is diversified will almost never get a payment.⁶¹

[...]; provide the highest reference margin by using the calculation either on a five-year Olympic or previous three-year average reference period; increase negative margin coverage from 60% to 70%; and give greater consideration to business risk management programming, based on the cost of production rather than margin-based coverage.⁶²

AgriInvest was seen by many witnesses as a good program, similar to the old Net Income Stabilisation Account (NISA) program. They liked its flexibility and some witnesses would like to see the government expand it. Other witnesses saw it as not being very effective for larger farms because of the fixed cap and would rather see a cap based on reference margins so that larger farms are able to cover their first 15% decline in margin that the program is supposed to cover.

61 Alan Brecka, The Committee, *Evidence*, No. 13, 3rd Session, 40th Parliament, Crossfield, Alberta, April 27, 2010, 0945.

62 Mike Nabuurs, The Committee, *Evidence*, No. 22, 3rd Session, 40th Parliament, Stanley Bridge, Prince Edward Island, May 13, 2010, 0920.

AgrilInvest is a very good program as well, but it's not overly effective for large farms right now. With the cap in place at \$22,000, it's a little bit too low.⁶³ AgrilInsurance was considered by witnesses to be another important program for farmers; many witnesses suggested that it is the most important government program. The program is targeted mostly at field crops, although it has been recently expanded in certain provinces to cover losses by predators in some animal production. Many witnesses indicated that they would like to see this program made available to the livestock industry. In some provinces, discussions are under way to develop a livestock insurance program for beef producers. Some livestock producers proposed that the government look at a cattle price insurance program similar to the insurance program for livestock available in Alberta. This program provides protection against a drop in cattle prices over a defined time period and is financed by producers' premiums.

That's why we feel that a targeted program, an insurance program, whereby we can insure, for a premium [...] similar to crop insurance, so that we know how much we'll be able to end up with for our product in the fall when we sell it, so that we can cashflow our business.⁶⁴

On insurance programs for cattle producers, there have been promises to have something similar to crop insurance developed for the livestock industry since the APF started in 2003. To date, nothing substantial has happened in that area. There needs to be an effective, affordable form of price and basis insurance for cattle producers across Canada.⁶⁵ These three programs (AgriStability, AgrilInvest, and AgrilInsurance) were seen by some witnesses as working better for established rather than young or new farmers. There was a consensus among witnesses that the programs should be better adapted to meet the needs of new farmers. Some witnesses have suggested changing the reference margin calculation for new farmers in AgriStability: this program uses regional averages because new farm operations do not have their own reference margins. Other proposed using the better regional margins rather than the average. One witness also suggested limiting full government assistance to the first five years of a farm and decreasing that support over the years.

Maybe a solution is that we start decreasing the subsidies. Have them in place [...] for the first five years for those who need them to get their feet on the ground. Drop it down as the farmers get older in years and more established.⁶⁶ For AgrilInsurance, young farmers also have to use regional average yields for their coverage because they do not have historical data. Therefore, it can take up to 10 years for the program to take their own individual yields into consideration. According to a witness, most of the top producers—

63 Stuart Person, The Committee, *Evidence*, No. 14, 3rd Session, 40th Parliament, Lanigan, Saskatchewan, April 28, 2010, 1255.

64 Ryan Thompson, The Committee, *Evidence*, No. 14, 3rd Session, 40th Parliament, Lanigan, Saskatchewan, April 28, 2010, 1355.

65 Steve Eby, The Committee, *Evidence*, No. 17, 3rd Session, 40th Parliament, Wiarton, Ontario, May 4, 2010, 1040.

66 Barb Stefanyshyn-Cote, The Committee, *Evidence*, No. 14, 3rd Session, 40th Parliament, Lanigan, Saskatchewan, April 28, 2010, 1315.

and the young farmers tend to be in that category—are producing about 50% above the regional average. It was suggested to change the formula to allow new farmers to build their average more quickly. Other witnesses suggested that AgrilInsurance be modified to guarantee the costs of production for the first few years of activity of a new farmer. For AgrilInvest, one witness proposed that the government pay for the producer share during the first few years after setting up the farm, that the government contribution be increased.

The Committee is aware that changes to these three programs would require the agreement of the provinces, and it encourages the federal government to engage in discussions with them to implement some of these proposed modifications.

Recommendation 3.1

The Committee recommends that Agriculture and Agri-Food Canada, in cooperation with the provinces, make changes to AgriStability, AgrilInvest, and AgrilInsurance to specifically make them more responsive to agricultural industries in crisis and to better meet the needs of young and new farmers. The Committee also recommends that Agriculture and Agri-Food Canada, along with its provincial counterparts, expand AgrilInsurance to the livestock sector and that the design and protection provided for this sector could be similar to the cattle price insurance program in Alberta.

The government has put in place a number of measures and programs to address the crisis in the hog industry. Some hog producers who appeared before the Committee shared their experience and views on these programs. For example, the Committee was told that very few farmers applied to the Hog Industry Loan Loss Reserve Program (HILLRP) since it was difficult for them to show the required profitability in order to access credit. Overall, witnesses were concerned about accessibility to the programs.

Several witnesses supported a different approach than the current BRM programs. There was a lot of support for a program to cover the costs of production, although some witnesses believed it to be unrealistic and others cautioned that such a program has a tendency to interfere with normal market signals. Other witnesses suggested a low floor price for all commodities.

Witnesses also indicated that national programs are not designed to address the strong regional differences in agriculture. Since a one size fits all approach does not work, there should be more regional flexibility regarding income support programs. It was recommended that the government allow the financing of provincial BRM programs with the Agricultural Flexibility Fund (AgriFlexibility). On the other hand, several witnesses shared the concern that they have to compete against farmers from provinces that are more generous and provide more support to their producers. The Committee is nevertheless aware that it is not the federal government's responsibility to offset the imbalances created by provincial programs.

Finally, supply management is one form of government policy to mitigate risks coming from agricultural markets. This policy was praised for the stability it gives to dairy,

chicken, egg and turkey producers. Those farmers are able to predict their revenue, which is an asset for making business plans and negotiating with financial institutions. While there is not much support from producers to expand supply management to commodities like beef or pork that are largely exported, the idea came up a number of times. For example, the Committee was told that more and more apple producers are talking about supply management and that it is gaining support in provinces like British Columbia.

(C) Research and Innovation

In its *Competitiveness of Canadian Agriculture* report, the Committee made the case that public research is one of the best areas for the government to invest in for the future of agriculture. Testimony heard during the hearings reinforced the Committee's opinion. The Committee visited the Ontario Agricultural College at the University of Guelph and toured the AAFC Atlantic Food and Horticulture research centre in Kentville, Nova Scotia, and was impressed by the quality of the research undertaken in these institutions; but as in other areas, there are challenges.

Some witnesses mentioned the Auditor General of Canada's report tabled in April 2010. Chapter 5 of this report addresses scientific research carried out at AAFC and brings up similar concerns that witnesses shared with the Committee. In particular, the report identified problems with the renewal of research staff and buildings and equipment used for public agricultural research. The Auditor General also indicated that 70% of research projects had adjustments made to the original proposals, mostly budget reductions and staffing changes.

Because private research tends to focus more and more on a limited number of markets, witnesses stressed the importance of public research to improve farm productivity, and to better serve certain types of production, such as organic agriculture. Witnesses also stressed the importance of local and regional research. A few fruit producers from British Columbia and Nova Scotia, who appeared before the Committee, linked the profitability of their operations with easy access to their local research facility (namely AAFC Pacific Agri-Food Research Centre and Atlantic Food and Horticulture Research Centre) and the fact they can take local and regional characteristics into consideration. Some would like to see a "Cereals Centre of Excellence" in Manitoba to ensure that the eastern part of the prairies has adapted crop varieties. Farmers' feelings about research were best summarized by one witness:

[Research] must be regional, it must be multidisciplinary, and it must relate to primary production research. It must be targeted at the grower, at the producer level. Without it, we're going to go out of business.⁶⁷

Several witnesses also put forward the recommendation from the Farmers for Investment in Agriculture coalition, which brings together 100,000 Canadian grain farmers from across the country. This coalition has asked that public agricultural research

67 Dela Erinth, Executive Director, Nova Scotia Fruit Growers' Association, The Committee, *Evidence*, No. 21, 3rd Session, 40th Parliament, Wolfville, Nova Scotia, May 12, 2010, 1120.

investments be restored to 1994 levels in constant dollars. In concrete terms, this would mean an additional yearly budget of \$28 million for the next 10 years. The coalition believes this is a realistic goal in relation to the kinds of investments made in public agricultural research about 15 years ago.

Recommendation 3.2

The Committee recommends that Agriculture and Agri-Food Canada (AAFC) provide an action plan that will describe how the department will implement the recommendations set out in Chapter 5 of the Auditor General of Canada report tabled in April 2010, and specifically how regional research will be integrated in its Science and Innovation Strategy. The Committee also recommends that AAFC provide a formal response to the Committee on the Farmers for Investment in Agriculture coalition proposal to restore the AAFC research budget to 1994 levels in constant dollars.

Application of innovation on farms is a perennial issue, and the Committee recommended in its *Competitiveness of Canadian Agriculture* report that the government develop, with the provinces, a national commercialization expansion program to facilitate the movement of innovation from the research stage through to commercialization. Nevertheless, the adoption of new technologies sometimes requires a more comprehensive set of policies.

For example, the production of green energy on farms has enormous potential for both the environment and primary agriculture production. Biodigesters, wind turbines, solar panels, pressed solids are just a few examples of renewable energy that can be produced on farms. Furthermore, farmers are aware of the role that agriculture could play in this area.

I think that some environmental problems could be solved with agriculture, whether in terms of energy production, recovery, composting, etc.⁶⁸

Green energies represent an additional source of income and a way to reduce the production costs. The Committee had firsthand experience when it visited a dairy farm in Ontario that produces four kilowatts of energy per day and per cow with a biodigester that converts manure into energy, a cleaner fertilizer and animal bedding. Other witnesses touched on their individual or collective endeavours to produce energy with solar panels or wind turbine. The Committee also visited Pound-Maker facilities in Saskatchewan, another example of how agriculture production can be integrated with the production of energy—in this case an ethanol plant and a feedlot operation.

68 Marcel Groleau, The Committee, *Evidence*, No. 19, 3rd Session, 40th Parliament, Québec, Québec, May 10, 2010, 1020.

Despite its huge potential, many witnesses told the Committee that the production of energy on farms will not take off without an energy policy or adequate support. As one witness indicated:

The challenge we find is that when you go without a solid renewable energy [...] like a feed-in tariff policy. The economics are so marginal, the banks don't want to touch it. FCC barely wants to touch it. Then we're into programs. We're going to go and apply to NRCan or Agriculture Canada: it's a special project, it's a demonstration project. Well, you can only do so many demonstration projects. Without a broad-based policy mechanism to allow us to integrate, all you get is one-off projects.⁶⁹

The Committee heard that Germany has a solid renewable energy policy: one of its targets is that agricultural biogas will supply 17% of the energy in 2020. Some provinces are trying to encourage the production of renewable energy on the farm but in some cases they do not support all types of energy equally: in Ontario for example, electricity produced from agricultural biogas does not receive the same feed-in tariffs as solar or wind energy. One witness mentioned that the federal government had a program to provide a top-up of one cent per kilowatt of renewable energy. But the program did not include a lot of on-farm systems since only facilities producing at least one megawatt were eligible. Also, as farmers face competition from large companies that are better equipped and have easier access to capital, some of them are pooling their efforts in order to alleviate financial risks and to have an economically viable structure.

Many witnesses supported the idea of a program to assist the production of renewable energy from agricultural products and by-products. The program would either provide an incentive per kilowatt or help with financing and raising capital to start up the projects.

Recommendation 3.3

The Committee recommends that Agriculture and Agri-Food Canada, in consultation with stakeholders, set a goal to make the agricultural sector a major provider of energy by 2020 and work with the provinces to implement a program to assist the production of renewable energy from agricultural products and by-products.

(D) A Fair Marketplace

As indicated before, most topics in this section were addressed in the Committee's report *Competitiveness of Canadian Agriculture*. The following paragraphs briefly summarize the issues.

69 Cedric MacLeod, Executive Director, New Brunswick Young Farmers Forum, The Committee, *Evidence*, No. 20, 3rd Session, 40th Parliament, Sussex, New Brunswick, May 11, 2010, 0935.

a. Trade

Witnesses recognized that market development plays a key role in the profitability of agriculture. As an exporting nation, the need to gain or expand access to foreign markets is important to farmers. Many witnesses made the case that expanding export opportunities is vital to their industry, although some witnesses claimed that export markets did not bring their intended benefits and may have been the reason for decreased competition in the Canadian agri-food sector. Nevertheless, all witnesses recognized that, as a country, Canada may need to put more emphasis on promoting Canadian and local products in Canada and overseas, and for that matter, farmers must compete in an environment with fairer trade rules.

For example, apple producers told the Committee that the country of origin labelling rules for fresh fruits and vegetables are not properly enforced. Therefore, Canadian producers that are growing premium apples have no means of differentiating their products from imported apples from low-cost producing countries. Apple producers in British Columbia also mentioned cases of dumping from Washington State, one of the largest apple producers in the world, when this region experiences a surplus.

Recommendation 3.4

The Committee recommends that Agriculture and Agri-Food Canada undertake a thorough analysis of the impact of the North American Free Trade Agreement (NAFTA) on the agricultural industry and report back to the Committee.

The vast majority of witnesses also questioned the rationale for importing products grown or raised with pesticides or drugs that are not approved for use in Canada. The Committee specifically recommended in its *Competitiveness of Canadian Agriculture* report that the government undertake a study of the level to which imported agricultural products do not meet the same standards required of Canadian producers, and provide recommendations that could be implemented to resolve this matter.

Recommendation 3.5

The Committee reiterates that the government look into the level to which imported agricultural products do not meet the same standards required of Canadian producers and recommends that the government takes the necessary steps to implement motion M-460.

Regarding export markets, some witnesses asked for adequate and timely government action to make sure Canadian producers have access to the same opportunities as their foreign competitors. For example, the Committee met a group of *cattle producers, who are trying to sell hormone-free beef in the European market*. The Canadian Food Inspection Agency (CFIA) has approved a slaughterhouse that would slaughter and ship this beef to the European Union (EU). However, the United States currently has better access to the European market and a different tariff structure for hormone-free beef—in response to the World Trade Organisation (WTO) dispute over the

use of growth-promoting hormones in cattle, the United States has negotiated a 20,000 tonne duty-free quota for the shipment of hormone-free beef to the EU, and this quota will gradually increase to 100,000 tonnes over the next several years. As a result, U.S. producers receive a bigger premium, and Canadian producers may not be able to access the market. The Committee also heard that Australia reacted quickly to meet the EU's requirement and was able to obtain access to a portion of the 20,000 tonnes tariff-free quota using their most favoured nation status. The Committee believes that it is imperative that the government respond quickly to these challenges.

Discussions about trade and market opportunities inevitably moved towards the role of the Canadian Wheat Board (CWB). Unsurprisingly, testimonies were split on this issue. Witnesses stated that the CWB prevents their wheat and barley production to be profitable; consequently they gradually give up the production of grains under CWB mandate. They criticized the CWB's lack of transparency regarding prices, and indicated that there is little accountability when market signals sent by the CWB are off the mark and cause overproduction. Some witnesses also disapproved of the Board, which is supposed to be a producer organization, being dependent on the federal government. This dependence could be harmful to the interests of producers. Other witnesses supported the CWB monopoly because of the market power it provides to producers. They were adamant that its current structure and democratic process allow producers to decide what they want to do with the CWB. They also questioned the CWB's ability to be a significant player in the world market if farmers were given the choice to market their product on their own or through the CWB.

b. Competition

Many see concentration and the lack of competition in the agri-food chain as the main culprit behind declining farm income. While this opinion is not shared by everyone in the agriculture community, the vast majority of witnesses agree that farmers do not have the same market power to negotiate and compete with a reduced number of input suppliers, processors, and retailers.

As a result, the farmer's share of a dollar spent at the grocery store has been decreasing,

A former director of Canadian Cattlemen's went through the prices. [...] They priced out a calf who leaves our ranch around 600 pounds. By the time he hits the grocery store shelf, he's worth \$3,080. [...] the cow-calf producer gets \$590 of that \$3,080. [...] the retail cut is 55% [...] of that \$3,080. And that share has been increasing continuously. [...] It's just an untenable situation to have that kind of money when people are telling you that beef is expensive. People do study after study, and they say, well, the demand is low. But the demand is low because someone's taking too much money off the table, and it ain't us.⁷⁰

70 Ian Hutcheon, Member, Board of Directors, Southern Interior Stockmen's Association, British Columbia Cattlemen's Association, The Committee, *Evidence*, No. 12, 3rd Session, 40th Parliament, Kelowna, British Columbia, April 26, 2010, 0835.

We are getting such a small share of the food dollar. Through Keystone Agricultural Producers, we did a project called Farmers' Share on what percentage of the food dollar goes back to the farm gate for one week for a farm family. From 2008 to 2009, the cost of groceries went up by 3.2%. Farmers received 1.7% less than they did in the previous year. The customer paid \$6.01 more per week. Farmers got 86¢ less per week. And the middleman got \$6.87 more. For our grain products, we got about 5% on bread, and on oatmeal the farmers' share was 2%.⁷¹

In addition to this situation, witnesses were very concerned and complained that the Competition Bureau and the *Competition Act* do not have the power to ensure adequate competition throughout the sector. The Committee was also told that competition laws in the United States have more powers to break monopolies.

We actually had some direct experience with the Competition Bureau. Three years ago, we had Pricewaterhouse do a study on competition in fertilizer pricing, back and forth, between Manitoba prices and North Dakota prices. We found a 60% difference, which was in the wrong direction, obviously.[...] We tried to get the Competition Bureau interested in this. They basically told us that the only way they would get involved would be if we could find someone on the inside who was prepared to testify that there was collusion. We provided them with lots of external information. [...] they were not prepared to take action unless we basically did it all for them, handed it to them, and said, "Okay, here you go."⁷²

The Committee made several recommendations to address the lack of competition in the agri-food chain in its *Competitiveness of Canadian Agriculture* report and takes note of the government's response, however,

Recommendation 3.6

The Committee recommends that, with the view that monopolies have been detrimental to Canadian farmers, the government look into other models, including the U.S. model, that deal with competition and that allow the government to exert more power to break up, or otherwise manage, monopolies in the agricultural industry.

c. Regulations

The issue of regulations was regularly addressed during the hearings. Generally, regulations impose additional costs to farmers without giving them the opportunity to obtain a premium, although they may have some benefits like opening export markets. In general, witnesses saw regulations as a burden; one witness even indicated that too many regulations were the reason why her daughter would not take over the farm.

71 Kyle Foster, The Committee, *Evidence*, No. 15, 3rd Session, 40th Parliament, Portage La Prairie, Manitoba, April 29, 2010, 0845.

72 Ian Wishart, President, Keystone Agricultural Producers, The Committee, *Evidence*, No. 15, 3rd Session, 40th Parliament, Portage La Prairie, Manitoba, April 29, 2010, 1055.

More specifically, witnesses addressed the regulations on the disposal of specified risk material (SRM) in the cattle industry and the impact it has on Canadian slaughterhouses. Farmers are also concerned that certain regulations prevent them from timely access to new technologies. Witnesses told the Committee they do not have the same access to pesticides and drugs as their main competitors. The non harmonization of sanitary and phytosanitary regulations among countries is putting Canadian agriculture at a disadvantage. These topics have been on the Committee's agenda for many years. Although some progress has been made, notably through programs to register minor use pesticides, the Canadian regulatory regime is still failing to provide Canadian farmers with the latest available tools.

Recommendation 3.7

The Committee recommends that the Canadian Food Inspection Agency and the Pest Management Regulatory Agency continue harmonization efforts with the United States and other countries to reduce the competitive disadvantages faced by the Canadian agri-food sector and to ensure that Canadian farmers have timely access to the latest technologies, including veterinary drugs and pest management products.

CONCLUSION

Despite an aging farming population, agriculture has a lot to offer to young people as a career choice. The Committee recognizes there are many challenges: the high capital requirements and low returns have made entry into agriculture more difficult and less attractive to young people. Because of agriculture's image in society, most young people who want to farm feel they do not receive a lot of support from their peers, parents or educators. But as Canadians talk increasingly about food sovereignty, local food production, or potential food crises, they must realize that our country needs new entrants in the agricultural sector to produce food in Canada.

Most of the Committee's recommendations deal with programs and solutions to alleviate some of the barriers to entry into agriculture such as high costs, succession planning, and education. The Committee recognizes that profitability levels are the main reason why someone will or will not invest in agriculture. Therefore, other recommendations are intended to help improve agriculture's profitability at the level of the individual farm. The extent and duration of the study did not allow the Committee to address all issues and solutions to make agriculture financially more attractive, but the Committee's report *Competitiveness of Canadian Agriculture* tabled during the course of this study on young farmers, complements this study.

LIST OF RECOMMENDATIONS

Recommendation 2.1

The Committee recommends that Statistics Canada add as promptly as possible questions in the Census of Agriculture questionnaire that will enable the establishment of a profile of young farmers in Canada.

Recommendation 2.2

The Committee recommends that Agriculture and Agri-Food Canada review the eligibility criteria of the *Canadian Agricultural Loans Act*, including the six year of farming experience limit, in order to take into consideration the age of applicants.

Recommendation 2.3

The Committee recommends that Agriculture and Agri-Food Canada improve the *Canadian Agricultural Loans Act* or create new programs by adding tools similar to those available in provincial programs, such as interest rate rebates, in order to improve access to credit for new farmers.

Recommendation 2.4

The Committee recommends that Agriculture and Agri-Food Canada conduct an analysis of how the farm transfer savings plan recommended by the Fédération de la relève agricole du Québec could be designed and implemented, and that Agriculture and Agri-Food Canada report the outcome of this analysis to the Committee within three months.

Recommendation 2.5

The Committee recommends that Agriculture and Agri-Food Canada offer to cooperate with the provinces, notably through the Council of Ministers of Education, Canada, in order to consider the possibility of including agricultural courses or introducing agricultural issues into existing programs or courses.

Recommendation 2.6

The Committee recommends that Agriculture and Agri-Food Canada, in collaboration with industry stakeholders and the provinces, encourage “buy local—buy Canadian” campaigns in order to promote local food consumption across the country. The Committee also recommends that Agriculture and Agri-Food Canada launch a national campaign to promote the benefits that agriculture provides to Canada and Canadians.

Recommendation 3.1

The Committee recommends that Agriculture and Agri-Food Canada, in cooperation with the provinces, make changes to AgriStability, AgriInvest, and AgriInsurance to specifically make them more responsive to agricultural industries in crisis and to better meet the needs of young and new farmers. The Committee also recommends that Agriculture and Agri-Food Canada, along with its provincial counterparts, expand AgriInsurance to the livestock sector and that the design and protection provided for this sector could be similar to the cattle price insurance program in Alberta.

Recommendation 3.2

The Committee recommends that Agriculture and Agri-Food Canada (AAFC) provide an action plan that will describe how the department will implement the recommendations set out in Chapter 5 of the Auditor General of Canada report tabled in April 2010, and specifically how regional research will be integrated in its Science and Innovation Strategy. The Committee also recommends that AAFC provide a formal response to the Committee on the Farmers for Investment in Agriculture coalition proposal to restore the AAFC research budget to 1994 levels in constant dollars.

Recommendation 3.3

The Committee recommends that Agriculture and Agri-Food Canada, in consultation with stakeholders, set a goal to make the agricultural sector a major provider of energy by 2020 and work with the provinces to implement a program to assist the production of renewable energy from agricultural products and by-products.

Recommendation 3.4

The Committee recommends that Agriculture and Agri-Food Canada undertake a thorough analysis of the impact of the North American Free Trade Agreement (NAFTA) on the agricultural industry and report back to the Committee.

Recommendation 3.5

The Committee reiterates that the government look into the level to which imported agricultural products do not meet the same standards required of Canadian producers and recommends that the government takes the necessary steps to implement motion M-460.

Recommendation 3.6

The Committee recommends that, with the view that monopolies have been detrimental to Canadian farmers, the government look into other

models, including the U.S. model, that deal with competition and that allow the government to exert more power to break up, or otherwise manage, monopolies in the agricultural industry.

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The Committee recommends that the Canadian Food Inspection Agency and the Pest Management Regulatory Agency continue harmonization efforts with the United States and other countries to reduce the competitive disadvantages faced by the Canadian agri-food sector and to ensure that Canadian farmers have timely access to the latest technologies, including veterinary drugs and pest management products.

APPENDIX A: STATISTICS ON FARMS AND FARM OPERATORS

Table 2—Average Area per Farm in Acres (Hectares*)

2006	2001	1996
728 (295)	676 (273)	608 (246)

Source: Statistics Canada, Historical Data from the Census of Agriculture, Section 1.

* Data in brackets are in hectares

Table 3—Number of Farms

2006	2001	1996
229,373	246,923	276,548

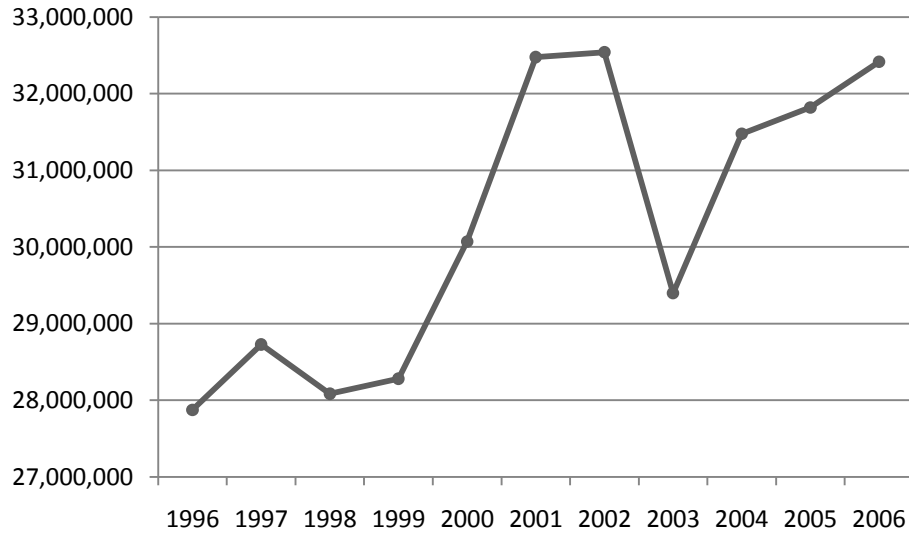
Source: Statistics Canada, Historical Data from the Census of Agriculture, Section 1.

Table 4—Number of Farm Operators

2006	2001	1996
327,055	346,190	385,605

Source: Statistics Canada, Historical Data from the Census of Agriculture, Section 6.

Figure 2—Annual Farm Cash Receipts (dollars x1,000)*



Source: Statistics Canada, Farm Cash Receipts, Table 002-0001.

* Values do not include direct payments from governments. The receipts of supply-managed commodities are taken into account.

APPENDIX B LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
Canadian Bankers Association Jon Curran, Manager Agriculture Credit Products, TD Canada Trust Bob Funk, Vice-President and Director Agricultural Services, Scotiabank Bertrand Montel, Senior Advisor Agribusiness and Agrifood Sector, National Bank of Canada Gwen Paddock, National Manager Agriculture and Agribusiness, RBC Royal Bank of Canada David Rinneard, National Manager Agriculture, BMO Bank of Montreal Darryl Worsley, Director Agriculture Segment Business Banking, CIBC Marion Wrobel, Director Market and Regulatory Developments	2010/04/21	11
As individuals Clarence DeBoer David Dobernigg Nick Kiran David Machial Dan Van Keulen Madeleine Van Roechoudt	2010/04/26	12
BC Potato & Vegetable Growers Association Robert Butler, Executive Director		
BC Young Farmers Association Ravi Cheema, Chair Kerry Froese		
British Columbia Agriculture Council Christine Dendy, Executive Member		
British Columbia Cattlemen's Association Ian Hutcheon, Member, Board of Directors Southern Interior Stockmen's Association		

Organizations and Individuals	Date	Meeting
British Columbia Fruit Growers' Association Joe Sardinha, President	2010/04/26	12
Central Okanagan Economic Development Commission Keith Duhaime, Agricultural Support Officer		
Kettle River Stockmen's Association Doug Fossen, Director		
As individuals Alan Brecka Brian Buckman Gordon Butler Darcy Davis Wyatt Hanson Ken Larsen Michael Latimer Margo Staniforth Darrell Stokes	2010/04/27	13
Canadian Young Farmers' Forum Rod Scarlett, General Manager		
National Farmers Union Doug Scott, Director National Executive, Alberta		
Northlands Paul Lucas, Director of Agriculture and Food		
Wild Rose Agricultural Producers Lee Townsend, Director		
As individuals Carter Bezan Layton Bezan Dixie Green Brad Hanmer George Hickie Stuart Person Jason Ranger Kalissa Regier	2010/04/28	14

Organizations and Individuals	Date	Meeting
As individuals	2010/04/28	14
Ed Sagan		
Colin Schulhauser		
Barb Stefanyshyn-Cote		
Ryan Thompson		
Rodney Voldeng		
Agricultural Producers Association of Saskatchewan		
Ajay Thakker, Communications Consultant		
As individuals	2010/04/29	15
Drew Baker		
Larry Black		
Joe Bouchard		
Kyle Foster		
Luke Lelond		
Ian Robson		
Katharine Storey		
Beverly Stow		
Fred Tait		
Keystone Agricultural Producers		
Ian Wishart, President		
Manitoba Rural Adaptation Council		
Gwen Donohoe, Youth Director		
Ted Eastley, Executive Director		
As individuals	2010/05/03	16
Hugh Aerts		
Joe Dickenson		
Marie-Anne Hendrixx		
Brian Lewis		
Adam Robson		
Jamie Robson		
Steve Twynstra		
Cedarline Greenhouses		
Greg Devries, Owner		
As individuals	2010/05/04	17
Grant Caswell		

Organizations and Individuals	Date	Meeting
As individuals	2010/05/04	17
Gayl Creutzberg, Training and Resources Coordinator		
Steve Eby		
Wayne Ferris		
Douglas Hayes		
Dylan Jackson		
Keith Kirk		
Harry Koelen		
Leony Koelen		
Canadian Forage & Grassland Association		
Ray Robertson, Vice-Chairman		
Dairy Farmers of Ontario		
Bruce Saunders, Chair		
Grassroots Organics and Saugeen Speciality Grains		
Sean McGivern		
Canadian 4-H Council	2010/05/05	18
Ashley Knapton		
Ken Lancaster, Communications and Marketing Manager		
Gillian MacDougall, Vice-President		
Youth Advisory Committee		
Mike Nowosad, Chief Executive Officer		
As individuals	2010/05/10	19
Rémy Laterreur		
Jean Lecours		
Richard Lehoux		
Laeticia Létourneau		
Benoit Turgeon		
Fédération de la relève agricole du Québec		
Magali Delomier, Director General		
Frédéric Marcoux, President		
Fédération des producteurs d'oeufs de consommation du Québec		
Sylvain Lapierre, Table Egg Producer		
Philippe Olivier, Communications Officer		

Organizations and Individuals	Date	Meeting
Fédération des producteurs de cultures commerciales du Québec Luc Belzile, Manager Research and Communication William Van Tassel, First Vice-President	2010/05/10	19
Fédération des producteurs de lait du Québec Marcel Groleau, Chairman		
Sirporc Inc. Réjean Leblanc		
As individuals Jim Boyd Aaron Howe Corey MacQuarrie Scott McDonald Becky Perry Nathan Phinney Karl Von Waldow Bob Woods	2010/05/11	20
Agricultural Alliance of New Brunswick Richard VanOord		
Atlantic Grains Council Robert Godbout, Director Monique McTiernan, Executive Director		
Canadian Young Farmers' Forum Jonathan Stockall		
New Brunswick Young Farmers Forum Cedric MacLeod, Executive Director		
As individuals Tim Ansems Patricia Bishop Danny Davison Peter Elderkin Cammie Harbottle Curtis Moxsom Mark Sawler	2010/05/12	21

Organizations and Individuals	Date	Meeting
As individuals Erica Versteeg Nova Scotia Egg Producers Geneve Newcombe Nova Scotia Fruit Growers' Association Brian Boates, Past President Dela Erith, Executive Director Nova Scotia Young Farmers Forum Phillip Keddy, Western Director Two Sails Farm Torin Buzek	2010/05/12	21
As individuals Trent Cousins Mathieu Gallant Allan Holmes Raymond Loo Gerard Mol Matthew Ramsay Morgan Smallman Atlantic Veterinary College, University of Prince Edward Island Dr. Tim Ogilvie, Professor and Past Dean National Farmers Union Randall Affleck, Maritimes Coordinator (P.E.I.) Sally Bernard, Youth District Director Prince Edward Island Cattle Producers Rinnie Bradley, Executive Director Brian Morrison, Secretary-Treasurer Prince Edward Island Federation of Agriculture Ernie Mutch, President Mike Nabuurs, Executive Director Prince Edward Island Young Farmers' Association Patrick Dunphy, Vice-President Maria Smith, President	2010/05/13	22

Organizations and Individuals	Date	Meeting
As an individual Jill Harvie, Rancher	2010/05/26	23
Canadian Cattlemen's Association Travis Toews, President		
Manitoba Cattle Producers Association Jay Fox, President		
Newfoundland and Labrador Federation of Agriculture Eugene Legge, President		
Newfoundland and Labrador Young Farmers' Forum Chan Wiseman, Vice-President		
As individuals Cherilyn Nagel David Nagel Matt Sawyer	2010/05/31	24
Alberta Ag Business Consultants Art Lange, Farm Financial Consultant Owen Nelsen, Farm Financial Consultant		

APPENDIX C LIST OF BRIEFS

Organizations and individuals

Alberta Ag Business Consultants

Bezan, Carter

British Columbia Agriculture Council

British Columbia Fruit Growers' Association

Canadian Bankers Association

Canadian Soybean Council

Central Okanagan Economic Development Commission

Chittka, Karl

Dairy Farmers of Canada

DeBoer, Clarence

Energrow Inc.

Fédération des producteurs d'oeufs de consommation du Québec

Fédération des producteurs de cultures commerciales du Québec

Ferris, Wayne

Foster, Kyle

Grassroots Organics and Saugeen Speciality Grains

Lecours, Jean

Manitoba Rural Adaptation Council

Melnyk, Mandy

National Cattle Feeders's Association

National Farmers Union

Newfoundland and Labrador Young Farmers' Forum

Organizations and individuals

Nova Scotia Fruit Growers' Association

Person, Stuart

Ramsay, Matthew

Sirporc Inc.

Stokes, Darrell

Storey, Katharine

Turgeon, Benoit

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant Minutes of Proceedings ([40th Parliament, 3rd Session: Meetings Nos. 1 to 24, 27, 28, 29, 34 and 35](#)) is tabled.

Respectfully submitted,

Larry Miller, MP
Chair

**FUTURE OF FARMING: SUPPLEMENTARY REPORT BY
CONSERVATIVE PARTY OF CANADA MEMBER OF THE
STANDING COMMITTEE OF AGRICULTURE AND AGRI-FOOD**

1. The Conservative members on the Standing Committee of Agriculture and Agri-Food (SCAAF) are pleased to submit a supplementary opinion to the report *Young Farmers: The Future of Agriculture*. This supplementary report is submitted in order to highlight areas where the main report has omitted or erred.

2. Before commencing with the supplementary report, Conservative members would like to thank each of the witnesses that came before committee to present evidence. The time and effort they dedicated to our study has provided all Committee members and Parliamentarians with greater understanding and insight into the issues affecting the future of farming.

1. Getting Started: Cost and Challenges Facing Young Farmers

3. The Conservative Government understands the costs and challenges young farmers face within the agricultural sector. We have not only heard about the difficulty of entering the industry, but also the lack of profit and competitiveness that has deterred many young people from pursuing this livelihood. Although these are seen as challenges to the sector, the Government believes they are also the basic fundamentals that will attract a new generation of farmers. Farmers want to be profitable and competitive, and that is why our Conservative Government has worked hard to institute initiatives that will meet those objectives.

4. Some of the challenges associated with entering the agricultural sector that committee members heard during their cross-Canada tour include access to capital, debt burden and the availability of land. There was also concern over transferring the farm from one generation to the next.

A. **Access to Capital** – Committee members heard that one of the biggest challenges facing young farmers entering the industry was their inability to

access the capital needed to overcome the tremendous start up costs. These costs often included: land, quota, farm machinery and buildings, and the purchase of animals.

B. **Debt** – Committee members also heard that many young farmers have great concerns about debt accumulation. Not only do young farmers feel burdened by debt from entering the industry, but also by debt associated with higher education many producers feel they need to ensure better farming and business practices.

C. **Land** – The cost of land is a deterrent for young people looking to enter the industry. The Committee also heard that the availability of land is becoming a significant problem due to urban development or the establishment of ‘hobby’ farms on prime agriculture land. This was specifically noted when the committee visited the Okanagan Valley in British Columbia.

D. **Farm Transfer** – Succession planning was another important aspect Committee members heard from young farmers. Along with their parents, young farmers are seeking a way to facilitate intergenerational farm transfers that would provide their parents with equity for retirement, but that does not overburden young farmers with debt. Witnesses noted that facilitating non-family farm transfers from retiring farmers would also help individuals getting into the industry.

5. In order to meet these challenges the Conservative Government has taken on a number of initiatives to help young farmers establish themselves in the industry. For instance, the Government passed the Canadian Agricultural Loans Act, which allows young farmers easier access to credit. Under this program young farmers have the ability to establish, improve or develop their farms. These loans are also accessible to agricultural co-operatives to process, distribute or market farm products. The maximum loan attainable is:

- \$500,000 for land and the construction or improvement of buildings,
- \$350,000 for all other loan purposes,
- The aggregate loan limit for any one farmer is \$500,000,
- \$3 million for agricultural co-operatives with the Minister's approval.

6. The Conservative Government has also committed to working with farmer organizations that promote the involvement of youth in the agricultural sector. Under Growing Forward, the Government has announced \$4.3 million over four years to 4-H Canada and the Canadian Young Farmer's Forum to help with initiatives that will involve youth in farming. The Government believes that these organizations provide a strong foundation for young individuals looking at getting into the agricultural sector.

7. Our Conservative government has also undertaken other initiatives, one which includes the National Future Farmer's Network. The Network will gather interested young farmers from across the country to discuss issues and challenges facing them.

8. The Conservative government has taken significant steps and is committed to an ongoing dialogue to ensure that individuals seeking to enter the agriculture industry, and young farmers already in the industry, have the resources necessary assist in their success.

9. Our Government believes that in addition to limiting the challenges and costs associated with young farmers entering the agricultural sector, profitability and competitiveness must be ensured within the agricultural sector, in order to guarantee a vibrant future for the industry. It will be of no service to help young farmers enter an industry where they cannot market their products, have access to the latest research, or are forced to compete in a regulatory framework that prohibits innovation. In order to ensure a future in farming, the agricultural sector must be profitable and competitive. The Government looks forward to continue working with the provincial and territorial governments and industry to ensure these objectives are attained.

2. Profitable and Competitive: Ensuring a Future for Young Farmers

10. Ensuring farming is a profitable business for young farmers is a critical concern for this Conservative Government. The committee heard from a number of young farmers that could not see a profitable future, once or if they were to establish themselves in the agricultural sector. The Conservative Government shares this concern and has undertaken a number of initiatives to ensure that agriculture remains competitive and profitable.

A. **Domestic and International Markets**

11. The Committee heard many young farmers across the country say that in order to be competitive and profitable they need access to domestic and international markets. Throughout the discussions, witnesses mentioned the need for the government to forge ahead with multilateral trade initiatives like the World Trade Organization (WTO) and bilateral trade agreements like the Canada-Colombia Free Trade Agreement (FTA). The witnesses also mentioned the value of agricultural specific agreements like the recent work done to reopen the Chinese market to pork. The Conservative Government understands that market access increases the demand for Canadian agricultural products, which results in increased profitability for young farmers.

12. In terms of opening international markets, the Conservative Government and the Minister of Agriculture and Agri-Food, the Honourable Gerry Ritz, P.C., M.P., have worked tirelessly on behalf of young farmers. The Government has been extremely successful in signing a number of FTAs and agriculture specific agreements, which include:

Free Trade Agreements: EFTA, Peru, Colombia, Panama and Jordan.

Agricultural Agreements: China, Mexico, Cuba, Russia, Japan, Hong Kong, India, Saudi Arabia, Jordan and the UAE.

13. Moreover, the Government is currently negotiating FTAs with several trading partners including: the European Union and the Canada-Central America Four countries (El Salvador, Guatemala, Honduras and Nicaragua).

Recommendation 1

That the Government of Canada, the Minister of Agriculture and Agri-Food, and the Minister of International Trade, continue their efforts to open international markets for Canadian agricultural products that will result in increased market access for young farmers.

14. The Conservative Government understands that removing non-tariff trade barriers is crucial to maintaining a profitable farming industry and must play an active role in ensuring international markets remain open. The Committee heard that several trade irritants adversely affected the livelihood of many young farmers. In particular, the most damaging of these have been the Country-of-Origin-Labeling (COOL) legislation implemented by the United States on Canada's red meat sector, South Korea's ban on beef, and China's ban on canola seed.

15. Young farmers should be assured that the Conservative Government will always stand up for farmers in the international marketplace. That is why the government has launched a World Trade Organization dispute settlement process against America's COOL legislation and South Korea's ban on beef. However, unlike the opposition that irresponsibly demands immediate trade sanctions beyond the scope of the trade irritant being disputed, the Government believes that an open and frank dialogue, in a manner that does not damage trade relations, is a more productive route for Canadian farmers.

16. An element that was not adequately addressed in the Main Report is the Canadian Wheat Board (CWB). The committee heard repeatedly from young grain farmers in Western Canada that to remain competitive and profitable, they need the same privileges that Eastern Canadians have when it comes to selling their wheat and barely. The Conservative Government has always been clear that young farmers in Western Canada deserve marketing freedom.

17. Unfortunately, due to punitive efforts by the opposition, young farmers in Western Canada do not have this opportunity. However, according to the CWB's own 2010 Spring Producer Survey, only 34% and 24% of young farmers feel the CWB is effective in assuring the top price for wheat and barely, respectively.

18. Regardless of the continued efforts of the opposition to thwart any attempt to modernize the CWB, the Conservative Government has introduced legislation to do just that. Bill C-27 will ensure producers will receive their grain payments up to four weeks sooner and the Bill will deliver reforms in the voting requirements for CWB elections.

The CWB has publicly endorsed this Bill and has asked the opposition to join the government in passing it quickly.

Recommendation 2

That the Government of Canada proceed with Bill C-27 in the House of Commons.

19. Time and again, the Committee heard from young farmers who talked favourably about the supply managed sector, both in terms of profitability and stability. Supply management helps achieve this by allowing farmers to produce what the market needs by balancing supply with demand, while taking into account the cost of production. The Conservative Government is a proud defender of supply management and young farmers can count on the Conservative Government to protect this industry.

20. For instance, at the World Trade Organization, the Conservative Government continues to strongly defend the interests of supply managed industries. The Government has committed to making the WTO Special Agricultural Safeguard fully operational for supply managed goods. The WTO Special Agricultural Safeguards permits WTO members to provide enhanced stability for sensitive industries by imposing temporary surtaxes in response to sudden over-quota import surges or significant reduction in over-quota import prices.

21. The Government has taken action under Article 28 of the General Agreement on Tariffs and Trade to limit imports of low-duty milk protein concentrates through establishment of a new tariff-rate quota. The government has also introduced cheese compositional standards to ensure Canadian milk in Canadian cheese.

Recommendation 3

That the Conservative Government continue its strong support for the supply management sector domestically and internationally.

B. Regulatory Framework

22. The Committee heard from many young farmers that they were at a competitive disadvantage as a result of some aspects of Canada's regulatory framework. Although agriculture is regulated in Canada in order provide a level of protection to producers and consumers, the Conservative Government understands young farmers compete in a global environment. If the approval processes for regulated items does not keep pace with innovation and leading edge science, young farmers will suffer an economic disadvantage.

23. Repeatedly, the committee heard from many young farmers across the country who said they were at a competitive disadvantage, as they were unable to use the same production management tools as other countries. Their concerns focused on fertilizers and pesticides banned for use in Canada, but which could be used on products shipped to Canada for sale. Many young farmers felt that if Canada allows the importation of products with these certain fertilizers and pesticides, they should be allowed to use them as well.

24. In order to ensure young farmers that they will able to be profitable and competitive in the future, Mr. Bev Shipley, Conservative MP from Lambton-Kent-Middlesex, introduced motion M-460 in the House of Commons, which would consider equivalent the scientific research and agricultural regulatory approval processes of Canada's trading partners. This motion intends to effectively harmonize fertilizer and pesticide standards, helping our Canadian farmers to be more competitive by having access to these production management tools. The motion passed the House of Commons despite opposition votes to the contrary.

Recommendation 4

That AAFC, CFIA, and Health Canada provide an annual report to the Committee on the progress being made to implement M-460.

25. Another issue committee members heard a great deal about across Canada was Bill C-474 introduced by the New Democratic Party. The Bill will require that an analysis

of potential harm to export markets be conducted before the sale of any new genetically engineered seed is permitted. If allowed to pass, not only would this bill move Canada away from a science-based variety approval system and devastate Canada's reputation as a science-based trading nation, it would jeopardize Canada's ability to take full advantage of new and beneficial technologies. Without new and innovative seed traits, Canada will be left behind and the livelihood of young Canadian farmers would be put at risk.

26. Currently, Bill C-474 has been reported back to the House of Commons for report stage and third reading, with Conservative members the only political party resolutely against it. The Liberal Party of Canada has continuously flip-flopped on this issue and refuses to give young farmers a clear answer. It is important that all parties, including the Liberal Party, stand up for young farmers and defeat this dangerous piece of legislation at the committee stage.

27. The committee listened to accounts from young farmers about challenges in the livestock sector with regards to Specified Risk Materials (SRM). The Conservative Government understands that the destruction and removal of SRMs can decrease the competitiveness and profitability in the livestock sector. That is why the government included \$75 million in the 2010 Budget to encourage new innovation to deal with SRM destruction and removal. This investment included:

- \$10 million in new funding for the Slaughter Improvement Program, bringing the total investment in this program up to \$60 million.;
- \$25 million for cattle processing plants that handle cattle over 30 months of age; and
- \$40 million to support the development and commercialization of innovative technologies related to SRM.

28. One of the issues brought up during the committee's travels was the importance Canadians place on knowing where their food comes from. Canadians produce superior agricultural products and young farmers need to be

able to capitalize on this competitive advantage. This niche market is important and profitable for young farmers who wish to sell their products domestically. The Conservative Government responded to the demands of consumers and producers by changing the Product of Canada labelling guidelines. Consumers can now be sure that goods with the Product of Canada label on them contain at least 98% Canadian ingredients.

Recommendation 5

That the Government and the Minister of Agriculture and Agri-Food continue to stand up for strong Product of Canada labelling requirements.

C. Research and Innovation

29. The Committee realizes how important research is for Canada's young farmers to remain profitable and competitive. The Conservative Government has partnered with industry and producers through a number of initiatives, which will maximize the value of research dollars and provide farmers a way to integrate new research and innovations into their businesses.

30. This includes addressing the recommendations outlined in the 2010 Spring Report of the Auditor General of Canada. The Government has already taken action to address the concerns, including:

- continuing to improve how the Government manages its research partnerships;
- improving management and planning practices;
- better communicating strategic direction and ensuring the timely dissemination of research results;
- developing a long-term plan for capital assets; and
- strengthening human resources planning to ensure the right people are in the right place to do the work.

31. The Government has also invested \$500 million through Agricultural Flexibility, which includes:

- \$20 Million for the Live Stock Auction Traceability Initiative;
- \$32 Million for the Canadian Brand Advocacy Initiative; and
- \$50 Million for the Agri-Processing Initiative.

32. Furthermore, under Growing Forward programming, \$158.7 million is being invested in research and innovation, to encourage industry leadership and investment in building a competitive agricultural sector. These investments are on top of the approximately \$225 million AAFC invests annually in the important core research done by scientists in labs and research centres across the country. Recent announcements demonstrating the Government's commitment to science and innovation include:

- \$5 million for a new greenhouse at the Research Centre in Swift Current, SK, to improve research capabilities for the sector;
- \$8.3 million for pulse producers to improve their productivity and gain access to new markets;
- \$6 million for beef producers to research opportunities to reduce production costs, increase feed efficiency and decrease the impact of animal health issues;
- \$14.5 million for canola and flax producers to develop more productive crops and healthier, higher-value products for consumers; and
- \$10 million for Canadian dairy farmers to study the health benefits of dairy products and develop ways to improve animal productivity.

3. Conclusion

33. The Conservative Government understands the costs, challenges and risks that confront young farmers looking to establish a livelihood in the agricultural sector. That is why the Conservative members on the committee introduced a motion to study the future of farming with an emphasis on young farmers. The Government recognizes that the future of farming in Canada depends upon ensuring young farmers are able to enter the industry and remain profitable. Young farmers can count on the Government to make every effort to ensure their livelihood.

**DISSENTING REPORT OF THE LIBERAL PARTY
YOUNG FARMERS – PROSPERITY IS THE ISSUE**

November 16, 2010

INTRODUCTION

The future for young farmers is directly dependent upon the prosperity and the possibilities for the current farm population. In short, it is the issue of future profitability at the farm gate which will ultimately be the key to attracting and retaining new and young farmers into the industry.

Given current federal policies specifically that future for some is very positive. For others and likely the majority the future ranges from uncertain to disastrous.

In the most recent Report on Plans and Priorities for Agriculture & Agri-food Canada, the reference to programming directed toward the next generation of producers, the future of Canadian farming is contained in the following:

The Agri-Business Development Program Activity provides funding for activities related to business management practices and skills that: strengthen the capacity of businesses in the sector to assess the financial implications of business improvements, including the impact of environmental plans, food safety systems and innovation projects on their business profitability; manage transformation, respond to change and adopt innovation in business operations; help agri-business owners understand their financial situations, implement effective action and business management plans/practices and provide for enhanced participation by young or new entrants, First Nations clients, and clients in specific sub-sectors in transition. (Report on Planning and Priorities, Agriculture & Agri-food Canada 2010 – 2011, p. 30)

It is critical that the encouragement and support for new entrants and principally young farmers be given a priority far in excess of what is currently available.

The Report of the committee, 'Young Farmers: The future of Agriculture', contains a number of recommendations which are worthy of support and which it is the hope of the Official Opposition, the government will accept and move toward implementing. However, the report is deficient in several areas which this opinion seeks to address.

This Dissenting Opinion will address the need for sustainable prosperity to be the best building block which will serve as a positive incentive to attract a future generation of farmers. In many respects, unless there is a future which is attractive to a younger generation of farmers, government programming and access to credit will only mean the next generation will begin where the current generation, to a great extent is leaving off – opportunities contingent upon the cycle of increased debt offset minimally by ever changing and inconsistent government safety net programs. This hardly is a prospect which is appealing to anyone.

To make matters worse support for Canadian farmers is dismal when compared to the support to the agriculture sector provided by our major competition in the United States.

There are two aspects which the main report touched but did not expand upon adequately. They are:

- Failure of current safety net programming to address the needs of the farm community
- The reality of a globalized agriculture sector which has moved further and further away from any principle of a fair trading arrangement.
- Need for a comprehensive National Food Policy

Each of these was touched upon during the course of the hearings by the committee and have been referenced in the report of the committee. However, there is the necessity of ensuring that each is given greater emphasis given they are the cornerstone of any future agricultural sector in Canada which is both broadly based and provides the kind of economic support necessary to sustain itself.

GOVERNMENT SAFETY NET PROGRAMS

One of the key issues which places constraints on the future of farming is the ever increasing debt being carried by the farm community across Canada. According to Statistics Canada farm debt now stands at \$63 billion dollars which had increased by almost five percent from the previous year alone! The indebtedness of our farm community continues to accelerate and worse with a federal government that was supposed to 'put farmers first'. The situation has been one in which while U.S. farmers have seen debt increase by twenty percent over the past couple of decades, Canadian producers have faced a tripling of their debt levels. ("BMO sounds warning bells on interest rates", Ron Friesen, AgComm.com, June 21, 2010) According to Statistics Canada farm debt has increased by \$12.8 billion since the current federal government assumed office. (Farm Debt Outstanding – Agriculture Economic Statistics, 21-014-XWE, May 25, 2010) This situation has shown no signs of abating let alone reversing. For anyone looking at the prospects of farming as a career, the issue of farm debt and the inability of the current government to in any way deal with this situation is not a positive incentive.

With respect to the first the committee during the course of its hearings heard both positive and negative statements and conclusions with respect to the current federal government suite of safety net programming. The reality is that the basic objective behind safety net programming is that those farmers, who through no fault of their own, find themselves in financial difficulties should have recourse to

federal programming which will assist them through those difficult periods. Failure to meet that basic criteria on anything approaching a consensus among farmers is indicative of a failure of the programming.

With respect to the governments premier program Agri-stability, here are what farmers from across the country and from a wide variety of ideological perspectives had to say about the program:

With respect to its compatibility with other initiatives from the current federal government there is a serious disconnect with the farm community.

“I have personally seen producers who were eligible and able to take advantage of the interim advance through AgriStability and then receive funds from AgriRecovery. But their dollars were clawed back when they did their AgriStability forms the following year”. (Jay Fox, Manitoba, May 26, 2010, p. 5)

The reality is that given this country’s dependence upon international trade for specific commodities – such as grain for example – if the playing field cannot be leveled through negotiations, the federal government will have to respond through programming, the current set of which are not adequate to the task.

“We feel that existing programs need to be reviewed. This is very important in order to protect the grain industry, because grain markets are distorted by international subsidies, and this can lead to very long periods with low prices. This makes things very difficult for producers. Our simulations show that current programs would have provided very minimal, insignificant payments in the 1990s. The solution that our federation would like to see involves a risk management component in the AgriFlexibility program. This would be in line with the request made by Canadian farm stakeholders when they were consulted in 2008. We

believe this would be a cost- and risk-shared program. This would mitigate the impacts of international subsidies on grain markets that Canadian farmers are subjected to.” (Luc Belzile, May 10, 2010, p. 4)

The current federal government has put forward a number of programs while intended to respond to a variety of differing circumstances have often failed to reflect the operations they were supposedly designed for. This situation has contributed to a sense among many producers of having programs designed for them rather than by them.

“We have chose not to participate in Agristability because of the administration required and because it does not work for our farm structure.” David Nagel, May 31, 2010, p. 3)

While it may appear repetitive, it is critical to have on the public record the fact that the current round of federal safety net programs have failed to address all of the troubling concerns out there. The following provides a cross country roundup of some of those concerns:

To provide context here are some of the statements made before the committee:

First of all, our current AgriStability and AgrilInvest programs are not a solution. AgrilInvest is nice. It provides a little money, but it's not enough. And the way AgriStability is set up, if you have two or three bad years in a row, that's it, you're done. It's not a helpful program.
David Machial, B.C., April 26, 2010, p. 3

What was CAIS is now AgriStability. It's the same idea, roughly, but it still doesn't work for my operation. Anyone who grows average to above average crops and is diversified will almost never get a payment. Usually the losses incurred from one crop will be overshadowed by the rise in

price of another. So your margin never changes, even though you budgeted for an increase based on current prices.

Alan Brecka, Alberta, April 27, 2010, p. 16.

The current business risk management programs don't work for beef producers. I'll talk about a couple of things. The AgriStability program—one of the other fellows talked about it—actually penalizes guys who want to diversify their operation, and it actually promotes people doing one thing, building up margins, taking a big hit to collect a payment. We don't need programs like that. That doesn't help our industry.

Ryan Thompson, Saskatchewan, April 28, 2010, p. 7.

Let us talk about the AgriStability program as it stands today. This program might work in a crisis that lasts a year or two. However, when crises persist—like the one beef producers and pork producers have been going through and the one that hit the grain production sector a few years ago—this program no longer works. That is why some organizations have started a third program called AgriFlexibility, which can give the provinces the chance to change the program that does not work in the long run and do something better.

William Van Tassel, Quebec, May 10, 2010, p. 7.

Immediate needs of our farm businesses must be addressed to stabilize the grain, horticulture, and livestock sectors. This is most appropriately done by correcting the AgriStability weaknesses, which have not enabled proper risk management since its inception in 2008.

Ernie Mutch, Prince Edward Island, May 13, 2010, p. 5.

While some witnesses did acknowledge support for the government's programs the critical issue is that unless the federal government develops a more holistic approach to programs to assist the farm community the uncertainty will remain.

Time and again we have met with representatives of the farm sector and with individual farmers who have expressed deep frustration with and mistrust of the federal governments programming as well as with the manner in which those programs were developed. This must be brought to an end.

RECOMMENDATION

1. There is the need for the farm community to have a direct buy-in to take a stake in the ownership of the safety net programs which are required. What is required is for the federal government to begin with a 'Clean Slate' to the building of new safety net programming. In furtherance of this recommendation, we call upon the federal government to hold hearings across Canada with farmers to review the adequacy and or inadequacy of the current suite of programs and to commit to adjusting those programs to meet the needs of the farm community.

ISSUES OF GLOBAL AGRICULTURE TRADE

The current reality of agricultural policy in Canada is that trade is the basis upon which so much of our success is based. We are a trading nation and thus we are to a very great degree dependent upon access to foreign markets that fairly requires a level playing field.

In short, free trade may not always constitute fair trade and it is the latter which is now an initiative which must take precedence.

The reality is that in the U.S. alone the use of a variety of direct subsidy programs have resulted in the U.S. agriculture sector benefiting by close to a quarter of a trillion dollars over the past 14 years - US\$245.2 billion . This for a trading partner that entered into a North American Free Trade Agreement quite committed to ensuring that they would continue to protect their agriculture sector regardless of the impact upon their trading partners.

More recently the European Union has developed a new direct payment program which will ensure that producers have access to a benefit of more that 36 billion Euro's in this 2010 year alone.

Canadian farmers have no similar programs which could adequately compensate for the kind of assistance provided to those producers who are in direct competition with Canadian producers.

International trade is one of the engines of growth for much of the agricultural industry.

“If we're in what I call a corporate farming system, which is international trade, all the stuff moving, which is based on cheap energy, which we still have, then if we're talking of saving small farms, we're not going to save a lot of them. You're going to save a bunch of them as heritage, for people who want to support a heritage thing, which is only going to be a small portion of your population. A small portion of your population's going to be willing to pay those guys more because they're going to get a provenance value for it, right? If you're talking about the mainstream, producing food for basically our population, you're talking about corporate farming, because that's the model out there. We're dealing with corporations. If we're not corporations, it's not going to happen.” (Mark Sawler, Nova Scotia, May 12, 2010, p. 17)

The role and function of subsidies was well articulated to the committee in testimony presented in Ontario:

“Subsidies have a history of allowing agricultural production to continue that would not under regular circumstances continue to happen if there were not a cash subsidy payment to encourage it to continue. So we now see how government policies, unsustainable production methods, and subsidies have led to the state of the food system that we are supplied with.

Large multinational food processors are delighted to have this type of food system that we have in North America because it allows them a continuous supply of cheap raw materials. It allows them to have captive supply because of the volume they purchase and because governments continue to subsidize producers at the farm level, with no incentive for farmers to continue to produce such staple crops as corn, wheat, soybeans, and cotton, thus keeping the market price for farmers below the cost of production and unable to create a profit from the marketplace alone.” (Sean McGivern, Ontario, May 4, 2010, p. 19)

Testimony was also given expressing grave concern about the level of corporate concentration and the consequences this has on the primary producer. This is, by no means, a new issue. It is, however, an issue that any government which has as its sole and only mantra free trade at any cost, is ill equipped to address.

The reality, as expressed during the committee hearings, is the difficulty in ensuring that trade is expanded while recognizing the necessity of developing a national food policy which reflects the growing demands of Canadians.

“It’s obvious that trade built this country, and we have to continue to trade, but we have to have a fair basis for trade. We also know that our biggest customer—and we’re also their biggest customer—is the U.S., and they’re

not fair traders. In my business, we make the most money when we can trade with the Americans, but for the good of Canadian agriculture, we need to protect our own food supply.” (Layton Bezan, Saskatchewan, April 28, 2010, p. 26)

The issue of the Canada – European Union Free Trade negotiations are something that requires far greater analysis with respect to the impact it could have upon our agriculture sector. There are of course opposing views on this issue:

“We also have high expectations with the EU free trade negotiation. We have commissioned a study to determine the potential opportunity that duty-free access into the EU would create for the Canadian beef industry. While the study is not yet complete, early indications suggest that significant opportunity will exist” (Travis Toews, Alberta, May 26, 2010, p. 1)

However, that expression of optimism was countered during the hearings by the reminder of what Canada and Canadian farmers have encountered as a result of previous trade agreements.

“If you want to have free trade, you need to have fair trade. We don’t have that.” (David Machial British Columbia, April 26, 2010, p. 3)

The future of our farming operations, and the opportunities which this industry provides our young entrants should be based, in part, on preserving and building upon our strengths. One of those strengths is clearly supply management. Time and again support for supply management was presented to the committee. Unfortunately, there remains a question as to the current government’s sincere support for supply management regardless of the rhetoric they use.

Brian Lewis, a farmer in Ontario, indicated that supply management provided him with assurance of a return on his investment, something which provides his farming operation with a degree of certainty.

“Supply management is the only thing that allows us to get our \$1.40. It's not the be-all and end-all, but it does help us to get some of that return on investment. I think it actually does work for family farms, and I think it does need to be supported through the trade talks.” (Brian Lewis, Ontario, May 3, 2010, p. 1)

In this regard the ongoing campaign of the current federal government to undermine the Canadian Wheat Board (CWB) seeking its eventual demise has broad and negative implications. To date this federal government has unsuccessfully used every device including those which have been challenged on more than one occasion in court to undermine what it has a legal obligation to support. During the course of the hearings in Saskatchewan the manner in which the CWB should be supported and left in the hands of those who manage it in accordance with federal legislation as well as the manipulation by the federal government to undermine the CWB was expressed as follows:

“With regard to the current government spending our tax dollars fighting a battle against farm groups on the Canadian Wheat Board, it's frustrating to see them spend our money in both the media and the courts when we already have a mechanism in place; if the majority of farmers wanted to, we could get rid of the Wheat Board. We elect the board of directors to do what we want. We elected eight of the ten that we are given to elect as pro-Wheat Board. We already have a way of taking care of this, so maybe those dollars would be better spent somewhere else.” (Drew Baker, Saskatchewan, April 29, 2010, p. 3)

RECOMMENDATION

2. It is critical that the federal government take an aggressive stance with respect to defending our producers in the face of the massive subsidization and direct support in the U.S. and EU governments provide their producers. Either the federal government take direct action under the provisions of our trade agreements, or it undertakes to match, through new programming the support the U.S. and EU provides their producers.
3. That the Standing Committee on Agriculture undertake a full review of the current federal governments negotiations on the Canada – EU Free Trade Agreement on an urgent basis and report its findings to the House.
4. It is critical that the federal government state categorically its support for our supply management system based upon the three pillars of production management, predictable imports, and pricing mechanism each of which ensures quality food products and a reasonable return to producers and that it also declare its support for the Canadian Wheat Board as it is currently constituted recognizing that it will be the farmers of western Canada affiliated with the CWB who will determine its future.

NATIONAL AGRICULTURAL POLICY – OR NATIONAL FOOD POLICY?

There is a growing question as to whether we should have a National Agricultural or National Food Policy. The two may sound similar but they are not.

“This country needs a long-term food strategy. We need to define some goals and put in place a process to make them happen. This strategy development is not government's job. The development of a long-term national food strategy is the agriculture community's job. Once the agri-food industry stakeholders come together to define a national food strategy, we will need governments, both federal and provincial, to work with us to make it happen. This food-based strategy is being developed at

the national level now, and we are optimistic that government will work collaboratively with the agriculture community to meet these long-term goals so that the future can be more secure and encouraging for today's young farmers.” (Mike Nabuurs, Prince Edward Island, May 13, 2010, p. 5)

Questions were raised by witnesses at the committee about the framework within which federal government assistance to producers should be structured. One proposal was put forward in Quebec where the reality of increased assistance was referenced. The manner of its delivery was then outlined::

“Should this assistance not be part of a national agriculture policy that is very precise and structured? I think that is what we should look at, a Canadian agriculture policy.” (Richard Lahoux, Quebec, May 10, 2010, p. 21)

The reality is that farmers are price takers and have little control over the cost of inputs or the price they receive from the marketplace. The consequence is evident as expressed by a farmer in rural Ontario.

“The mood out in the countryside, I'd call it cynicism. We've all become a little cynical. We're dealing with the consumer. They want cheap food. Everybody wants cheap food, but what gets us, I guess, is that our farmer's share of that food basket keeps shrinking. Somebody else is getting the money ahead of us. We're dealing with large multinational corporations; it doesn't matter whether we're buying or selling. We've been getting gouged by some of these corporations. (Keith Kirk, Ontario, May 4, 2010 p. 4)

This sentiment was echoed in Saskatchewan namely that the primary producer as a result of increased globalization as well as corporate concentration have found themselves in an ever increasing precarious position.

“To operate a modern grain farm requires machinery, fertilizer, herbicides, seed, fuel, rail services, and borrowed capital. These services and goods that we must have and cannot farm without are all controlled by a few transnational corporations who seem to be more powerful than many governments. During the last few decades, these agricultural corporations have amalgamated, consolidated, and bought each other out, to the point at which they almost are able to perform as a monopoly, and often do. Competition between the few agriculture transnational corporations seems to be a thing of the past.” (George Hickie, Saskatchewan, April 28, 2010, p. 9)

What is required is a holistic approach to the development of a national food policy.

RECOMMENDATION

5. That the federal government move toward implementing the following:
 - **Healthy living**, including an \$80-million Buy Local Fund to promote farmers markets and home-grown foods, a \$40-million Healthy Start program to help 250,000 low-income children access healthy foods, introducing progressive health labeling and tough standards on trans fats, and launching a Healthy Choices program to help Canadians make informed eating decisions;
 - **Safe Food**, by implementing all of the Weatherill report recommendations and investing \$50 million in improving food inspections and ensuring imported foods meet our tough domestic standards;

- **Sustainable farm incomes**, with a Clean Slate Commitment to build practical, bankable farm programs in partnership with farmers and restore AgriFlex to offer regionally flexible programs that help meet the costs of production;
- **Environmental farmland stewardship**, by strengthening Environmental Farm Plans, improving fertilizer and pesticide management, and rewarding farmers for their role in clean energy production and protecting wildlife habitat; and
- **International leadership**, to promote Canadian food internationally and expand Canada's share of high-value export markets while also fostering food security in Africa and the world's poorest nations.

LABOUR NEEDS

The committee report in its conclusion states that "agriculture has a lot to offer to young people as a career choice." One point that was not raised during the course of the committee hearings was the kind of farm labour requirements of our agriculture sector will require in terms of skilled workers.

The Canadian Agricultural Human Resource Sector Council has put forward an estimate of labour requirements in the agriculture sector in the coming three to five years. The projection they have brought forward indicates that primary producers have indicated they will need to fill more than 50,000 non-seasonal positions. The Council also indicated that in the coming years there will be a need for 39,000 farm workers on a seasonal basis. Clearly there are opportunities within the agriculture sector, specifically with respect to primary production. What has been lacking is a serious commitment on the part of the federal government to work with stakeholders to provide the skilled labour force the future of agriculture in Canada will require.

CONCLUSION

The current Conservative government has failed utterly to respond to the needs of our farming community who have been struggling to find effective mechanisms to attract the necessary workforce to support those farm operations in order to develop and increase their economic viability.

The future of farming and the future viability of those operations upon which our young farmers embark upon could be sustained and further supported if there was a skilled supportive workforce.

RECOMMENDATION

6. That the federal government in cooperation with industry stakeholders and the provincial and territorial governments develop a policy and implement programs which seek to provide the educational infrastructure to assist in the development of a skilled labour force to address the needs of our primary agriculture producers on both a full and seasonal basis.

BLOC QUÉBÉCOIS SUPPLEMENTARY OPINION YOUNG FARMERS: THE FUTURE OF AGRICULTURE

In general, the Bloc Québécois supports the main points raised in the report since they reflect in some ways the points that the Bloc has been making for several years.

The federal government claims to be concerned about the future of agriculture, but, as the report states, “there is no comprehensive federal policy targeting young or new farmers” (par. 3). There is also no comprehensive or consistent definition of a young farmer. We therefore believe it is important to express our views in this supplementary opinion, based on the Committee’s hearings on young farmers as well as the regular meetings that Bloc MPs have had with Quebec’s young farmers and with young people interested in this very demanding yet commendable career.

In many cases, federal program criteria are so stringent that young farmers cannot obtain adequate financing (financial credit or loan guarantees). When they do manage to get the financing they need, they are hit by extremely high interest rates because they are considered to be high risk. Young farmers rightly feel that these financing programs were “designed for large operations that have enough capital to be eligible” (par. 30).

Quebec’s approach

During the Committee hearings, we noted that Quebec has introduced several programs to support young farmers. The following programs were established by the government or directly the agricultural sector itself:

- the Financial Support Program for Aspiring Farmers, which is administered by Financière agricole and helps young people get established in the industry and receive the proper training;
- the “patient capital” program, designed to facilitate farm transfers to young people who are not from farming families;
- the Programme d’aide au démarrage de nouveaux producteurs d’œufs de consommation, a start-up program to help people from non-farming backgrounds get started in egg production;
- the Programme d’aide à la relève en production laitière, which provides 10-year loans to help young producers obtain a quota.

The federal government should look to these programs for new ideas to help young farmers, while respecting the jurisdictions of Quebec and the provinces and avoiding program duplication. In 2005, the Bloc Québécois and the Syndicat

de la relève agricole de la Côte-du-Sud held a conference in La Pocatière entitled, “Vers un transfert de ferme gagnant.” The recommendations and findings of this conference are still relevant today. The Bloc Québécois adopted the recommendations in its campaign platforms and introduced motions in the House of Commons on three occasions. Several measures are also contained in the *Report on the Fact-finding Mission on Canada’s New Agriculture and Agri-food Policy*, which the Committee adopted in June 2007. These recommendations are presented at the end of this supplementary opinion.

On May 10, 2010, the Fédération de la relève agricole du Québec tabled a brief with the Committee entitled, “Vers une politique d’établissement en agriculture canadienne” in which it highlights the following priority initiatives to address the situation in Quebec:

- Add questions on farmers' succession plans to the agricultural survey conducted every five years. There is currently no means of knowing farmers' retirement plans and whether or not they have someone to take over for them. Without this critical information, there is no way to establish a bank of farms that lack successors and connect them with potential candidates.
- Establish highly effective incentives, such as:
 - a farm transfer savings plan that would greatly enhance farmers' savings if they transfer their business;
 - the tax-free transfer of farm property, as in a donation or non-family transfer.
- Make new-farmer grants tax-free to assist farmers who are bringing young people into their operations.

If Quebec can introduce several programs to help young farmers, then the federal government can certainly follow suit. However, it must make a clear commitment to respect Quebec’s jurisdiction. Two recommendations could pose difficulties in this regard:

- **Recommendation 2.5:** The Committee recommends that Agriculture and Agri-Food Canada offer to cooperate with the provinces in order to explore the possibility of including agricultural courses in existing programs or courses. Quebec has sole jurisdiction over education, and the federal government must not take any action in this area without the approval of the Government of Quebec.

- **Recommendation 2.6:** The Committee recommends that Agriculture and Agri-Food Canada, in cooperation with industry stakeholders and the provinces, encourage “buy local” campaigns across the country. Provincial governments and the Government of Quebec have undertaken similar initiatives. We must not have a repeat of the organic labelling or the “Product of Canada” fiascos.

The report also tries to address the urban/rural divide and how public awareness campaigns can help people interested in moving to rural areas understand the realities of farming. Many families move to the country but cannot stand the noise or smell produced by farming activities. This type of campaign is clearly the responsibility of the Quebec government and provincial governments as part of their farmland management activities. This is a good objective but these governments are more in touch with their citizens, and their activities must not be undermined.

Making agriculture profitable

We can no longer deny that the agriculture industry is in crisis. The report points out that young farmers cannot consider agriculture to be a viable option or way of life if it is not profitable. It proposes several solutions, including the promotion and development of the supply management system.

Dairy, poultry and egg producers in Quebec and Canada advocate supply management, and the Bloc Québécois has supported and promoted this system for several years. The concept is based on paying a higher price for quality food and enabling producers to earn a fair and reasonable income. This solidarity between consumers and producers forms the basis for food sovereignty and the development of human-scale agriculture.

Other programs have been introduced in addition to the supply management model, particularly through the Agricultural Policy Framework (APF). Several programs in the first series introduced in 2003 were criticized and found to be ineffective, such as the Canadian Agricultural Income Stabilization Program. When the second series of programs (APF II) came out in 2008, producers thought that governments had listened to their complaints. Unfortunately, that was not the case. Recommendation 3.1 therefore draws on the testimony of many producers and proposes that changes be made to “AgriStability, AgriInvest and AgriInsurance to specifically make them more responsive to agricultural industries in crisis and to better meet the needs of young and new farmers.”

The Bloc Québécois wishes to repeat its request that the government introduce a true AgriFlex program, as suggested by the farmers themselves, to provide them with sufficient and flexible support, and that the program be adapted to meet regional needs through the Government of Quebec and the provinces.

Lastly, two other issues arose regarding the profitability of agriculture. The first concerns the distinct lack of R&D support. The R&D sector is critical to developing a strong and competitive agriculture industry, particularly in the fields of clean energy, organic agriculture and phytosanitary regulations. In fact, enhanced R&D funding would definitely accelerate the harmonization of environmental and phytosanitary regulations and ensure a certain level of competitiveness for producers here. It would also accelerate the process to register new products or those derived from biotechnology.

The second issue involves access to foreign markets. Several witnesses commented on the need for more export opportunities. Increased market access is obviously good, but we are particularly pleased that the Committee is taking into account that “farmers must compete in an environment with fairer trade rules” and that this liberalization cannot take place at any price.

The Bloc Québécois’s five proposals

The income of Quebec farmers is not increasing at the same rate as farm size, resulting in greater debt. This situation is compounded by several factors: an aging farming population; inadequate government assistance in the face of rising input costs; and unfair international trade regulations. Consequently, the cost of taking over a farm (through purchase or transfer) is greatly impeding young farmers.

In response, the Bloc Québécois is adopting the ambitious objective proposed by the Union des producteurs agricoles and the Fédération de la relève agricole du Québec to maintain the number of farms operating throughout Quebec.

The Bloc Québécois proposes the following recommendations, which focus on cooperation, savings plans and improved taxation measures to assist young farmers in Quebec.

Proposal 1:

That the allowable capital gains deduction for agricultural property be increased to \$1,000,000 from \$750,000, only for transactions in which a farm will remain in operation, in order to make it more advantageous to transfer a farm rather than dismantle it.

Proposal 2:

That the federal government extend application of the rules for rollovers to cover more than just parent-child transfers. The Bloc Québécois proposes extending application of these rules to all members of the immediate family under 40 years of age (brother and sister, nephew and niece, grandparents and grandchildren, etc.).

Proposal 3:

That a farm transfer savings plan be established enabling farmers to accumulate a tax-sheltered retirement fund. Governments could contribute to the fund in the same way as they contribute to registered education savings plans. This contribution would be conditional on the farm remaining in operation.

Proposal 4:

That the home buyers' plan be made more flexible to allow young farmers to obtain, in whole or in part, a larger portion of a residence owned by a corporation and to use their RRSP to acquire an agricultural business.

Proposal 5:

That the federal government transfer a recurring envelope of funds to the Government of Quebec to support young farmers.

André Bellavance

MP for Richmond–Arthabaska

Bloc Québécois Agriculture and Agri-food Critic

Bloc Québécois Caucus Deputy Chair

France Bonsant

MP for Compton–Stanstead

Bloc Québécois Agriculture and Agri-food Assistant Critic

REPORT: YOUNG FARMERS: THE FUTURE OF AGRICULTURE

SUPPLEMENTARY OPINION OF THE NEW DEMOCRATIC PARTY

New Democrats basically agree with the text of the report, however, we believe that specific attention must be paid by the government to the following.

- a) seriously examine the possibility of an interest-free loan program for the purchase of farmland to facilitate the ability of young farmers to start their own farms
- b) lower the size of asset requirements so that young farmers are not unduly hindered from participating in loan programs
- c) revise the criteria for intergenerational transfers to include family members other than just the farm owner's children
- d) revise the criteria for calculating capital gains on income tax returns so that: i) it is based on the economic value of the farm business and not on the market value and; ii) the capital gains exemption is increased
- e) increase staffing levels to provide more support and training for young farmers, ie: dairy nutritionist
- f) implement a policy of giving preference to local farmers when purchasing food for federal institutions and that firm targets be established, ie: 20% by 2015
- g) revise the Agristability program so that: i) the viability test is eliminated; ii) reference margins are calculated by using the best 3 of past 5 years and; iii) payment delivery is prompt and falls within the same crop year
- h) implement a cost of production program that will place Canadian farmers on a level playing field with international competition (For example, in the tree fruit industry this could take the form of implementing a floor price that protects against dumping into our markets by the Americans)
- i) ensure that no modifications are made to supply managed sectors or to state trading enterprises such as the Canadian Wheat Board when negotiating WTO or bilateral free trade agreements
- j) strengthen the role of the Canadian Wheat Board as the single desk seller of western grain and ensure that the decision making powers affecting its operation are firmly entrenched in farmers hands and cannot be subjected to unwanted political interference
- k) undertake a process to examine supply management as a marketing strategy for other struggling commodity sectors such as the hog industry
- l) undertake a thorough analysis of the North American Free Trade Agreement (NAFTA) and its overall effect on all groups of Canadian farmers and that the findings be reported back to this Committee no later than May 01, 2011.

- m) negotiate a duty-free quota for the shipment of hormone-free beef to the EU similar to what the US has done, however, this should not come at the expense of supply managed commodities or the Canadian Wheat Board
- n) in addition to the recommendations presented in the Committee's earlier report entitled *Competitiveness of Canadian Agriculture*, the federal government should examine the huge price disparity in the beef sector as outlined by Mr. Ian Hutcheon of the Southern Interior Stockmen's Association on page 28 of this report

The Committee heard much about the concept of food sovereignty in the course of this study. It is believed that too much control over the world's food supply has been relinquished to multinational corporations and must be reclaimed. New Democrats believe that until all countries respect food sovereignty as the fundamental principle behind agriculture policies we will continue to see the kind of gross injustice and declining farm incomes that characterizes life on farms in ever increasing numbers across Canada and around the world. We believe that the government must not only adopt this principle for Canada's farmers but also become a strong advocate for this principle at every opportunity on the international stage.