



## AGRICULTURAL POLICY FRAMEWORK

### Presentation by Executive Director Carol Hunter to the House of Commons Standing Committee on Agriculture and Agri-Food

December 3, 2007

I am Carol Hunter, Executive Director of the CCA & with me is Lynne Markell, our Government Affairs and Public Policy Advisor who specializes in agriculture policy.

The Canadian Co-operative Association is a national association for co-operatives, representing more than 7 million co-operative and credit union members from over 2,000 organizations. Our members operate in many sectors of the economy. Our members include Federated Co-operatives, United Farmers of Alberta, Co-op Atlantic, and three dairy co-ops—Gay Lea Foods, Scotsburn, and Northumberland.

We work closely with our francophone sister umbrella organization, the Conseil Canadien de la Coopération (CCC).

#### **The Agricultural Policy Framework**

The five-year plan for how Canada's governments and others will work together to ensure a healthy and sustainable agriculture industry is one of the most important pieces of public policy being developed today.

The new APF and the supportive programming will impact farmers, rural communities, rural businesses, industries that use agricultural products, and consumers of food. It will also affect Canadian co-operatives and their members. These include all types of agricultural co-ops, credit unions serving rural communities, co-op retail stores distributing food and agricultural supplies, rural energy co-ops, and emerging biofuel co-ops.

During the consultations on the APF, we suggested three pillars for the new APF—Public Goods and Services, Strategic Growth, and Primary Producer Support.

The reason we suggested a Primary Producer Support pillar was to focus serious attention on solutions to the profitability issue for ordinary farmers. Governments need to redress the imbalance between farmers and large agri-businesses, as well as between primary producers and other links in the production chain. If both federal and provincial governments concentrate on the producer portion of the industry for the next five years, there is a better chance that the whole agricultural industry can be strengthened.

Canada cannot afford to lose small and medium-sized producers which sustain rural communities. If we only have larger corporate farms where the profits leave the community, we are in trouble. If we keep losing more agriculture land to urbanization and housing, we are also in trouble. When the world's supply of oil peaks and the cost of transporting food from around the globe becomes expensive, we will be in trouble if there are not enough Canadian farmers to grow our domestic food supply.

Governments need to help existing farmers, encourage new farmers to replace retiring ones, and make the primary production side of the agriculture industry stable and viable.

In our brief, we recommended seven measures that should be part of the next APF:

1. Development support and financial investments to enable farmers to move up the value-chain and collectively own value-added and processing businesses.
2. Adequate resources to assist farmers in developing co-operatives.
3. Strengthening mechanisms that give producers bargaining power in the market place.
4. Support for the move into non-food agriculture such as biofuels, renewable energy, health products and fibre-based products.
5. Sharing the information from scientific research with groups that work with farmers, so the information can be used for enterprise development.
6. Support to help local communities—rural and urban—organize local food systems to distribute locally-grown and processed food.
7. A federal policy on domestic food sustainability that ensures we meet more of our domestic food needs from Canadian sources.

### **Our response to the Growing Forward document**

In terms of the new APF document, Growing Forward, agreed to by Ministers of Agriculture in June, we were very pleased to see co-operatives mentioned as one of the approaches that could be used to enable the sector to be more competitive and innovative.

While there is a phrase in the Principles section of Growing Forward, about “helping producers improve profitability”, there is no emphasis on this in the rest of the document.

We have noted that the new APF has been broadened to include the “agri-based products industry”. One note of caution and concern is whether scarce government funding will be used for this, at the expense of support for primary producers. We also think that producers, who will be producing the raw materials for the bioproducts industry, need to be involved in the development and ownership of this new industry.

### **Our response to the Agriculture Committee report**

Moving to your Committee’s Report, we see that you have championed the needs of primary producers and called for more emphasis on farmers and on primary production.

We particularly support your recommendations on a national food supply policy, buy local or buy domestic campaigns, better labeling, compensation for environmental stewardship, supply management, marketing agencies, and improved sharing of publicly-funded research with producers.

What we have not seen, is any discussion of farmer ownership.

If farmers are to increase their incomes and profitability, they must be more involved in other parts of the value chain. They need to have collective ownership of input supplies, marketing, value-added processing, and even, retailing to consumers. Without this involvement, they will always be dependent on others who sell to them or buy from them.

Because ownership matters, thousands of farmers have successfully used the collective enterprise model of co-operatives. There are over 1100 co-ops in Canada and new ones are starting all the time. In 2004 agricultural co-ops had annual revenues of \$14.3 billion and returned more than \$222 million in patronage dividends to their members.

## **Agricultural Co-op Development**

I would like to finish with what is needed to support producer ownership through co-operatives. Both the Canadian Federation of Agriculture and the National Farmers Union support co-operatives and have called for resources to help producers learn about, plan, and start agricultural co-ops.

Groups wanting to form new agricultural co-ops need three basic things—information, specialized advisory services, and financing.

Currently the Federal Government is involved in a modest way in supporting new co-op development, as are some provinces. Both CCA and Conseil Canadien de la Coopération (CCC) appreciate the recent funding from Agriculture Canada for the Agricultural Co-op Development Initiative. Ag-CDI helps groups of producers start new value-added agricultural and biofuel co-ops.

I have brought along some material from this program and it will be available from the Clerk. This profile of 25 co-op groups we helped shows the breadth of ideas and initiative among farmers,

The broader and generic Co-op Development Initiative—which started five years ago as a partnership between the federal Co-operatives Secretariat and the co-op sector - is up for renewal. CCA and CCC have submitted a proposal to expand and improve this program, which provides co-op advisory services across the country and helps with grants for innovation and research.

Demand for the Advisory Services has outstripped the inadequate resources of the provincial and regional co-op organizations which provide these services on the ground. A budget of \$ 1 million per year to pay for co-op advisory services, in two official languages, means that many co-op groups are not getting the help they need to get started.

That is why we have proposed a reasonable expansion to \$ 4 million a year for Advisory Services and \$2 million a year for a grant program to emerging co-ops.

Our overall request is for \$ 30 million dollars over five years.

With ownership, comes the need to capitalize the business. In today's economy, starting any new co-op costs money, but constructing and starting a new processing plant or biofuels refinery involves millions of dollars.

The lack of capital is holding back co-op development. Groups get together and develop a viable business plan and then find that they can't get the financing to start. New co-ops have a hard time because the new co-op does not have track record in business, their members do not have the money to contribute the large amounts of equity required by lenders—often 50%—and lenders do not understand the co-operative structure.

The solutions to this are a range of capital and tax incentive measures such as a Co-operative Investment Plan, loan guarantees, equity matching grants, improved government lending programs such as FIMCLA, and specialized co-op lending programs managed by the co-op sector .

CCA and CCC have proposed that the Federal Government seed a \$ 70 million Co-op Development Fund over the next 5 years. This fund would provide patient capital through long term, low interest, loans to new and expanding co-ops including agricultural co-ops.

You have already heard from the Canadian Federation of Agriculture about the need for a federal Co-op Investment Plan, which would grant tax credits for individuals investing in their agricultural and worker co-ops. We have been proposing this for several years.

The time has now come to put this in the next Budget.

The Co-op Investment Plan already exists in Quebec and has proven its worth in that province by leveraging some \$393 million in new investment from 1997-2006. It was supported by Mr. Harper in 2005 and was endorsed by the Finance Committee last year.

This kind of hand-up assistance is preferred by farmers, instead of government payments, when they are unable to earn enough from the marketplace

In closing, we would like to reiterate the need for an APF that:

- Recognizes the importance of farmer ownership
- Provides for specialized co-op development services, and
- Addresses the capital needs of farmers through a Co-op Investment Plan