



Second Session - Thirty-Seventh Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Agriculture

Chairperson
Mr. Stan Struthers
Constituency of Dauphin-Roblin



MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Seventh Legislature

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ASPER, Linda	Riel	N.D.P.
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PENNER, Jack	Emerson	P.C.
PENNER, Jim	Steinbach	P.C.
PITURA, Frank	Morris	P.C.
PRAZNIK, Darren	Lac du Bonnet	P.C.
REID, Daryl	Transcona	N.D.P.
REIMER, Jack	Southdale	P.C.
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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON AGRICULTURE

Monday, April 30, 2001

TIME—6:30 p.m.

Ms. Julie Turenne Maynard, The Manitoba
Chambers of Commerce

LOCATION—Beausejour, Manitoba

Mr. Ian Robson, Private Citizen

CHAIRPERSON—Mr. Stan Struthers
(Dauphin-Roblin)

Mr. Wayne Drul, Manitoba Vice-President,
United Grain Growers

VICE-CHAIRPERSON—Mr. Tom
Nevakshonoff (Interlake)

MATTERS UNDER DISCUSSION:

All-Party Resolution on Federal Support for
Agriculture; Proposition présentée par tous les
partis au sujet de l'aide fédérale à l'agriculture

ATTENDANCE—14—**QUORUM**—8

Members of the Committee present:

Hon. Messrs. Ashton, Lemieux, Smith, Hon.
Ms. Wowchuk

Messrs. Cummings, Dewar, Gerrard,
Maguire, Nevakshonoff, Penner (Emerson),
Pitura, Schellenberg, Struthers

Substitutions:

Mr. Praznik for Mr. Faurshou

Mr. Chairperson: Good evening, everyone.
Will the Standing Committee on Agriculture
please come to order. Tonight the committee
will be hearing public presentations regarding
the provincial All-Party Resolution on Federal
Support for Agriculture.

For the benefit of all in attendance this
evening, I would like to take a moment now and
review some general information regarding
proceedings in this committee. First of all, all of
the normal rules, traditions, and practices which
apply to standing committee meetings held in the
Legislature shall apply here tonight in this room.

Second, it was agreed by this committee at
our organizational meeting on April 18 that
members of the public would be allowed 15
minutes for presentations, followed by 5-minute
question-and-answer sessions. While this agree-
ment will apply to all meetings of this committee
considering this matter, the committee did also
agree to allow some flexibility to the 15- and 5-
minute guidelines.

It was also agreed at the April 18 meeting
that, following our usual practice, an individual
may make no more than one presentation to the
committee on this matter. Also, following our
usual practice, it was agreed that presenters will
appear before the committee in the same order as
their registrations are received by the Clerk's
office. In the case of presenters who are not in
attendance this evening, but have their names

WITNESSES:

Mr. Leonard Gluska, Reeve, R.M. of Kelsey
Mr. Al Tymko, Reeve, R.M. of Brokenhead
Mr. Andy Baker, Private Citizen
Mr. Brad Mroz, Private Citizen
Mr. John Sokal, Councillor, R.M. of
Springfield
Mr. Wayne Drul, Manitoba Vice-President,
United Grain Growers
Mr. Bill Chuckry, Chuckry Farms
Mr. Claude Roeland, Private Citizen
Mr. Ken Yuill, Private Citizen
Mr. Brian Kelley, Private Citizen
Mrs. Dorothy Boznianin, Reeve, R.M. of
Lac du Bonnet
Mr. Larry McGonigal, Private Citizen

WRITTEN SUBMISSIONS:

Mr. Roger Goethals, Reeve, R.M. of
Winchester

called, the committee agreed to call the names twice during the meeting and then call them once again at subsequent meetings of the committee.

I would like to mention to the members of the public in attendance tonight that they are not to participate in the committee meeting by applauding or commenting from the audience. Also, for the information of the public, copies of the resolution under discussion here tonight are available from our staff table you may have noticed at the back. Copies of the resolution are there.

I would ask all those in attendance with cellphones to please turn off your ringers so that the proceedings are not interrupted. As a final point of information for all in attendance, this committee has been scheduled to meet again tomorrow night, Tuesday, May 1, at 6:30 p.m. in Winnipeg in Room 255 of the Manitoba Legislative Building.

I would like to take a moment now and introduce the members of the committee starting—yes, Mr. Penner?

Committee Substitution

Mr. Jack Penner (Emerson): Mr. Chairman, I wonder whether I might move a substitute.

Mr. Chairperson: Sure, go ahead.

Mr. Jack Penner: With leave of the committee, I would like to move that the honourable member for Lac du Bonnet (Mr. Praznik) replace the honourable member from Portage la Prairie (Mr. Fauschou) as member of the Standing Committee on Agriculture, effective April 30.

Mr. Chairperson: I would like to ask the committee, then, is it agreeable that the Member for Lac du Bonnet substitute for the Member for Portage la Prairie here at this committee meeting tonight? Is it agreed? *[Agreed]*

Welcome, Mr. Praznik. Welcome to Beausejour.

* * *

Mr. Chairperson: I would like to introduce the Leader of the Liberal Party, Member for River

Heights, Mr. Jon Gerrard; as you know, from Lac du Bonnet, Mr. Darren Praznik; MLA for Emerson, Mr. Jack Penner; MLA for Morris, Mr. Frank Pitura; MLA for Ste. Rose, Mr. Glen Cummings; MLA for Arthur-Virden, Mr. Larry Maguire; the Minister of Agriculture and Food, Rosann Wowchuk; the MLA for Interlake, Tom Nevakshonoff; the MLA for Brandon-West, Scott Smith; the MLA for Rossmere, Harry Schellenberg; the MLA for Selkirk, Mr. Greg Dewar. My name is Stan Struthers, and I represent the constituency of Dauphin-Roblin.

I will now read the names of the persons who have registered to make public presentations this evening. Oh, I am sorry, Mr. Praznik.

Mr. Darren Praznik (Lac du Bonnet): Mr. Chair, thank you. Just on a matter of logistics. In speaking with a number of my constituents and neighbours who are here tonight who are not registered, and I know you will be reading through this list, there are eight presenters. But, I gather, just for their information, if anyone does want to be added to this list as the evening proceeds, they can do that, and perhaps, Mr. Chair, you might want to point out where they would register to add their names to the list. Thank you.

Mr. Chairperson: That is a good point. I think Mr. Praznik was reading ahead on my script here, because that is going to happen all in due course. But, as Mr. Praznik has indicated, if you want to register and make a presentation here tonight, you can register at the staff table at the back of the room. Thank you.

On our list so far we have Mr. Leonard Gluska, the Reeve of the R.M. of Kelsey; Mr. Al Tymko, Reeve of the R.M. of Brokenhead; we have Andy Baker, a private citizen; Brad Mroz, private citizen; John Sokal, Councillor of the R.M. of Springfield; Mr. Wayne Drul, Manitoba Vice-President of the United Grain Growers; Bill Chuckry of Chuckry Farms; Claude Roeland, a private citizen; and Brian Kelley and Ken Yuill presenting together.

If you want to register to make a presentation, please do so at the back with the staffperson there. Those are the persons

registered to speak this evening. I would like to mention to presenters that 20 copies of any written version of presentations would be appreciated. If you require assistance with photocopying, please see our staff table at the back of the room. If there is anybody else in the audience that would like to register to make a presentation tonight, register at the staff table.

I would like to inform the committee that written submissions have been received from Mr. Roger Goethals, Reeve of the R.M. of Winchester, and from Julie Turenne Maynard, the Manitoba Chambers of Commerce. Also, I have been advised that Ian Robson, whose name was called at a previous meeting of this committee, has since requested to have his presentation accepted in written form. Copies of these briefs have been prepared and distributed to committee members. They are in front of you.

Is it the will of the committee for these written submissions to appear in the committee transcript for this meeting? *[Agreed]*

* (18:40)

I also want to here in Beausejour, as we have done in a previous meeting, indicate to presenters that if you choose, you can simply put your written submission forward and opt not to do your oral presentation. So you can put your written submission forward. We will accept that. It will be taken as part of the transcript for this committee if you do not wish to make your oral presentation.

I think that covers the basis for the housekeeping that we need to do. I will now call on Mr. Leonard Gluska, the Reeve of the R.M. of Kelsey, to present to the committee. Mr. Gluska? Following Mr. Gluska will be Mr. Al Tymko, so Reeve Tymko, you can be ready on deck.

Mr. Gluska, do you have a presentation to be handed out?

Mr. Leonard Gluska (Reeve, R.M. of Kelsey): Yes, there is one going around the table at the moment.

Mr. Chairperson: The floor is yours.

Mr. Gluska: Thank you, Mr. Struthers. I walked in here and the first thing I noticed was the fine designs on the wall, but it made me wonder whether that was an example or a silhouette of a setting sun and that would be symbolic to our state of agriculture right now.

Ladies and gentlemen of the Standing Committee on Agriculture for the Province of Manitoba, I have presented you with a text, that I, with your permission, will probably deviate from now and again, but I will try and contain myself to the text as I have presented it. I feel both privileged and re-inspired by the opportunity to make this presentation in regard to the catastrophic status of affairs in the grain and oilseed sector of our agricultural industry.

The passing of an all-party resolution dealing with this crisis in grain and oilseeds and the need for further support basically re-affirms my faith in the democracy as we know it in Canada, at least in this corner of the world. And, as I look at the copy of the resolution, I certainly want to—maybe it goes without saying, but I am here to speak in support of it.

This crisis can only be viewed, as we are today, on a global perspective and therefore a matter that is inherent that the Canadian government take the leadership in dealing with the challenges that have presented themselves on an international level.

I come here before you today from the perspective of the Reeve of the Rural Municipality of Kelsey. I am also active in various local and regional economic development boards over the years and other initiatives that are community and regional-based and provincial-wide. I am a member, presently, of the Churchill North Gateway Interim Committee. I am also an active grain producer and entrepreneur in the agricultural industry.

* (18:50)

In my presentation to you today, respected members of the standing committee, my intent is to focus on the gravity and the reality of the farming crisis in as objective a manner as the subject permits. Some of the things I am about to

say you have all probably heard before, and I was inclined to say, well, you are going to hear it again, but I am not going to. What I am going to say is hopefully if you have heard it before, my presentation will help to sort of reinforce some of the facts and points that exist.

Now, let us look at the big picture. To make a statement citing that this crisis is the result of government mismanagement would be an understatement to say the very least. The crisis is a result of no management at all, and I say that with all due respect, and I will build on it as I go through the presentation. My presentation today will attempt to shed some light on the present snapshot of the current crisis in two parts: (1) the present realities, and (2) I am going to try and bring in some long-range perspectives.

Present realities. Presently the returns on grain and oilseeds are below the cost of production. These low commodity prices do not even come close to resembling the return on the investments or the replacement of the equipment, let alone meeting the base costs of the inputs. The increase in cost to the Canadian farmers for petroleum and fertilizer in one year was more than \$1 billion, and at the same time commodity prices were falling.

The present ad-hoc programs have failed miserably in addressing the program in more than one way. The support level does not even come close to addressing the shortfall created by the increased cost of energy combined with the declined returns and commodities. The process is wrought with untested formulas, huge administrative costs and time delays. Thus, this results in promised aid arriving long after it was needed and also results in inequities in the distribution of this aid. And, as I was doing my research, I ran across something—I am going to deviate from my text here—that indicates to us that this is nothing new, the facts of problems with the formulas and the way things are being Band-Aided in the agricultural industry by attempts to try and make it survive.

I will quote you from a statement in the *Western Producer* in 1992: Farmers across Canada have grown so used to being trampled by bureaucracy and politicians, they will take anything lying down. If government announces a

new program for agricultural assistance, they do it through all available media, screaming about the hundreds of millions of dollars they are spending. The next step, create a new bureaucracy to administer the program, and bang, half of the millions disappear, and as farmers we lie back and think that someone else will take care of the situation.

I think we have come to such a crisis in our agricultural industry here that the response I see is an all-party standing committee. Certainly there is recognition that these Band-Aid approaches just are not working.

I mentioned inequities. I want to refer just to one inequity in the last program we had running, I think it was called AIDA, in the way that people were treated that did not belong to NISA. They were penalized twice. First they did not receive the matching contribution dollars from the government, which is individual choice. They chose not to belong to NISA, so they did not get the matching dollars. But, secondly, if they were eligible for any aid from AIDA, they were deducted as if they had received NISA, had been in the NISA program. Again, both cases create a cash gain for the program being administered by the government. I do not understand what kind of thinking goes behind that. The cash advance program, I think, is a great program, but we have moved it now for the second year from the fall into the spring. Sure, this will help put the crop in the ground, but it is putting a crop in the ground that is not going to come back enough to cover the costs anyway. So where is that going? What is the sum of the realities of the spring advance? It could be creating a situation where you are digging the hole deeper.

* (19:00)

How much money will go towards clearing past-due fuel and crop input bills from the previous year? In the related agricultural industry that I have been involved in, I come into contact with a lot of farm gate people. We do some trucking; we do some custom herbicide application, so I have a large clientele, and these folks are all telling me the same story: Boy, I hope I can get the cash advance so I can pay my last year's fuel bill.

Now where is that going to put them next fall? They are done. They are already done now probably. In all likelihood, if that is the case, they are not going to get any new credit extensions anyhow. I do not know what the solution is there, but it certainly, again, is a Band-Aid type of approach to this problem.

What happens to the farm operator, and there are a lot of them out there, who has been having problems with time lines and previous cash advances? He, in all probability, cannot access the current spring cash advance. So maybe I guess he puts the lights out in his place.

If the agricultural crisis is going to be dealt with fairly, equitably and timely, an immediate payout of even the presently committed funds that have been committed need to be administered in a simple, efficient manner. There are existing models that have been practised in the past, both in Canada and in the United States, based on acreage payments. Acreage payments could be administered through crop insurance agencies in each province. The acreage records are already in place, the staff is already in place, the savings realized in eliminating another bureaucratic tier would contribute to actually aid the producers and not just appear to do that.

I want to share some statistics with you here after I say that the statements by the federal government that Canada cannot compete with the deep pockets of the U.S. and the European Union are not soundly based on any facts because the statistics I am presenting you on page 4 will tell you the story. Producer subsidy equivalents in the European Union in 1988 were 50 and in 1998 were 65. In the United States they were 39 in 1988 and 43 in 1998. In Canada they were 41 in 1988 and they are 18 in 1998. What does that tell you? Is there really a support program here of any kind? Absolutely not. The money is gone; it has dried up.

Table 2 is the one that makes the story a little clearer again, and maybe a little easier to understand. Farm support dollars per person: 1986 versus 1999 by countries. The European Union in 1986 contributed \$325 to agricultural support in 1986 and \$336 in 1999. They have remained constant. The United States in 1986 was \$277, in 1999 was \$350. They have seen the

need; they have gone ahead and put it in there. Japan, \$510 in 1986 and in 1999, \$566; Canada, \$268 in 1986, \$163 in 1999.

The food basket that is used as a basis for calculating the COLA, the cost of living allowance, in Canada is the cheapest one in the world. It shows that the savings per week per citizen is a minimum of \$3 which is equivalent to \$156 U.S. per year.

Based on Table 2 that I just presented to you, ladies and gentlemen, the agricultural spending in 1999 agriculture was basically taxpayer neutral. Looking at it as the dollars that the agricultural programs are handing out coming from the taxpayer, basically they are nullified by the fact that the food is cheaper. However, consideration must be given to the fact that dollars earmarked for agriculture in a government's budget does not reach all farm gates. Therefore, based on the food basket, there is another message here. Each citizen in Canada is being subsidized by farmers in Canada, and that is said with all due respect. It is nobody's fault, that is just the way it is. This is indeed not surprising because we know worldwide that Canadian farmers are the top producers in the world in terms of efficiency in being able to produce good, high quality, safe food.

Let us look at some long-term perspectives. Let us examine what agricultural policy is and how it relates to other kinds of policies. Agricultural policy is a subset of the larger overall government policy. Since our government is elected by individual constituents, which is the public, then the government policy, in fact, is public policy. Therefore, all government portfolios, including agriculture, are mechanisms for developing public policy.

There is another type of policy at work parallel to government policies and that is developed in the boardrooms of major corporations. This corporate policy may be, on some occasions, parallel to public policy; however, the overriding concern in corporate policy development is the legal obligation to capture wealth. In most agricultural areas today, wealth is created, but it is captured elsewhere, and systematically it has taken and sucked out the old wealth from western Canada.

Mr. Chairman, I am out of time?

Mr. Chairperson: No, you have about half a minute.

Mr. Gluska: Oh, my. I just want to take—I cannot ask for an extension, can I? Do I need a motion from the standing committee?

Mr. Chairperson: You still have your five minutes for questions.

Mr. Jack Penner: Mr. Chairman, I would suggest that the committee give some leeway. I have paged through the report, and I think this is probably one of the better presentations that we have heard all night, and I would certainly want the gentleman to be able to have enough time to present it.

Hon. Rosann Wowchuk (Minister of Agriculture and Food): I would agree that Mr. Gluska should be able to finish his presentation, and we would waive our questions.

Mr. Gluska: I appreciate that because I just feel I am moving into the summary of what I have been building towards here.

Mr. Chairperson: Just before you move on Mr. Gluska, then we have agreement in the committee to waive our questions and have Mr. Gluska continue? *[Agreed]* You would have about five minutes and fifteen seconds then.

Mr. Gluska: I will try and tie it up in that time period. Thank you very much, Mr. Chairman and ladies and gentlemen of the committee.

* (19:10)

I think what I want to say here I am going to summarize in just a few words rather than going verbatim on the report in the interest of time. I talked about agricultural policy. Every nation has to address it as it relates because agricultural policy relates to a nation's sovereignty. There are other things that relate to a nation's sovereignty, which I will not build on, but it is in the text so it will become part of the records. A sovereign nation has to be able to control its debt, has to be able to maintain and protect its borders, has to be able to maintain an adequate source of energy

and reserves, and maintain and guarantee a stable, national food supply. I wonder how many of those four points our nation is maybe slipping on. The fifth one is to maintain a water supply.

Let us look at agricultural policies and compare them to other parts of the world. In the European Union, their policy is called the farm pact. "Feed our own people" is the motto. European folks have experienced food shortages twice in this last century. They also want to guarantee a vibrant agricultural industry. They want to keep people in the rural areas rather than add to the problems in the urban areas.

The United States, the farm policy is feed the world. The United States Department of Agriculture is charged with the responsibility of carrying out agricultural policies that are set out five years in advance.

Let us look at the Canadian policy. Number one, right now there is no policy. Agricultural Income Disaster Assistance, our policy is a disaster. If we have a disaster, we have a policy. Since the GRIP program has expired, the AIDA program's underpinning design was based on disaster, and I know that folks that were in a disaster area did benefit by it somewhat, but this was not meant as a price support for commodities. If we look at the world as a whole, Canada is the only G-8 country without a food policy to address the cost of production and return on equity and labour.

Québec, in our own country, since 1974, has had a farm income stabilization program, and just a few pointers. Their program sets out seven years in advance planning of what may be coming in the future. The equalization income is based according to specialized workers in the rest of the economy of \$49 000 a year. It has been in place since 1974. The agricultural sectors are commodity based not blanketed as all one industry.

We deserve, in Canada, an agricultural policy. No one wants a free ride. Farmers are probably the most sensitive of anybody to handouts or to the welfare mentality. The farm community deserves a policy because agriculture creates jobs, agriculture sustains communities, agriculture produces exports, agriculture is 12

percent of our GNP. Furthermore, Agriculture Canada employs 12 000 staff, 800 of those are economists throughout Canada.

Obviously none of our ag economists have been sensitive enough to the problems to inform their minister of the state of affairs. In all due respect to them, how can they be sensitive to that if there is no policy? How can employees be sensitive to any changes?

I just want to take another minute and talk to you about the production costs and how almost silly it sounds. A bushel of barley creates 333 bottles of beer. Out of that, \$14.56 goes out of that sale towards federal and provincial taxes on one case. A quarter section of barley, on that basis, produces over \$4 million.

Let us consider two scenarios. Mr. Chairman, what have I got? One minute. Thank you. If you take a one cent surcharge, well, call it what you want, on a bottle of beer, that would give you \$3.33 per bushel. Add that to \$2.30, it would give you \$5.63 per bushel of barley.

A bushel of wheat produces 57 loaves of bread. A nickel would give you \$2.85 more; it would give you over \$5.00 a bushel for wheat. If that were the case, we would not be here, you would not be here, I would not be here talking about this. The western economy would be booming. There would be money; there would be jobs. The immediate answer is a cash distribution quickly. The long-term answer is a long-term policy.

Again I suggest that the distribution be based on an acreage payment, which seems to be simplest and the fairest because you are dealing with grain production. There are downsides to everything, but let us look at something that gives immediate cash to people in the agricultural community.

Unless the crisis is approached immediately at both levels of the senior government with a nonpartisan attitude, which you started here in forming the standing committee—my sincere hope is that this permeates the far east, meaning Ottawa, and hopefully this halts the decimation of our rural western Canada because if it does not, ladies and gentlemen of the Standing

Committee on Agriculture, I want to leave you with a thought. We might as well go home now, and the last one to leave our rural communities has an important responsibility. They are going to be the ones that need to turn out the lights.

Thank you for your time and God bless.

Mr. Chairperson: Thank you, Mr. Gluska. We have agreed to forgo questions, previously agreed in the middle of your presentation. Thank you very much for attending here tonight.

Mr. Gluska: I just want to sincerely thank you for giving me the extension of time.

Mr. Chairperson: Okay, thank you very much. I have Reeve Al Tymko presenting next. On deck is Mr. Andy Baker. Reeve Tymko, do you have a presentation to be distributed to the members?

Mr. Al Tymko (Reeve, R.M. of Brokenhead): Yes, I do, but I will hold on to it for a while and present it to you later.

Mr. Chairperson: Okay, the floor is all yours.

Mr. Tymko: First of all, I would like to, on behalf the Town of Beausejour and the R.M. of Brokenhead, welcome everyone to our part of the country. I have to share with you that this is probably the most beautiful part of the province, this eastern part of the province. I think if you take a tour around the area, you, in fact, will believe what I am saying. Plus, I want to emphasize the fact that we have some of the most productive farmland in the whole province of Manitoba, which we are proud of, and we are proud of our farming community.

I would like to thank you for giving me the opportunity to make a presentation on behalf of the residents of the R.M. of Brokenhead, and on behalf of our council who authorized me to make this presentation. I am not sure where I stand. This is why I am sort of holding back with my document that I was going to hand out because with the comment that Mr. Penner made—he had indicated that was the best presentation he has ever seen. I am not sure whether, in fact, I want to hand my presentation out.

* (19:20)

I am taking a little different approach than, I am sure, a lot of the presentations you have heard from as far as agriculture is concerned. I know that the bottom line is that the farmers are not getting enough money for their product. If I might share with you a recent article in the *Winnipeg Free Press*, I do not know how many of you people have seen it. It is called: The java jolt. When I read it, I thought it was very, very appropriate for the type of things we are dealing with. This is written by Ilana Simon:

When the alarm clock goes off, the first most of us think about and long for is our morning cup of coffee. But, do you ever wonder where java jolt comes from and how much of what we, as consumers, pay for our coffee actually filters down to the farmers who grow and pick the coffee beans?

We can put in whatever words we want there, but I just thought this could fit in for grain farmers, cattle farmers, whatever it may be.

The answer is not a lot. Typically, a pound of 100% Colombian coffee sold in North America earns a coffee farmer less than 10 percent of the retail cost. Thousands of Central and South American small-scale coffee farmers are just struggling to get by.

I think that is the case in our farming community at this stage.

A few concerns before I get on with the other part of my presentation, and I guess this is a provincial concern as much as a federal concern, because my understanding is that education is both provincial and federal. But, in my opinion, we must sell the importance of agriculture to our people. It bothers me that agriculture is not a topic that is compulsory in our school curriculum. It is an optional part of our school curriculum.

We must make all people—city and rural—aware and knowledgeable of the importance of agriculture, and how it drives our economy. The lesson we might learn is: perhaps we look at our computers and our computer technology, and learn from them what did they use to sell our people in the whole computer industry. Perhaps

we can use some of these methods in selling the need for our agricultural products.

I know that Ron had mentioned a lot about field costs and so on and so forth. The approach I am going to take a look at is that the end result is that the farmer is not getting enough for their product. We talk about input costs as far as the gasoline and diesel and fertilizer and so on and so forth, but in our particular part of the province here, which is Brokenhead, we have something that, I think, contributes to our input costs greatly and affects what we get for our product in the end, and that is the drainage. I am not sure whether this is strictly a provincial responsibility, or whether it is something that should be shared by the Province and the federal government. I know that Minister Wowchuk and Minister Ashton, in fact, have their report previously, but at this time I would like to share the report with you and address this concern.

Just a bit on the background, the R.M. of Brokenhead was formed in July 1900. It is currently made up of eight townships and 184 320 acres. The Brokenhead River basin separates two geological formations, namely, limestone to the west and the granite shield to the east. This results in the Brokenhead River being the drainage system for the adjacent lands. The meeting of these two formations results in some of the richest, highly productive and fertile growing land.

The economy of the R.M. of Brokenhead is predominantly agriculturally based, with the largest grain delivery point in southeastern Manitoba located near Beausejour.

Due to the fact that the Brokenhead River runs through the entire length of the municipality, this results in 12 third-order drains running through our municipality in order to reach the Brokenhead River. I think, if you check on the provincial map, in fact, the size of this municipality, we have the greatest number of third-order drains. These third-order drains drain water from the R.M.s of Lac du Bonnet, St. Clements, Reynolds, Springfield, the Town of Beausejour, as well as lands in the R.M. of Brokenhead.

With page 4, I think what I will do, I will just leave that, and you can read that at your

leisure. We will go to page 5. This is where I feel that this affects our particular situation because what happens is that the farmers in our area are not on the same playing field as a lot of other farmers are because of the economic losses that result of the fact that we do not have the proper drainage. I know a lot of other areas are concerned with retention of water. In fact, we are faced with a dilemma where we end up having to deal with drainage.

For my particular presentation here, I chose two of the 12 third-order drains located in our municipality to justify and support the need for a comprehensive maintenance and capital upgrading of the provincial drains located within our municipal boundaries. The reason for my choices are as follows:

I chose the Bachman Drain, which is one of the longest drains. As well as one of the largest drainage basins located in our municipality, this drain was originally constructed to drain approximately five sections of land. But the drainage area has been increased to drain approximately 40 sections of land.

Now, what has happened is I sent out surveys to landowners and people that live along the Bachman Drain. The surveys were sent out, and the return, now, if you take a look at the figures there, the total losses are as follows. I will not go through all the details. There, again, you can read that.

In 1998, based on just the people that returned their surveys, there was an economic loss of \$149,368. So, in 1998, our farming community, just along the Bachman Drain, had to recover that amount of money before they were on the same playing field as the rest of the people.

In 1999, the cost, there was \$155,385. Now, these figures are all documented, sent in from the different farmers, which you will be able to take a look at a little further down.

In the year 2000, the loss, in fact, was \$208,475. So the total crop lost from these surveys is \$513,000 or half a million dollars in the last three years.

Again, I just wanted to emphasize that not all of the farmers had returned their surveys. So we are talking about a pretty significant loss for a very small number of people.

The above figures exclude input costs. That is just the loss of crops they had. Now, if the input costs are figured in, then the costs would be indicated on the following page, which I have done there. I have summarized them with the different years, 1998, 1999, and I have gone into the wheat crops, taken the total number of acres. There were, at times, the input costs for the different crops that were grown in there. You can see, in 1998, as well as losing the grain, they also lost in input costs \$171,000 in 1998; in 1999, an input cost of \$128,000; and in 2000, \$192,000.

So, if you take a look at the summary at the bottom, the total input cost over the three years is approximately half a million dollars and from the loss of the crops is also half a million dollars. So in fact, for the Bachman Drain, there was basically \$1 million that was lost. I guess the point I am making, that is \$1 million that was lost strictly because we cannot get the water off the land.

Now, the Lydiatt drain is a short drain. It is one of the shortest drains and drains approximately two sections in our municipality, two sections and quite a number of sections in the R.M. of Springfield. Surveys were sent out to 17 landowners; 8 of the landowners returned their surveys. The others, I am not sure why they chose. I know that when I was gathering this survey, I was advised that it is probably best to have this information in before the Estimates go before the House, so that the people would have the information there before they do their Budget.

I realize that what I am dealing with, a lot of it is provincial, but I am not sure whether drainage, in fact, should be strictly a provincial responsibility. Or whether part of the costs that would be shared with the federal government should not come from that, whether it is from the Crow subsidization, whatever it may be, to deal with our particular dilemma here.

So, if you take a look at 1998, again, I want to emphasize there are only two sections of land. In '98, there was a \$61,000 loss; '99, approximately \$60,000; in the year 2000, \$297,000. So, again, the total loss there in the last three years was \$418,000. As my note I have made there, there are photographs and videos that are available so you can visually see what goes on there. We have that.

If we take a look at page 8, there again, the same summary, these are the input costs. The other ones were strictly crop losses. So, if you take a look at the input costs there, the input costs for the Lydiatt drain are \$103,000, plus the \$418,000 in crop. So the total estimated loss there is, again, half a million dollars for just two sections of land.

In our particular case because, in the Municipality of Brokenhead, I think that, if we generally speak about the drainage system that we have within the R.M. of Brokenhead, we would have to say it is quite good. But our problem runs into if we get our drains to the point where in fact they are good drains, we meet up with the provincial drains, which are the third-order drains. They cannot handle the water that we generate as well as all our surrounding municipalities. Now the biggest problem we end up with is that somewhere in the report here; I state it is just like because we are in the basin here, all our agricultural land. Which, again I have indicated to you, is some of the best agricultural land in the province. Because we are at the bottom end, we have to wait our turn before the water leaves us. It all comes down here. We have high elevation that way, that way, that way, from all ways. It inundates on us. We are in a holding pattern until the traffic leaves, and then our water goes down.

I know that for years—I am new at this game, but my predecessor, Clarence Baker, is here. I know that Clarence and the council at that time tried to update these drains as well, and we always seem to get the same answer.

Does that mean hi?

Mr. Chairperson: That means you are No. 1 with one minute left.

Mr. Tymko: I was wondering if I can get an evaluation up to now.

Mr. Chairperson: You probably will.

Mr. Tymko: I guess the answer we get back all the time is that there is no money. I guess I like some of the ideas that were presented here with the beer and so on, so forth; that if there was some sort of tax of that nature placed on it, in fact the farmers would have more disposable cash.

The other concern I have is that, for some reason, and I am not sure why, but every place we go, there seems to be a big push for conservation districts. I have to share with you that, in our particular municipality, we are not the same as the rest of the province. We have a unique, different situation here. We need drainage and not conservation districts. For some reason, it seems that every time we turn any place, it seems that the only way we can access funds is if we join a conservation district. We keep hearing this over and over again. Again, I want to emphasize every farmer is different, every farming operation is different, every municipality is different. Thank God we are different, but I have difficulty with people trying to come up with one solution for all of us.

We would love to bring in some of the alternative crops in our areas, but in order for us to bring in these alternative crops into the area, we do need better drainage. We can grow sunflowers. We can grow these specialty crops, but not under the current conditions where the water sits in and soaks out the crops for us.

Mr. Chairperson: I hate to do this to you, Mr. Tymko, but we have gone over time. There are just a couple of minutes left for some questions. I do have a speaking list of people who want to ask some questions, so if we could keep our statements short and sweet, maybe we will get most of them in.

Mr. Tymko: I do not see anybody big enough there to throw me out.

Ms. Wowchuk: Thank you, Mr. Tymko, and yours is also a very good presentation. What we find is each presenter seems to bring a different angle to it, and you brought the one of drainage,

so I have a couple of questions that I want to ask you.

First of all, has this been an ongoing problem, or has it worsened over the last few years? Are you saying that the municipality is maintaining your part of the drainage system, but the provincial drains are the ones that are the problem?

Mr. Tymko: The provincial drains, in some cases, it has been 40 to 60 years since they have been maintained. They have been there, but nothing has been done.

Hon. Jon Gerrard (River Heights): Just a couple of questions to clarify a little bit about the size of the drainage issue. You talk about two of the twelve third-order drains, and the losses in those two areas are one million and half a million roughly. If the rest of the third-level drains were included, and there was a similar loss in those areas, you would end up with a total loss in the municipality of around \$9 million. I do not know if these are the worst examples. Or whether they are reflective in terms of the kind of impact at the moment when it is difficult making a dollar in agriculture—the drainage and making sure that this is all the more critical, I would think.

* (19:30)

Mr. Tymko: I guess the thing is I just chose these drains simply because one was the shortest, and the other one was the longest and for no other reason, just to cite an example. But I have a letter here that I would like to leave with the Chair that I just received today. It is regarding a letter we got, and it has been sent to Oscar Lathlin, Minister of Conservation. It is regarding another provincial drain, just to sort of reiterate what I am saying.

Hon. Steve Ashton (Minister of Transportation and Government Services): Mr. Chairperson, I certainly can testify to the conditions of some of the drains with my involvement I guess on the Emergency Measures side. As you know, of course, we have had some increases here for the first time in quite some time in the maintenance budget. I am just wondering which of the provincial drains is the

priority in this area in terms of maintenance. I have seen some of them directly, I know they are all priorities in a way, but which ones are the drains that are in the worst shape?

Mr. Tymko: I guess I would have to ask Clarence here which one does not need. They are all bad.

Mr. Praznik: Just two questions for the reeve. I think you gave a great presentation. Just two things and they are basically questions just to elaborate somewhat on what you said, AI, to give people a perspective of what we have faced in this area. When the Bachman Drain was originally dug, the area that it was draining was fairly small compared to today. Do you have the numbers on the additional number of acres that are now flowing into that Bachman Drain over the last, say, 20 years?

Mr. Tymko: On page 3, originally it was eight townships and—no, pardon me, wrong place. I have it in here. On page 5 it was originally set up to drain five sections of land, and now it drains approximately forty sections of land, and nothing has changed.

Mr. Praznik: Mr. Chair, just to make a point, it has not been added to.

The second question, AI, is you talked about innovative approaches and different things. Conservation districts are not meeting the tests for out here. Would you just take a moment to inform my colleagues about what you and a number of the other municipalities have done to co-ordinate your drainage activity in the last four or five years; where we have had that co-operation, because it is a different approach.

Mr. Tymko: In the area here, what we have formed is what we call a Northeast Agassiz Watershed. What we have, Mr. Chairperson, is the R.M. of St. Clements, Lac du Bonnet, Alexander, Brokenhead, Whitemouth, Reynolds and Springfield—as well as the town of Beausejour and, hopefully, Lac du Bonnet. What we do is we meet the third Wednesday of each month to take a look at the drainage issues which are specific to our area. I have to tell you that the meetings that I have attended to date, it has always been drainage. I think the point I want to

make is that we are not opposed to the conservation part of it. If there is conservation, we believe that it has to be done. But the thing is in this whole process. I can understand the western part of the province, that conservation is probably a high priority, but here we have the reverse.

Mr. Chairperson: Mr. Penner, for a really quick one.

Mr. Jack Penner: Just very, very quickly, could you tell us in one minute or less how you would formalize the process that you have been in, and what kind of funding mechanism you would need to be put in place that would give you the authority to do the assessments and the clean-outs?

Mr. Tymko: I am not sure what you are asking.

Mr. Jack Penner: Basically what I am asking is: what sort of a formalization of the initiative that you have already taken as a group would be required by the Province to initiate that kind of a process, and give you the authority by designation of grant funding to you? To give you the authority to make the decisions where the action should be taken on the total drainage system. Not that the Province would be involved other than funding you the amount of money needed, and then you would make the decisions. How could you formalize that?

* (19:40)

Mr. Tymko: I guess before the report was submitted, we in fact met formally with the people who made submissions to it, and the feedback we received from the people that were there, the approach of farmers that submitted surveys was that: If I lose \$18,000 or \$25,000 every year, I would be more than willing to present some of my economic loss because I have to put the input costs in there. Rather than losing the input costs every year, I would be prepared to sacrifice or put in some of my own money so that I can access other funds so that in fact we can fix up this drain once and for all; otherwise, I keep losing money year after year. It does not stop.

Mr. Chairperson: Thank you very much, Mr. Tymko. Seeing as I opened up this committee

hearing in Dauphin by referring to it as God's country, I am glad you have balanced off east and west in this province with your bragging of your area. Thank you very much.

Just before we move on to Mr. Andy Baker, I want to introduce two more MLAs who have joined us here today, Ron Lemieux from La Verendrye and Steve Ashton from Thompson.

I would like to call Mr. Andy Baker to the microphone, please. Mr. Baker, do you have a document to be distributed?

Mr. Andy Baker (Private Citizen): No, I do not. This is not a very good time of the year for me. It is our first day out in the field. I had a lot of time to think about what I wanted to say, but it is not very easy to write stuff down when you are behind the wheel of a tractor.

Mr. Chairperson: Okay, you can proceed.

Mr. Baker: Really, I just wanted to bring one point to the committee, and that is the programs that we have had in the past as farmers and how beneficial they have been to me as a farmer. I think even though we all said GRIP was a good program, if we had kept GRIP and had kept it running, it probably would not be very useful to us right at this time because it had one fatal flaw. It had a declining coverage, so if we had gone five more years, our coverage, especially with rising input costs, would not really mean a lot to anybody. That is the problem with AIDA and now its predecessor, CFIP.

Last year we had a 50% drop in net income on our farm. Because of the declining incomes on the farm, we did not qualify for an AIDA or CFIP payment. This year I figured that I could go right to zero, I can have zero for a net income, and I still would not qualify because of the declining balance on your coverage. So that program obviously is not going to be much good for any farmers or any grain farmers for sure.

The one program that has been really useful to me as a farmer has been the NISA program, but it also has a flaw. Once you have a few bad years in a row, your account balances start dropping really drastically, and if we have one more bad year, our account balances are going to be too low to trigger any useful payments.

One easy solution to that problem would be to increase the amount of government contribution to the program. Right now the governments contribute 3 percent to the program. If we doubled that contribution to 6 percent and left the farmers at the same level, it is very easy to figure out the amount of money that has to be put in by governments. The good thing about the NISA program is that it does have caps. If you have good years, you get a large account balance and there are no government payouts, no more government payments made into those accounts. I do not see why governments would not like that. When times are good, it does not cost them any money.

I know lots of people argue about the amount of money that is in those accounts now and why is it not being utilized. I am not sure why any farmer would not want to take a program payment when it is triggered because obviously your income is low, you take out your government portion, pay your income tax at a low rate on that portion, and you use the money when you need it. If you left it sit in there and did not take it when you were allowed to, you would reach your account balance limit anyway and you would not get any more government contributions. If people want to leave their account balances in, that is fine by me. I know when I can trigger a payment, I take it. Obviously when I trigger it I need it, and I take it out. If there are farmers that do not need those payments and want to leave them in, governments will stop putting into those accounts once they reach their account balance limits.

That is pretty much all I have to say. I thank you for your time. I wish it had been a little bit earlier in the year that would have allowed us some time to really put the numbers down. I am open to any questions now.

Mr. Chairperson: Thank you, Mr. Baker.

Ms. Wowchuk: I would like to extend a thank you as well for your coming this evening and taking the time to get off the tractor. You are one of the lucky farmers who is already out on the land. That is not happening in very many parts of the province.

You talked about the programs that are not working, and AIDA is not working. There is a review of all those programs, there is a review of NISA going on, and hopefully some of the changes that you suggest will be made. But is what you are suggesting that we eliminate some of the other programs that are not working and use that money through NISA and increase the amount of money of the contribution through NISA and create a pool of funds for farmers in that fashion?

Mr. Baker: I know there are farmers that would say the AIDA or CFIP program has been of great benefit to them. But I think if the NISA program was enhanced, it could be of benefit to those producers too. When you look at how the CFIP or AIDA program has worked, it has worked for very, very few farmers.

I also sit on the Manitoba Safety Net Committee, and we have some of the figures from payments under the AIDA program. In the first year, 3 percent of the producers received the bulk of the money, and some of those cheques that were written were in excess of \$300,000. Now, that does not benefit the farming community as a whole when that kind of money is going to so few producers. At that time, grain producers were in financial straits too, and we were not triggering any payments.

In that first year when I filled out my AIDA forms, I knew I would not collect, but I would have collected under that program if I had had—I had one bad year out of the three that went for my average. If I had had an extremely good year, the same kind of year as I had in those other two, I would have triggered a program payment. Even though I needed it less, because obviously I made more money in the previous years, I would have triggered a program payment. That just points out why that program did not work and why we have to do something that is going to benefit producers better than that program did.

Ms. Wowchuk: If you were making recommendations on how the Safety Net program should be changed, that would be one of the recommendations that you would be making, is to shift from look at the funds that are in AIDA or CFIP now and have them in a

program that farmers could access in an easier way should they have a downturn.

Mr. Baker: Yes.

Mr. Larry Maguire (Arthur-Virden): Thank you, Andy. I just want to touch base or get a little bit further clarification on what you were thinking in regard to NISA. There is a good concept there. You were talking about increasing the program payments from 3 percent to 6 percent and keeping the caps, and of course the government does not pay in once you reach your cap, anyway, in those kinds of programs. Are you looking, or would you then recommend as well that if the government was going to increase its percentage of payment in, that you could look at increasing the cap as well?

Mr. Baker: The cap has not changed since NISA's inception, so I think just taking in the increase in costs on the farm, I think we would have to look at increasing the caps to keep the program meaningful. In ten more years the existing caps obviously would not mean a whole lot in the way our economy is going, so I would say we would have to review the caps on an ongoing basis.

And one other thing while we are talking about the review. I was really disappointed at the NISA review when it seemed to me after we had sat in the room for awhile and looked at what we were asked to review, that the Government was looking more at cutting the program than expanding it. That is really disheartening when you are asked to sit on a committee and you get in a room and you are discussing something, which I thought we were there to discuss improvements, not to try and convince governments to take more money out of the program.

Mr. Maguire: One of the things we have had presented to us at some of the locations has been the idea of the present programs that we have overlapping and taking away from AIDA, as far as income supports from various programs being added up and actually reducing payments and disaster mechanisms from the AIDA package. I am just wondering if you had any comments on that.

Mr. Baker: Are you talking about the CMAP payment, or something similar to that, detracting from what I would have received under an AIDA payment?

Mr. Maguire: Yes, that as well as some of the payments, particularly somewhere in the southeast as well as the southwest in '99 in regard to acreage payments that came out there and other sources of income, that when they are added into AIDA, really allow the federal government to pay less of the proportion of disaster funding that AIDA was put in place to do.

Mr. Baker: I do not agree with that happening and obviously it has. I am not sure how you could get around that entirely. I think it is just we have to have a program. The AIDA program or the CFIP program just are not going to work, period. That program has to be completely changed, dropped, and put into something useful. I realize the amount of effort it takes to try and come up with any kind of a program just by being on the Safety Net Committee. I can see it is not going to happen overnight, but I know there is a need to get money out to farmers overnight.

One of the things that could be done reasonably fast is to double the amount of government contributions to NISA and get the accounts built back up to where they are meaningful, especially to the younger farmers. I do not think it is a program that maybe the farmers that are closer to retirement are going to necessarily trigger, but the younger farmers definitely would.

One other point that would be that really, if there was a good NISA account balance of a retiring farmer and he was looking at passing this farm along to his son, what would be wrong with having a big account balance that could help him do that? That he could use as a retirement fund, and not have to put his son in debt or his daughter—whoever is taking over the farm—or else not be able to retire in the fashion he should be after working his whole life?

* (19:50)

So anybody who says those account balances are going to get too big and they are going to be used for retirement funds, well, what is wrong with that? We realize there is going to be a problem transferring that land in the future and this would just help to facilitate transfers.

Mr. Gerrard: You have done quite a good job of commenting on the programs. I would like your views on the CMAP program and how it worked in the payout of the \$93 million which is coming from Manitoba, and the approach that was used for that. Whether that could be improved or whether that is the optimum way.

Mr. Baker: I think, judging from last year's program, last year's CMAP, I was really surprised at how fast the money came out to the farmers. I thought the Government did a really good job on arriving at a way to pay it and to get it out to farmers. I know at the Safety Net Committee we were talking about how it should be done, should it be done acreage-based? We already had the payout done through NISA the year before. That would obviously be the fastest way to do it. I did not have any disagreement with maintaining that payout fashion for this year.

Mr. Jack Penner: Good to see you again, Andy. It has been a while since we have been able to sit around the table to discuss matters such as this. When you sit on your Safety Net Committee, have you ever taken the opportunity to think outside of the programs that we have currently utilized in Manitoba and western Canada, and take a look at what some of the other provinces do, not only the provinces but indeed our American friends? They use the LDP program, their disaster program, land set-aside programs, plus eight other programs that I am aware of that they utilize—many of them being loans-type programs, therefore being GATT green. I wonder whether you have given any thought to the targeted kind of an LDP program that the Americans have used very successfully and that their farmers really have become quite attached to. Have you, as the Safety Net Committee, given any consideration to those kinds of programming and recommendations to your governments?

Mr. Baker: Actually, we have not. Part of the reason is that I have only been on the committee

for just over a year now and most of the time on the committee we are dealing with programs that are already there and trying to improve them. We have not really had any time to sit down and try and design any other program.

I think when we look at the U.S. programs there is always the problem of what kind of budget we are going to be working with. If you are limited right off the start with the budget, obviously you are going to be limited in the design of the program too. That would probably facilitate designing a program if we knew what kind of budget the governments were prepared to put up to support agriculture.

Mr. Jack Penner: I think you point out the difficulty that we have as farmers when governments first set budgets and then asked committees such as yours to draw the parameters around those budgets. I think that is where we fail sometimes. I think we as politicians sometimes need to say to you as a committee you draft a program that would at least come to a close comparison to what our neighbours do under which we are attached to by trade agreements, be they FTA or the GATT or other trade agreements, but that we are attached to, and then give you the challenge to draft a program that would suffice to keep our farmers on the land, specifically our smaller family farms, and keep our communities viable. Has that discussion ever taken place in your committee, and have you ever challenged your ministers that you would like to do something like that?

Mr. Baker: Yes, we have discussed that about the amount of money that we would need if we were going to design a program, or the lack of money needed to design a program. I guess that is the problem we face is how do we get enough money to design an adequate program. How do we get enough money out of the federal government to design that program?

I know the provinces cannot do it on their own. There is no question about that. So I think we have to impress upon the fact that it is really a federal responsibility, as it is in Europe and the U.S., to support the farmers.

Ms. Wowchuk: Just briefly, I know that you have looked at safety net programs and had discussion on them. Do you think that it is important as we design safety net programs that we consider whether or not these programs are countervailable and whether there is going to be other problems that result for our producers, should we be challenged by other countries when we bring in a program.

Mr. Baker: I would love to say let us just design a program that is going to work and not worry about countervail. Obviously, that is not going to happen. The beef farmers are worried about duty, obviously for good reason; so are the hog farmers, but it does not much matter.

I just read an article in a farm magazine about losing the use of lindane as a seed treat for Canola. The reason we lost the use of it is not because of any trade issues. It is not available in the U.S., to U.S. farmers, so we are taking it off the market voluntarily so they do not complain that we have a lower cost of production and come up with some countervail. So really what is the difference what we design? I think the Americans are going to do what they want anyway. If we designed a program that we thought worked for our farmers and went ahead with it, I do not think they would have too much argument over that.

Mr. Frank Pitura (Morris): Andy, I just wanted to ask you, you were talking about having an enhanced NISA program with more dollars available in it. My question to you is: With the trigger mechanism on those programs, would you keep the existing triggers or would you make some recommendations in terms of modifying those triggers.

Mr. Baker: We would have to sit down and look at them. One of the good things about the program is there is a minimum income trigger, so no matter what happens you know you are going to have some money triggered, but I think we would probably have to sit and look at how the program does trigger so it does not fall into the same flaw that GRIP would have or that the CFIP program does.

Once the money was put in there, then I think we should do the review on NISA. Doing a review before it is going to be a useful program

does not make a lot of sense. Let us commit money to the program, then let us do the review and make it work. I know it can. It already works. It is already a workable program. It just needs some more money and a little bit of fine-tuning and it would work just fine.

Mr. Chairperson: Thank you for your time tonight, Mr. Baker.

Mr. Baker: Thank you very much. Good night.

Mr. Chairperson: Mr. Brad Mroz, private citizen, and on deck, Mr. John Sokal, Councillor for Springfield. Mr. Mroz, do you have a presentation to be distributed.

Mr. Brad Mroz (Private Citizen): No, I do not.

Mr. Chairperson: Okay, the floor is all yours.

Mr. Mroz: Thanks, Mr. Chairman. I just have a few notes here, and thanks to all of you for coming out to Beausejour. There are just a few provincial issues I would like to talk about. I guess one that has been in the papers is, it seems that farmers in the past—because the education taxes are based mainly on land, and so forth—it seems that we are paying a disproportionate share of the education taxes. I am just thinking that maybe some of these taxes could be transferred more to the residential; that we would pay on our residential but not on our farmland as well. It is almost like we are being taxed extra for that.

Another thing, I have to also talk about the drainage systems. The province has to be putting more dollars into construction and maintenance of the provincial drains. It is just like our reeve, Mr. Tymko, was talking about here, that we are falling way behind in our area. I think my dad and a lot of the fellows for their whole life have been up against the bureaucracy. It seems like every four years there is another election and we start all over again. I think it is high time that things got looked after. The Bachman Drain is an example, and there are a lot of others in the area. It is our livelihood and it is costing us money for generations around here. It seems like we always get pushed to the side and forgotten about, but I hope that things can improve in this area as far as drainage goes.

There are a few issues on crop residue burning that the province has divided into zones. It just seems to me that there are a lot of fellows who are specialized into different crops and so forth, and they have to do some residue burning. There are days when these areas are maybe a little too large and climactic conditions are different. I am wondering if those areas could be maybe reduced. For example, our Red River southeast zone, I think it pretty well goes right to the border and all the way to the lakes. That is a pretty large area to have the same weather pattern affecting everybody. So I was just wondering if some of those issues could be looked at.

Another issue is our energy costs. I think that governments, federal and provincial, should be spending more time and effort into ethanol production, bio-diesel fuels, that we can use our own grains and renewable resources to produce our own energies. An example, you could be lowering taxes on these fuels to encourage production of them as well as lowering taxes at the pumps to encourage consumption of these fuels. If these governments were serious about helping out with our energy costs and having them renewable and generated in Canada, we could add a lot of jobs, we could reduce costs, and we could do much better for our provinces I think by using up some of our grains and products to produce these fuels, instead of relying on others. I do not think there is anybody who would disagree with that, but there seems to be a lot of talk about it but no action. I think it is time that we maybe take some steps forward and do something about this.

There is also this situation of our products, for example, malting barley. I am going to have to use that one. When a farmer grows 160 acres of malting barley, I think it is close to \$2 million in taxes that are generated from that quarter section of land. We are barely breaking even growing these crops.

In 1997 alone, over \$3 billion in federal and provincial taxes were collected from that barley. There are six years you can take from the period of 1987 to '97, over \$17 billion in taxes were generated from products that farmers produced. That is just on the domestic beer sales. Those taxes do not include payroll taxes in the

production of these products, the transportation and advertising on "Hockey Night in Canada" nationwide. None of that is included. It is just sales at the vendor.

The products that we produce are the products that are put into the system that the whole industry and the whole country benefit from—those products being in existence. It is we who are taking it on the chin trying to grow these products for everybody else in the system to benefit on. It is just a matter of having some of this money redistributed back into the western provinces and the Canadian provinces, that when things are down we could maybe receive some of the funds back that our products helped generate for the good of the country. When things are good, those monies in the general revenues are spent right throughout. So I think it is time some of the value of our products is coming back to where it is really needed. I can go on for more on that topic but it is just a matter of us providing products and everybody else benefiting from them.

I guess one of the biggest things that I think could probably help our prices is a set-aside program. The Americans use set-aside programs, and so do the Europeans. It seems like Canada for some reason does not have a set-aside that I am aware of. Some of the grains produced from these set-aside acres could be used in bio-diesel fuels, they could be used for ethanol production, they could go into grasses, but basically it would reduce supply and probably increase prices.

For example, if we could double the price of grains or triple them in Manitoba and Saskatchewan we could turn those two provinces into, instead of being have-not provinces—just look at Alberta, for instance. The natural resources are coming out of the ground. They have paid down their debt, they reduced their taxes, they have money for schools and roads and they have dollars to spend for everybody. It all came from the ground.

By increasing prices and the money that would be generated and the revenues from increasing commodity prices, the revenues and everything would show the increases from the land from Manitoba and Saskatchewan. We are being robbed in these two provinces. We have

products that are valuable to the economy. We are just not being paid for them. If we were paid for them, those dollars could be redistributed back through the whole system.

The examples out west, it could happen to us. If we had cut back our production, I think things would have worked that way. Basically, that is about all I have to say. Thanks very much.

Mr. Chairperson: Thank you, Mr. Mroz.

Ms. Wowchuk: Thank you, Brad, for your presentation. You covered many good points. You have talked about the residue burning. Certainly those are good suggestions that should be reviewed. Also on the issue of ethanol and bio-diesel fuel, it is a suggestion that has been made by others and one that our government is committed to working towards.

The program I want to ask you a question about is the land set-aside. Many have talked about this program. I would ask you, in your view, when you go to a program of land set-aside, do you look at this as a program where the land would be just completely taken out of production, or do you see set-aside as putting it into hay or pasture where the farmer can continue to use it, and what kind of a payment do you see as being a viable amount in a set-aside that would be something that would be worthwhile for a farmer to consider?

Mr. Mroz: I believe if you take the acreages out of the major crops, those are the acreages we have to target, as far as the oilseeds and grains basically. They can also be put into crops for industrial purposes, such as ethanol, those kinds of things. Those programs alone would reduce production, right, or increase consumption, but I would say \$60 to \$80 an acre is what a farmer would need probably to maintain those acreages. There is talk about the carbon credits and the value to environment. These set-aside acres also pretty well have to be explained as to the benefits to the whole of society as well. There are areas where grasses can be planted; they could be put into other things as well.

Ms. Wowchuk: What you are talking about is mainly taking out of grains and oilseeds the areas that are having the most difficulty right now, and looking at alternates.

Mr. Mroz: I think so, yes.

* (20:00)

Mr. Praznik: Brad, you have some excellent ideas. When you are talking about education and drainage, I suspect that leads to a major rethink of our whole property tax system since provincial and municipal governments are sharing drainage and taxation, and we are seeing education as a shared responsibility and yet a standoff between the two. So a major rethink is probably something on the agenda.

I wanted to ask, though, about the ethanol. I gather, in developing alternative uses for the products we grow, seeing a change in the fuel tax rate that would result in ethanol being a penny or two a litre less than nonmixed gasoline because ethanol is really right now about a 10% mix if I am not mistaken, if we did see a provincial tax change or a federal tax change that would result in a penny or two differential, that, I would suspect, would lead to a huge demand for ethanol gasoline. I suspect that would be the only thing sold the province.

So your advice to a Minister of Finance considering that in an upcoming budget would be to look at having a differential between regular gas and gas with ethanol to create that new market?

Mr. Mroz: Yes, that is what I think. Whatever governments, federal or provincial, can do together. To, first of all, set things up so the industry can get started as far as producing more of the product, and then having a price structure in place where the consumers are going to be buying that product. It is a twofold thing. First you have to get the system going, and then setting up a demand where people will be purchasing it.

Mr. Gerrard: Just on the education taxes, it seems to me that it may not be quite as sort of complex to do as the member from Lac du Bonnet suggests. It could actually be done quite simply, either by eliminating the education tax on farmland or alternatively by providing a provincial rebate for the education tax on farmland. Do you want to comment?

Mr. Mroz: Well, whatever can be done. It just seems that we are paying on our residential plus our farmland. I am just thinking that there is a way that we could shift that over so it is more fair.

Mr. Ashton: I was quite intrigued by your discussion about what comes out of western Canada. I am just curious. Just the two quick questions I will ask are: if perhaps when we are looking at how we are going to deal with the agriculture situation, do you think that maybe we should start with looking at what happened when we eliminated the Crow rate—which essentially western Canada had a two-year buyout? There is \$800 million, \$900 million a year that used to come in a benefit to western Canada and now basically is sitting in Paul Martin's surplus every year.

I am wondering if you think maybe that is where we might want to start, because that was a direct benefit to western Canada and to agriculture, in particular.

Mr. Mroz: Absolutely. There was \$720 million a year annually, and it was sold on a diversification and so forth. On our farm, I know at the time it was taken out I believe the figure I used at that time was a \$140,000 increase in freight charges or \$140,000 less for my wheat. That is just one farm, and you can check, the numbers are out there. Like, that is a huge hit, and we have all had to absorb that. The fact is we could not absorb it. We were told things will be better and we will diversify. Fellows around here backed out of wheat. They went into alfalfa seed. They went into other forages. They went into livestock. They have done everything, and all they have done is increased their debt load, and then the livestock prices crashed. Everything that was predicted as far as taking the Crow rate away and adding value, it added value to the agriculture industry but not the farmers.

I have not seen any grain prices, any livestock prices or anything really, really benefit long term from the removal of the Crow rate. Our transportation costs have gone up. Our roads have been pretty well demolished since then. I think they are going to get worse. So, absolutely, that is where the dollars could start to come from. There are a lot of other places.

Mr. Ashton: I appreciate your comment on the highways because that is the big challenge. The other question I had is, just to focus on immediate things that could be done, I am wondering if you think perhaps the federal government should treat farm fuel in the way in which the provincial government does. This is something that has been in place for many years, because one thing that just amazes me is the fact that despite the farm crisis farmers pay a heck of a lot of money to the federal government in fuel-related charges that they do not have to pay to the Province of Manitoba.

Mr. Mroz: Yes, that is another place, absolutely. They say one thing, they do another. The federal government has a lot of different ways that they could reduce our costs, and a lot of different revenue sources where they could pass the dollars back. It is like a neighbour of mine was saying: When there were farmers protesting this winter looking for additional funds to help us put a crop in the ground, and things were running short, there were a lot of farmers in the streets in Ottawa, right across the country and on the steps of the legislatures. Never once, and maybe I missed it but maybe you guys have seen it, that a lot of the public standing up and saying no, do not help the farmers out, do not help western Canada out.

It was not because people protested that the Government of Canada should not be helping agriculture; it was because they decided on their own. There was no pressure telling them not to. I could see it if the general public stood up and said: We do not want to support agriculture; we do not need it; and we do not want it. It is all coming from higher than that. You are right. They have a lot of ways to do it, and they are not doing it. That is their decision.

It is funny that they are sending the federal Fisheries and Oceans department, I think, to come out and maintain our drainage systems and to, I guess, oversee our drainage systems to make it harder, that we buy backhoes and we buy equipment to drain land out here. I think what is happening, and people can correct me if I am wrong, but the federal bureaucracy is coming out here and is going to start issuing permits and telling us what we can do with our equipment and how we can drain our land.

Those same federal Fisheries department people probably were the same ones that shut down the cod fishing industry in eastern Canada. You can just watch over the years how federal government dollars have been ratcheted down: removal of the Crow, removal of the two-price wheat system, not helping with farm fuels, not doing anything, and they are ratcheting down their support. Why do you think it was 90 million available this year in a program, 100 last year? If their trend is to ratchet down agricultural support, 90 is less than 100. That is their idea, that is their plan. They let the Fisheries department be overfished; they are letting us farm until they decide to shut us down.

Vanclief has been in the paper talking about transitional funding to help people get out of farming. There is no funding, there is no talk about keeping us in it. They are talking about getting us out. When they send the federal Fisheries department out here to western Canada, it sure looks like that is their plan.

Mr. Pitura: That is an interesting comment you had there. I am going to switch speed a bit and go back to this set-aside. On the set-aside program that you had mentioned, any thoughts about a minimum period of time that the land would have to be placed and set aside? I believe you mentioned \$60 to \$80 per acre payment. Would that be an annual payment or one payment for the entire time?

Mr. Mroz: I am thinking annual as far as land costs go. That is our land and we have payments to make and so forth, and I am thinking annual.

Could you repeat your question?

Mr. Pitura: On the set-aside program, was there any kind of minimum time that you were thinking about that land would have to be set aside, for three years, one year, five years?

Mr. Mroz: It would have to be a longer term. I do not know, I would think at least five or ten years probably. It would have to be something that you are committed to, that is what I would think.

Mr. Chairperson: Mr. Penner, for a quick one.

Mr. Jack Penner: I was really interested in your comment on education taxation and the removal

of education taxation from farmland. I do not know what your tax levels on education are on your land over here, but around the Montcalm-Letellier area, where I farm, we pay between \$7 and \$8 an acre now on education tax alone. That becomes a very high cost per quarter for education. The amount of money that farmers contribute in that school division is an inordinate amount of tax for education. How would you design a new program of taxation that would eliminate the requirement of land to be taxed, and how would you fund it if you had your way?

Mr. Mroz: I would think I would probably do it over time. I would probably gradually take it off of land and transfer it over to residential. That is how I think I would do it, and spell it out, and over a 10-year, 5-year period that 20 percent of the education tax will be removed from farmland this year and placed on residential throughout the whole province. Put it up front and say what is happening and explain the reasons why. We have a house, and we have land too. Why are we over, double—I do not know if you call it double-taxed or what, disproportionate, I guess. I would do it over time, and I would do it gradually.

Mr. Chairperson: Thank you very much, Mr. Mroz, for your presentation, and have a good evening. Mr. John Sokal, the councillor for the R.M. of Springfield, with Mr. Wayne Drul on deck. Just for the information of the committee and also for the information of Mr. Tymko, I have copies of the letter that you tabled, and it is being distributed to all of the members of the committee.

Mr. Sokal, do you have a presentation to be distributed to members? Thank you very much. The floor is yours.

* (20:10)

Mr. John Sokal (Councillor, R.M. of Springfield): This presentation is to the Standing Committee on Agriculture, Manitoba Legislative Assembly, from the council of the Rural Municipality of Springfield, Oakbank, Manitoba, the subject being rural and agricultural crisis. The council of the Rural Municipality of Springfield is grateful for the opportunity to address the Standing Committee on Agriculture of the Manitoba Legislative

Assembly relative to the ongoing crisis in rural Manitoba and this nation. The financial crisis in agriculture is far-reaching. Across Canada farmers are struggling to deal with weakening commodity prices and rising input costs. This is having a profound impact not only on producers and their families but also in the communities in which they live and work. This is not just an agricultural crisis, it is a crisis that threatens the social fabric of Canada itself.

Attached to this brief are copies of two resolutions enacted by the council of the Rural Municipality of Springfield on April 3. Both refer specifically to the local situation, while the resolutions make reference to only a handful of the numerous problems the agriculture sector generally is currently attempting to contend with.

Our producers are subject to all of the following: Prohibitive capital investments; extreme financial risks; world market conditions; international trade policies; foreign government subsidies; the loss of the Crow rate subsidy; rail line abandonment; closure of grain elevators; a deteriorating transportation infrastructure; labour disputes; decreasing numbers of family farms and increasing larger corporate farm units; a lack of tolerance and understanding from nonfarm residents; a shrinking labour pool; climate changes and meteorological conditions; diseases and pests; and overregulation.

An infusion of public money will be helpful in the short term. There are none more resilient than the farmer. Things will get better, is beginning to be heard emanating from their mouths again as they patiently wait for more favourable conditions before returning to their fields. In the long term, governments need to honour this resiliency, and not to seek to take advantage of it. Governments and society in general appear to be paying little heed or could not care less about the impact sustainable development policies and land-use regulations are having on the agricultural sector.

For example, Provincial Land Use policy No. 2: Prime agricultural land and viable lower class land should be maintained for economically sustainable and environmentally sound agricultural use and development.

You cannot have your cake and eat it too.

A healthy environment is essential for long-term economic development. This principle implicitly requires all Manitobans to unconditionally acknowledge responsibility for balance between environment and the economy. Every segment of society must be accountable for decisions and actions. Regrettably, there are too many people that expect the agricultural sector to bear the brunt of paying for today's ills. These same people also expect the farm community to pay the price to ensure the survival of the human race today, tomorrow and into the future—by forcing them to produce food products at a price and in a manner that is not sustainable of their economic viability. This is totally unacceptable, and must be changed. There is a dire need to work co-operatively. There must be a level playing field.

In an area like Springfield, our most valuable land is on flat terrain and consists of heavily impervious clay soils. Draining is essential to productivity. In the last 10 years the provincial budget for drain construction and maintenance has been slashed with the result that local authorities, the municipalities and conservation districts do not have the resources necessary to provide adequate drainage. The farm community consistently loses large amounts of money as a result. In Springfield there is a significant rural residential and hamlet development with the result that there are land use conflicts. The planning response is to restrict the ability of farmland owners to sell their valuable farmland for other development opportunities. At the same time proximity of residential uses and quality-of-life concerns restrict the farmer's ability to fully diversify their agricultural activities and to take full advantage of chemical herbicides and pesticides.

Farmers should be free to realize the maximum available value of their resources. Allow farmers to diversify. Compensate them if they are not allowed to. Protect them from those that are driving farmland values down by advancing schemes requiring measures to be initiated in the form of provincial land use policies, sustainable development policies, and municipal development plan policies—to prevent them from succeeding, while demanding at the

same time that their own prosperity and lifestyles be protected and/or enhanced.

The family farm is in crisis. One in seven jobs in Manitoba depends on the production gained from soil and water resources. Manitoba's economic growth and competitiveness is tied directly to the growth and prosperity of agriculture.

The Rural Municipality of Springfield believes that action should be taken at all levels of government to protect and support the family farm, and commit ourselves to become more and better aware of the way in which our own spending priorities and regulations can be improved to lessen the burden.

Respectively submitted, Reeve and Councillors of the R.M. of Springfield.

Mr. Chairperson: Thank you very much, Mr. Sokal.

* (20:20)

Ms. Wowchuk: Mr. Sokal, thank you for your presentation. Again, you have outlined some of the issues that seem to be the most pressing here in this area of the province. I have a couple of questions to ask. I want to first ask about—you talk about the drainage issue, and many have talked about the drainage issue in this area and how important it is. We were also talking about the need to put money into safety-net programs. Is it your view that drainage is the most important issue, particularly in this area, and if that issue is addressed, then farmers will have a lot easier time making a living?

Mr. Sokal: I believe that both issues are important. I am not very fully conversant on the various programs that are available to all the farmers—NISA and GRIP and so forth. From my standpoint, I believe that drainage is quite an issue with our farming communities, and the fact that on the east side of Winnipeg and the west side of R.M. of Springfield, we do have quite great concerns about getting the water into the floodway. We are so close, within a half a mile, and that water just cannot get into that floodway when that floodway is empty. We do need improvements and drop structures all the way from the west side of the Bird's Hill Park, which

adjoins St. Clements, all the way down beside Winnipeg and right down to the R.M. of Ritchot. There are many things that I have written down to be presented with our council with government resources, that in the future some of these things will have to be addressed in order to get the drainage back more into order.

The Cooks Creek Conservation District—they are quite responsible for a large portion of the drains in Springfield, and they go along to the Cooks Creek, through St. Clements, and then into the Red River. A lot of the properties are private property, and a lot of the people do have small forage crossings across, and there are various blockages in there. It is quite a problem in the last five years that I have been on council. It has been discussed: how do we get into that to get all this cleared out? Whether there should be easements or government possibly buy so much side acreage on each side of the creek, so that we can get drainage cleaned out in there. These are more issues that have to be addressed.

Mr. Jack Penner: Mr. Sokal, on the second page, first paragraph, you talk about the healthy environment that is essential for a long-term economic development in rural Manitoba. Last week in Brandon and Dauphin, we heard presenter after presenter articulate what the shortfalls would be this year if normal average crops were derived from the land based on costs that they already knew they would have. Can you give us an estimate as to what you think the per-acre losses will be and what would be required to underpin those losses this year alone by the federal and provincial governments?

Mr. Sokal: That I am not able to do. I have not done any studies as far as percentages, numbers or figures. I have not been very conversant with that part of it. I think some of the presenters prior to me gave very good presentations on facts and figures and numbers, which I guess from the municipality here we just gave in generalities. I guess possibly we should have gone into some of the figures too, to be a little bit more presentable on some of our comments over here. I think we failed a little bit somewhat in that regard.

Mr. Jack Penner: One last question. You talk about sustainable development, the need to fund

sustainable development properly, and how the agricultural community contributes to sustainable development. When the minister's department, the Department of Agriculture, has estimated that the average losses for grain crops, barley, wheat, and Canola will range anywhere between \$30 and \$70 an acre this coming crop year, based on current numbers that we know. Would you agree that those numbers are relative in this area, and is that the kind of money that would be needed to ensure that farmers could be sustainable over the long period of time?

Mr. Sokal: I believe so, but I think that more accounts would have to be taken into consideration with the rising costs of fuel last year, and also the increases in the fertilizer. It has been said by many producers in our areas that they are talking about a \$25 per acre increase in this year's input into the crop, as compared to last year's. I am sure that would have to be taken into consideration.

Mr. Gerrard: When we were in Brandon, we heard that situations were so bad in some municipalities that there were large tracts of land—I think in Blanchard something like 100 quarter sections—which were up for sale or rent and there were no takers. Can you tell us a little bit whether there is anything approaching that in this area, or whether there are farmers who are deciding not to farm because the situation is so bad?

Mr. Sokal: In the last two to three years, some big farmers from abroad have come across into Springfield and have purchased large tracts of land. I have not been conversant with them to see how economic it has been for them in the last two to three years in the wet conditions that we have had. We do know that they have big equipment, big transportation facilities. I am just not too sure where their margins are as compared to the average family farm situation.

I believe that the second question was to do with tracts of land.

Mr. Gerrard: Whether in fact there were farmers who were looking at the situation and deciding it was so bad that it was not worth farming.

Mr. Sokal: There has been talk going around in Springfield that some of the producers are

finding that they may be in a position where they may have to sell or put their land away for a while because of severe losses they have had in the last two years. Here again, I do not have any figures on their input costs and what their net gains were from it. I failed to do that part of my homework on there.

Mr. Praznik: I just wanted to make a quick comment. The Minister of Agriculture asked Mr. Sokal, in her first question, about whether solving the drainage problems would put us in better shape. Given that this is my home turf, I just wanted to assure that although drainage is important, the fundamental need to address the income issue, as I am sure Mr. Sokal would agree, is just paramount. The drainage is very important but without the income issue addressed, it really is a superfluous issue. Our farmers do not have the income to carry on. Drainage is very important, but what we are here for in the short term, increased support payment at this time is still the number one issue. I am sure Mr. Sokal would concur.

Mr. Chairperson: Mr. Sokal, do you have any statements?

Mr. Sokal: No, I concur with his statement. It has still been quite a priority with our producers in our area about the drainage issues, and we have to get them corrected in order that they can continue on.

Mr. Chairperson: Thank you very much, Mr. Sokal.

Mr. Sokal: Thank you.

Mr. Chairperson: I would like to call Mr. Wayne Drul to the microphone. On deck we have Mr. Bill Chuckry.

Mr. Drul, do you have a presentation to be distributed?

Mr. Wayne Drul (Manitoba Vice-President, United Grain Growers): Yes.

Mr. Chairperson: Thank you. Mr. Drul, we are all yours.

Mr. Drul: Thank you, Mr. Struthers, ladies and gentlemen of the Standing Committee. I will not be reading my entire presentation tonight, in the interest of time. I would like to just begin and thank you for this opportunity.

* (20:30)

UGG is one of the largest agri-business firms in western Canada, employing over 1500, including more than 500 in Manitoba. Founded in 1906, the company's core businesses include grain merchandising, farm-input sales and service, livestock production services, farm business communications, and farm financial services.

UGG is governed by a 15-member board of directors, including 12 elected farmers. The comments and recommendations we put forward here today are based upon policy resolutions adopted by UGG farmer members at our annual general meeting and advice we receive from our network of 105 policy advisors.

UGG is pleased to add its voice in support of the resolution put forward by your Committee. As your resolution properly notes, the financial difficulties facing prairie farmers are largely the result of decisions in policy areas that fall under federal jurisdiction. For this reason, UGG rejects the notion that federal support to farmers be cost-shared with the provinces on a 60-40 basis.

The reduction in federal farm income supports, shortcomings in federal agricultural policy, and the failure in international trade negotiations to adequately protect the interests of prairie grain producers are at the heart of the financial difficulties facing western farmers. We provide comment in each of these areas.

Under farm support, federal farm support in the Canadian agricultural industry has declined over the past decade. This is especially true for the three Prairie Provinces. A decade ago, federal government expenditures in support of agriculture in the three Prairie Provinces averaged \$2.6 billion annually. Since then, federal expenditures have declined by 43 percent to \$1.5 billion annually. The share of federal dollars going towards the three Prairie Provinces has also declined. Where we once received over

60 percent of federal contributions, Prairie Provinces now receive less than 55 percent of the federal spending in agriculture.

While the overall trend is disturbing, the decline in support to prairie agriculture is even more alarming when you consider that it is grain producers in the three Prairie Provinces that are bearing the brunt of low prices caused by international price distortions.

Western Canadian farmers are being hit particularly hard by the federal government's decision to sharply lower its level of farm support, without securing reciprocal agreement from the European Union, the United States and other countries to put support of their farmers on an equal footing with Canada. The production and trade-distorting policies of these other countries are widely acknowledged as a main cause of depressed farm incomes among prairie grain farmers. We note that the federal cutbacks in support of prairie grain, oilseeds and pulse producers were far in excess of Canada's commitments under the WTO agreement.

The U.S. marketing loan program is also having a serious detrimental impact on prairie farmers, particularly Canola producers. Under the program, the U.S. government establishes loan rates, which effectively provide a floor price for each commodity. These loan rates are established at a national level, and then are adjusted for each county, depending on the county's distance to the nearest terminal elevator. U.S. farmers can then trigger a loan deficiency payment whenever the county market price falls below the county loan rate established for that commodity.

The high U.S. loan rates encourage greater production, as more acreage is planted and farmers use more fertilizer and chemicals to boost yields than would otherwise be the case. In addition, the relatively high support price for soybeans is encouraging U.S. farmers to plant more soybeans, at the expense of corn, barley, and perhaps wheat. As you may know, Canola oil competes directly with soybean oil, and so increases in soybean production have a detrimental impact in Canola prices.

The pain for Canadian Canola producers does not end there. The high U.S. loan rate for

Canola is also encouraging U.S. farmers to grow more Canola, when market signals would normally be telling them to cut back acreage.

We note as well that North Dakota county loan rates for Canola are somewhat above the national loan rate, ranging from U.S. \$4.66 to \$4.94 per bushel which, in Canadian funds is approximately \$7.20 to \$7.65 per bushel. By comparison, spot prices for Canola in southern Manitoba are currently about \$5.80 per bushel. The forward price for fall delivery is approximately \$5.65 per bushel. In other words, U.S. farmers can expect to receive almost \$2.00 per bushel more for their Canola than their Canadian counterparts.

This wide disparity in expected market returns is reflected in seeded acreage intentions. Canadian Canola acreage in 2001 is expected to decline by 23 percent to approximately 9.3 million acres. This is on top of a 13% acreage decline in the previous year. By comparison, U.S. Canola acreage in 2001 is expected to increase by 21 percent to 1.9 million acres. This is on top of a 46% increase in the previous year.

Canadian farmers are left on their own to bear the full brunt of market distortions caused by the U.S. marketing loan program. In contrast, the U.S. government program not only shelters its farmers from low market prices, but aggravates the situation further by encouraging farmers to grow more Canola and soybeans than they would otherwise.

In our view, the Canadian government is not doing enough to address this situation. We recognize the Canadian government may be limited in its ability to convince the U.S. government to reign in its farm support but, at the very least, greater effort should be made to ensure the Americans do not support their farmers in a manner that is so blatantly production and trade distorting. Failing this, we believe the Canadian government has an obligation to provide offsetting trade equalization payments. We will have more to say on this later.

European oat subsidies. Western Canada has enjoyed good growth in the production, processing and export of oats since the crop was

removed from the jurisdiction of the CWB in 1989. Despite this success, further expansion in the Canadian oat market is being undermined by American imports of highly-subsidized European oats. These subsidized oat imports negatively affect oat prices on both sides of the border and have limited Canadian oat exports to this important market.

UGG has raised this issue with the federal government on several occasions. However, there appears to be a little progress in resolving the issue. In December 1998, Canada and the United States signed a Record of Understanding concerning several cross-border agricultural issues. One of the commitments under the ROU was to work together to encourage the European Union not to subsidize oats exported to North America. To date, we have seen no evidence of progress on this issue. The Europeans continue to heavily subsidize oats exports to the U.S. In the current crop year, the Europeans have authorized shipments of 664 500 tonnes of subsidized oat exports in an average maximum subsidy level of \$32 U.S. per tonne.

We find it incredible that U.S. and Canadian governments continue to allow European subsidized oat shipments to be freely exported to North American shores, to the clear detriment of North American oat producers.

In the interests of Manitoba producers, processors and exporters of oats, we would urge the Manitoba government to determine why there has been no progress on this file, and to seek compensation from the federal government if an end to these subsidized oat shipments is not in sight.

The grain industry in western Canada is primarily export-oriented and as such, securing higher prices for prairie farmers is highly dependent on obtaining unfettered access to foreign markets. The elimination of tariffs and other import restrictions on grain and grain products under the Canada-U.S. Free Trade Agreement has contributed to the strong growth in exports of most grain and grain-related products to the U.S. market over the past decade. However, Canadian governments must remain vigilant to ensure access to this important market is not compromised.

In this regard, we wish to acknowledge and thank Minister Wowchuk for the role she recently played in ensuring the North Dakota Legislature did not go forward with border measures that would have severely hindered the access of Canadian grain and grain products into the U.S. markets. While Canada has enjoyed success in securing improved access for grain and grain-related products into the U.S. and Mexico, tariff and non-tariff barriers in other countries remain high. In our view, the Canadian government has not been aggressive in seeking reductions in these tariffs, particularly in Asian and South American markets. While we are hopeful the negotiations under the proposed Free Trade Agreement of the Americas and the WTO will lead to improved access to markets over the long term, we believe the federal government should be engaging in more bilateral trade arrangements over the near term so as to reduce or eliminate many of these high-tariff barriers on grain and grain products.

* (20:40)

Across the Prairies, farmers are exempt from paying provincial taxes on farm-used fuel; however, farmers are not exempt from paying federal excise taxes on either diesel fuel or gasoline. The current rate is 4 cents per litre for diesel fuel and 10 cents per litre for gasoline. In our view, this represents an unwarranted tax burden. We can accept paying fuel taxes for that portion that relates to road travel. However, in the case of diesel fuel used by farmers, we estimate that 95 percent is used for field work. In our view, these fuel taxes represent an unwarranted tax on food production.

We note that the manufacturers of most other goods are not subject to this extra taxation. We further note that these taxes weigh disproportionately on prairie grain and oilseed producers which tend to be more fuel intensive than other types of farming operations. The Prairie Provinces have recognized the inappropriateness of taxing fuel consumed in farm operations. We believe this principle should also apply at the federal level and would encourage this committee to seek an exemption for all Canadian farmers.

Good roads are essential to ensuring Manitoba farmers have good access to

competitive markets and competing businesses for both their farm inputs and production. In '99, UGG commissioned a study by the University of Manitoba Transport Institute to examine the relationship between fuel taxes and road expenditures. The study found that the Manitoba provincial government's expenditures on roads were in line with the fuel tax revenue. In '97-98, the Province of Manitoba spent \$232 million on roads, or roughly \$1.06 for every dollar of fuel tax revenue collected. This compares reasonably favourably to Saskatchewan and Alberta where provincial road expenditures as a proportion of fuel tax collections amounted to 68 cents for Saskatchewan and \$1.18 in Alberta.

The picture at the federal level is much more dismal, however. The Transport Institute found that the federal government collects about \$4.5 billion in road fuel taxes and yet spends only \$200 million on road construction or less than a nickel for every dollar it collects in fuel tax revenue. On the Prairies, the amount spent by the federal government on roads is, or at least was at the time of the study, less than 2 cents for every dollar collected. We note, as well, that these federal taxes discriminate against businesses in rural areas where shipping distances to market are often greater.

We would urge your committee to take whatever action it feels necessary to ensure federal expenditures on prairie roads are increased. UGG believes that changes must be made under the Canadian Wheat Board Act that would remove the impediments to new generation co-ops and other value-added processing initiatives for wheat and barley on the Prairies. We believe these ventures offer farmers some genuine opportunities to add value and increase their farm incomes. We note, for example, that the Ontario wheat farmers are permitted to market 150 000 tonnes, or about 10 percent of their crop, directly to processors. We find it unacceptable that growers in one part of the country are accorded marketing opportunities that are denied to growers of the same commodity in another part of the country.

Intransigence on the part of the Canadian Wheat Board and the federal government is preventing these opportunities from being realized. We ask your committee to seek the

elimination of these impediments to the expansion of the grain processing industry in western Canada.

For the above-noted reason, UGG believes the Prairie Provinces have a strong case for obtaining federal farm support far beyond what has been allocated to date. That said, we believe that the additional \$500 million—as proposed in your resolution—is probably the most that might reasonably be expected, given today's political climate at the federal level.

As we noted earlier, given that the financial hardship facing prairie farmers is largely a result of federal policies, we do not believe there is any jurisdiction for a cost-sharing arrangement with the province or on any additional support payments. In our view, any farm support program should adhere to the following principles: the program should be production and enterprise neutral; should not encourage the growing of certain crops over others; nor should it encourage one type of farming operation over another.

Programs should ensure farmers continue to follow sound management practices. We believe that the equalization payments that NISA provides is an effective basis for the federal and provincial governments to provide additional income support to farmers, as has been the case under the Canada-Manitoba Adjustment Program. In our view, these adjustment programs generally fit the criteria as noted above, although we believe that some recognition should be given to those farmers who grow and feed their own grain to livestock.

I am going to skip over to our summary. A sharp decline in federal financial support to the farm sector, particularly to farmers in the Prairie Provinces. Over the past decade, federal support to prairie farmers has declined by 43 percent, despite the ongoing presence of highly distorting and price-depressing subsidies in our countries. The seemingly passive acceptance of the U.S. marketing loan program is strongly encouraging U.S. farmers to overproduce soybeans and Canola to the severe detriment of western Canadian Canola producers. The European Union continues to heavily subsidize owed exports to the United States, despite an

agreement between Canada and the U.S. that greater efforts should be made to eliminate this practice. Tariff and non-tariff barriers for the grain and grain-related products remain high in many countries. The Canadian government does not appear to be aggressive in seeking the reduction, or elimination, of these trade barriers.

In conclusion, UGG believes that the arguments in favour of additional support for the federal government are well-founded and should be dealt with on an urgent basis. We add our voice and support of the all-party resolution. UGG remains committed to this industry and is optimistic with respect to its long-term future. Thank you for this opportunity to put forward our views. I look forward to any questions you may have.

Mr. Chairperson: Thank you very much, Mr. Drul. We have several people who are on the list with five minutes remaining. Ms. Wowchuk is first, followed by several people, so keep your speeches short and your one question succinct if you would, please.

Ms. Wowchuk: Mr. Chairman, if I could ask you a question. Mr. Drul has rushed through his presentation. Can you indicate whether his presentation will be printed completely in the report?

Mr. Chairperson: If there is leave of the committee, agreement of the committee, we can see that that happens. Is there leave for that to happen? *[Agreed]* We will start with the five minutes now.

Ms. Wowchuk: Mr. Chairman, I want to ask, through you to Mr. Drul. Have you looked at the safety net programs and have you thought about—there has been a lot of criticism of AIDA and I believe you said in your comments that AIDA has not been effective. Have you given any thought to what the best mechanism would be to deliver a program to farmers? Others have talked about enhancing NISA. Has UGG thought about what the mechanism would be for a long-term safety net program?

Mr. Drul: Yes, we have looked at this mechanism I guess for some time. I guess we feel that the NISA program has worked

reasonably well. We could see adding to that program and we could also see taking funds from AIDA and the other programs, CMAP, is it—anyway, the other program, and administering that portion of the unused program so to speak through the NISA program. We feel that the NISA has been as fair as possibly can at this point in time. It is a good program and we should continue using it.

Mr. Ashton: I think my question has an area of direct interest. It should be of interest to everyone, and certainly the former Minister of Transportation and myself here, on fuel taxes. To be fair to the federal government, this year will be the first time there will be any federal money on the road system in Manitoba since 1996—the Grain Roads Program. It is about \$6 million. You have documented what goes out. I am just wondering if you think that is sufficient? Or indeed, if you consider the fact the federal government takes out in fuel taxes in excess of \$140 million every year; an amount that would be more than double our existing capital budget, whether in fact that is a very small start? Do you feel that they should be putting back far more than they are putting in this year on the Grain Roads Program?

Mr. Drul: Yes, I think that, overall, the funds that are collected by the federal government have been a very, very small proportion than was put out. Even \$600 million today is not a whole lot of money in comparison to the money that is being collected. Our policy has always been if you put in a tax for a particular project that is earmarked for highways or what have you, road infrastructure, that is where those funds should be allocated. So, yes, our answer would be that we feel they are definitely under—what would be the proper word?—definitely not giving us the money that we deserve—

Floor Comment: They are ripping us off.

Mr. Drul: They are ripping us off.

* (20:50)

Mr. Praznik: Mr. Chair, I must say the current minister of highways and as the former minister of highways, this is an issue that we have talked about and are totally on side together, I believe, in advancing. The only place I disagree with the

minister is he said it is about 147 million. I think his numbers are probably wrong for this year with the increased price of fuel and given the federal tax is based on a percentage, so it is probably 150 million, 160 million.

But I want to ask United Grain Growers a very pointed question. I have been urging this minister, and I think he is very interested in pursuing it and we have been kind of talking about this behind the scenes—but there really is a need for a major effort to lobby the federal government to move toward a dedicated fuel tax, putting their money into roads. I see Reeve Boznianin is here from Lac du Bonnet, Springfield. I have always argued they should get a share of that federal fuel tax as well. Would United Grain Growers give some thought to joining a national lobbying effort to take this cause up? I know the road builders are talking about that. There are other users, and if we do not make this a national issue, all we are going to continue to get are these ad hoc programs on roads while our infrastructure deteriorates, and my colleague is going to get \$6 million which does not even buy him six miles of new highway. Is it something UGG would be prepared to consider?

Mr. Drul: Well, this would be something that I would definitely have to take up with the rest of my colleagues, no doubt. I would think, on the surface, it appears it would be a good thing, but as far as commenting what we would definitely do or not do is beyond me.

Floor Comment: But an interest.

Mr. Drul: Yes, definitely an interest.

Mr. Chairperson: The amount of time we had has expired. We still have three people on the speaking order. Can we move onto the next presenter and allow for other people to come in at that time? Would that be acceptable to the committee? *[Agreed]*

Thank you very much, Mr. Drul. Mr. Bill Chuckry of Chuckry Farms. On deck, be ready to go, Claude Roeland.

Good evening, Mr. Chuckry. Do you have a handout to be delivered to MLAs?

Mr. Bill Chuckry (Chuckry Farms): No, I do not.

Mr. Chairperson: Okay, the floor is all yours.

Mr. Chuckry: Good evening, Chairman, ladies and gentlemen of the Standing Committee on Agriculture and honourable Minister Wowchuk. I am a young producer who farms north of the community of Beausejour. I farm with my brother and my mother on a mixed-grain operation. I am married and I have two boys in my family. I am here to speak to you and to express my concerns as a producer about a suffering agricultural industry which I grew up with and love so very much.

My largest complaint is with our Crop Insurance Program. The problem with our current Crop Insurance Program is that it does not allow producers to have proper cost-of-production coverage. Our coverage is below the cost of production and it is not on a per acre basis. For example, if I grow four quarters—640 acres—of any particular crop—let us use Canola for an example—and one of those quarters drowns out, I receive zero return. If the other three quarters give me an average of 30 bushels an acre, I do not see any payment for my losses. Now to put those losses into perspective. One hundred and sixty acres of Canola costs \$152.23 an acre based on operating level. Total operating costs are upward of \$222 per acre. One hundred and sixty acres at \$222 per acre is a net loss of \$35,528 out of my pocket. Remembering that the larger the producer, the higher his losses could be, example, if he grew 10 quarters of Canola in that year and lost 2 quarters, he would receive no payment from Crop Insurance, and his losses would be over \$70,000 net out of his pocket which cannot be recouped.

If I have one building and it is destroyed, my insurance company will pay me for that building. If I have four buildings and I lose one of them, my insurance company will pay me for that lost building. According to Crop Insurance standards, if I have four buildings and I lost one, I do not deserve any money because I still have three left. This is a fact. Crop insurance is also based on crop production on land or soil type. These are not fair coverages when the cost to produce is the same no matter what my soil type

or land type is. Let us have proper insurance coverage against loss and implement an additional insurance program for commodity price stability. Give me cost of production. I will take care of my own profits. Producers must have long-term stability, one being cost of production, another one being commodity price stabilization, in order for the future of farming to prosper. A proper cost-of-production program—commodity stabilization program—which follows increased production costs is greatly needed, and will place needed funds into needy producers' hands at that time. It is because of these inadequacies of our present programs that the producers are so poor off today. Loss of a producer's crop, poor commodity prices equals bankruptcy. Thank you.

* (21:00)

Mr. Chairperson: Thank you, Mr. Chuckry. I have Mr. Gerrard, Mr. Maguire and Mr. Cummings, who did not get to speak when the last presenter made their presentations. If you three gentlemen are interested, I will take you first.

Mr. Gerrard: Your comments on crop insurance are quite incisive and instructive. Now, there would appear to be a couple of different approaches. One is to divide it up on a quarter basis or some other unit. So the question would be: What would be the unit of farmland that you would base it on? Or, alternatively, to increase the coverage from 80 percent up to 90 percent or 100 percent How would you change crop insurance to improve it?

Mr. Chuckry: Well, I think a very serious look has to be taken at the insurance program that is in place today. First off, when I have to pay costs on a per-acre basis, coverage should also go on a per-acre basis.

Now, as far as the level of coverage, let us remember that certain producers in different parts of this province can grow higher yielding crops. Not to say that land types do not change or govern maybe your production or bushels you can grow. At the same time, if a producer can only grow—let us say—a 30-bushel per acre crop of Canola, and if that production cost is \$150 an acre, then allow him to buy or have \$150 an acre

of coverage. If he does not want \$150 an acre of coverage, then allow him to have the amount of coverage he needs. In other words, if he is comfortable carrying \$100-an-acre coverage, and it cost him \$150, then he should be allowed to do that.

This is what happens with cost of production now. We producers have been pushing the far limits to grow the biggest crop we can. Commodity prices go in the toilet, we say we need more bushels to be able to make any money.

Now, to grow a 40 bushel per acre crop of Canola used to be unheard of 25 years ago. In this area up here, where we have good producing land, it can be done very easily. There are producers that can go to 50 bushels an acre. That is no lie, but remember one thing. The cost of fungicide is an added expense. The cost of having to put a sprayer in there again is an added expense. Wheat, disease, fusarium, malting barley, feed barley; all these have become additional costs to the producer. The producer knows his farm operation, knows that his costs of production will be higher than maybe somebody else's. He should have the opportunity, if, in other words, one guy, it costs him \$150 an acre to grow a crop, but the other guy knows it is going to cost him \$180, he should be allowed to have \$180 worth of coverage. Does that answer your question?

Mr. Maguire: My question was specific to the previous presentation.

Ms. Wowchuk: You are talking about added coverage. The way the crop insurance is set out now is that the premiums are set out in a way to cover what is expected to be a payout over time. What you are talking about is a much higher coverage. For this kind of coverage, would you be willing to pay a higher premium? Have you had discussions with other farmers in the area as to whether or not they would be willing to pay a higher premium in order to get this additional coverage that you are talking about?

Mr. Chuckry: Yes, my discussions with fellow producers have been on a local level, coffee shop type talk. Now, to exactly what the insurance should cost, I do not have a figure or number

that way. At the same time, remember that the agricultural problem today is not only so much that you do not have farmers making money, we are talking and dealing with an issue that the losses are too high.

My farm has to turn around, in this particular example, ten quarters of 160 acres of Canola. That is what my farm used to grow normally. You go ahead and you start taking a hit of \$70,000 over and above cost of production, two things start to have to happen here. Either I should not have to pay the fertilizer and chemical bills on that, because crop insurance does not do that. They say, oh, your area is only allowed to grow 15 bushels an acre coverage for \$4.60 an acre. I think that would be a way for the Government to get involved. Maybe that is one way to get away from international trade wars or infringing on another angle, but the issue really boils down to, you go two or three seasons. We have heard presenters talk about drainage. Do not get me wrong. I understand when everybody talks about needing a bank account to try to dig a ditch or do extra drainage.

How come this issue was not such a big deal maybe 20 years ago? Or maybe it was. As the agriculture industry pushed producers to have to grow more, it has gotten to the point where we cannot afford one acre of loss on a quarter of land, and we do not have proper coverage for cost of production. This is an issue that has to be dealt with. You get the farmer the opportunity to have cost of production insurance. Deal with the other mechanism for commodity stabilization on the price per bushel for our commodities and we would not be sitting here today having this particular type of committee.

That, I think firmly, is something that could be very much dealt with, to set and put in place a total long-term program. These ad hoc programs say: We are going to give the farmers of Manitoba \$93 million. Why do I deserve more money when it goes public on the news that the farmers northeast of Beausejour got \$25 an acre, but the farmers, let us say, west of Brandon, do not deserve \$23 an acre.

You know what? If they did not get drowned out—how do you start to say who gets and who

does not? I think it is a situation that I do not think the premiums have to go up much. Would producers be prepared to pay more? I honestly believe that if my insurance premiums were somewhat more money, but when I have to go to the bank or the producer has to go to the bank and borrow \$200,000, \$300,000, \$500,000 to put a crop in the ground, if it costs me another \$25,000 or \$30,000 and I can go to my financial institution and say I have got to borrow \$300,000 but I need a \$30,000 cheque for premiums, but I can guarantee cost of production. I can make my bank note. I do not think that \$30,000 would be a big issue.

Mr. Jack Penner: Thank you very much, Mr. Chuckry. It is obvious that you have given a lot of thought to what you need as far as income protection on your farm. I look at what happens in the hail insurance industry, and I look at Government's hail insurance program and I look at the private companies' hail insurance program. I find them very similar both in cost and in coverage levels. I look at what the Americans have done in crop insurance. Some of it is semi-private, some of it is government. I think there are some real options.

I wonder whether you and/or the farm organizations have given a lot of thought to developing proposals to government that would free up the insurance system to allow the entry of the private sector into the crop insurance business similar to what we do in hail, and whether it might be advantageous for us to look at thinking outside of the box as we know it today. Approaching some others and developing initiatives and approach the large reinsurers to see whether there would be a possibility of developing the kind of program that you are proposing. I am extremely interested in the one you are proposing. I think what you are saying is that you can insure four buildings separately, one can burn and you get covered, but you cannot insure four sections of land and one gets drowned and none of them are covered.

Have you given any thought to having these kinds of discussions within the farm organizations to develop a proposal to a private corporation to see what kind of response you would get?

Mr. Chuckry: Unfortunately my exposure or involvement with some other committees or groups right now is very minor. The only level I have gone to is the discussions, like I say, coffee shop talk and with some local producers. The people I have talked to—the producers I have talked to are in agreement that we need better cost of production coverage. To what level we can go to or who to take it on next is something that should be looked into.

Mr. Maguire: Thank you, Mr. Chuckry. For a number of these kinds of presentations, we have heard use an escalating scale of premium to cover the level that the farmer has deemed would be needed on his or her particular operation. I am assuming, just to put it on the record, that you would be in favour then as well, as opposed to what we had under the GRIP program. You would look at having to put forward your receipts of input costs to show that there was some balance as to why you were calling for a higher than a standard level of coverage, or willing to pay a higher premium of coverage.

Mr. Chuckry: Yes, very much so. As mentioned previously, the whole GRIP program, any program that works on declining balance or averages as farmers go through difficult times and losses, the whole program is just not going to work. Keep it simple. Keep it accurate. The fact of submitting records, I think they should be justifiable. Farmers that are active in programs right now are what is involved. The paperwork is rather massive and horrendous, but the paperwork can be done. It is pretty much started and semi in place. Crop Insurance people are in place. The offices are in place. Permanent books are around. I think that a refinement of what is in place now with some good polishing or whatever should work very satisfactorily.

Mr. Maguire: I think my comment was that I agree with what you just said, the refinement of what is there, because under Crop Insurance now we fill out a seeded production form, we fill out a harvest projection form. A lot of that is there in detail. It is just a matter of putting the dollar figures beside it.

Mr. Chairperson: Mr. Chuckry, is there any comment you had for that?

Mr. Chuckry: No, that would be it, thank you.

Mr. Chairperson: Well, thank you very much for your time tonight. I would like to call Mr. Claude Roeland, Private Citizen.

Just at this time, for the information of the committee, I want to point out that we still have Mr. Brian Kelley and Mr. Ken Yuill presenting together. We have a 10th presentation tonight, the Reeve of the R.M. of Lac du Bonnet, Ms. Dorothy Boznianin. I have sounded it out the way I have it spelled here. I will check when the reeve comes to the microphone as to the spelling on that.

Mr. Praznik: Mr. Chair, if you could perhaps just remind everyone that there is coffee and refreshment here in case anyone in the audience has not seen it, that they are certainly welcome to help themselves.

Mr. Chairperson: And it is free of charge. Mr. Roeland, the table is yours.

* (21:10)

Mr. Claude Roeland (Private Citizen): Okay, I wish to say hello to Mr. Chairman and ladies and gentlemen of the Standing Committee on Agriculture.

I am a fourth-generation farmer and had to get a full-time job, and the wife has to work off the farm. We had to reduce the land base to try to hold on to the farm for my and the next generations to follow. My father would like to pass it down, but the economics of scale and the farm situation make it a little hard at this time.

I am not alone as our farmers' average age continues to move upwards. There is little hope for young people to return to the farm for a career in agriculture. I do not really mean in agribusiness but as a farmer, without which you would not need agribusiness and secondary industries as well as your processors and your transportation sectors.

The United States and the European Union are keeping the commodity prices lower with their subsidies, even though carry-over stocks are low, facilitating maybe higher prices. A

farmer's equity in his business is rapidly eroding to place further hardships on farm families.

The buzzword in Government circles is diversity. Well, into what? You can build an elevator, but they are closing. You could build cattle slaughter. They are all shut down. You could build a full line of equipment, example, Co-op, they are gone. You could build a fairly priced four-wheel-drive tractor. Versatile, they are gone. You could build flour mills. They were here. They are all in the east now. You could sell straw to save some trees, but that is also in a dire situation. You could go into the livestock enterprise. Your public is against it right now. It is making it a little tougher to maybe go into some kind of intensive livestock operation. The only thing I could see is maybe build a hog-slaughtering facility and then McCain would buy it and you could make money that way.

A farm family must fight with neighbours to diversity into livestock. The drainage in our rural areas is poor and inadequate.

The loss of the Crow rate has increased freight rates, lowering commodity prices further. Processing and handling is ever increasing. Mr. Chairperson, fuel and inputs of chemical and fertilizers are increasing, taxes are increasing, but our commodity prices remain low. We need a long-term commitment from both levels of government to help plan a future, not just continue to struggle year by year. The banks require some solid, long-term numbers to properly cover farmer's financial and debt repayment potential. Today's prices and programs are inadequate.

Any support must be countervailable, I guess. Nowadays that seems to be where it is at. To reach parity with the U.S. grain producers in '99, Manitoba producers would need an additional \$300-million program as the past one that was just handed out. The U.S. increased their support by about 50 percent in 2000. Agriculture in Manitoba lost \$1 billion of equity since 1995. That is not just because the land price is going down but we are living off a decaying infrastructure and cannot continue. We need a commitment to a meaningful, long-term approach.

In summary, I would just like to say that I was at the debate at the Legislature. I found it very interesting. I and other farmers were there, and it was nice to see that opponents can become allies to resolve a very important issue, such as the future of agriculture in Canada and for future generations. Thank you.

Mr. Chairperson: Thank you, Mr. Roeland.

Ms. Wowchuk: Thank you, Mr. Roeland, for your presentation. You have outlined the challenges that are facing many in the farming community. Indeed, we are committed to working toward additional funds from the federal government for short-term but also working toward long-term solutions.

I want to just touch on one part of your presentation, and that is the future of the next generations and a transfer of land from one generation to another. I would ask you on that. Although you paint a dim picture, I believe that there are young people that want to become involved in agriculture, but the financial challenge, both for the beginning farmer and the retiring farmer, is quite serious. I would ask you: Besides all the other issues that we have facing us, do you believe that government can or should play a role in the transfer of land from one generation to another?

Mr. Roeland: I guess more or less with programs you could plan on helping the younger farmer take over. There are some of those programs in place, and there have been in the past. But I guess, yes, some kind of—maybe not a guarantee, but that, if you could at least justify to the person you are taking over from, you would meet his commitment and maybe not give him his land back in a few years. Hopefully, if it is a family farm, you continue as your father would have wanted you to and as you would want your sons or daughters to continue on.

Mr. Gerrard: I would like to follow up on your comments about the decaying infrastructure and particularly your comment on the drainage infrastructure. We heard from the last presenter the fact that the drainage infrastructure is not working well. You get a quarter that is flooded and does not produce anything, and you are in big trouble. I do not know if you have got any

personal experience or whether you want to comment as to how critical maintaining that drainage infrastructure is in terms of keeping farmers in business.

* (21:20)

Mr. Roeland: I guess that in my particular situation I am in a bit of a different area from these guys. I am inside the floodway, but my water must go through the city of Winnipeg to get to the Red River. The problem is the city of Winnipeg cannot take it fast enough. We have all kinds of things put into place. The City itself has not put really approaches, but they have put culverts every 500 feet along the road to slow down the water, which is making our problem worse again. They have not maintained these ditches that drain into their system because it adds to their problem. We are kind of in a little pocket right inside the Perimeter. Other than that, I guess the ditches themselves are okay, but we just cannot get the water away fast enough.

Mr. Pitura: Mr. Roeland, tonight we have heard presentations and suggestions for long-term sustainable programs for agriculture. One of those was an enhanced NISA program; the second was using a trade equalization payment type of program that would be similar to NISA; and the third one was a program of cost of production. Of those three, and listening to those, which one of those three do you think would have been the most appropriate for your farm operation?

Mr. Roeland: I guess the cost of production because then you can at least justify what you are spending. You can spend a little more on - your different inputs. You could know that you would be guaranteed to pay your payments to your fertilizer dealer, your chemical dealer, the guys who are also making a living off of your living. So more or less maybe a combination but at least be guaranteed a certain return on what you are investing into it.

Mr. Maguire: One of the comments that you have made in your presentation, Mr. Roeland, is that the carry-over stocks are low. I would certainly agree. I mean, this is not a normal market scenario. We do not have high wheat stocks in the world at the present time, and yet

we have seen the interference in the marketplace, as you have pointed out, by Europeans and the United States with their programs and what they have done to these prices. I guess certainly that differentiation from what we have normally had has led farmers to call for the kinds of immediate cash programs that we have seen, the federal government response with \$500 million matched with the 40% top-up by provinces.

We have asked for that in the all-party resolution that is before you. I assume you have had a chance to look at it from the back of the room. I would like to thank you for pointing that out on the record that these commodity stocks are low. Is there some way we can improve the resolution that we have agreed to that we have put forward for the public to look at in regard to one of the issues that maybe my counterpart from Morris (Mr. Pitura) here has talked about?

Mr. Roeland: I guess it is not what you can do, but maybe you should be very afraid if something happened. If there was a big loss in a certain particular wheat growing area, if there was a voluntary pullback of wheat acreage, what would happen to your stocks and the rest of the world? Would they start wanting to pay a little more for their food?

Mr. Maguire: Just for clarification. I maybe did not get it clear, but I thought I heard you say in your presentation that any support must be countervailable. But in your report you have that any support must be non-countervailable. Can you clarify which way you felt? Is it according to what you have written or the way I might have heard it?

Mr. Roeland: Does the Congress in the U.S. care if it is countervailable or not? I do not know if that is the proper answer. I wrote it down that way, but the more I listened here, I think: Do we really need to care about that, or do we do something now and help get us through this situation? For maybe a long term, okay. There may be trade talks in the future that would limit things.

Mr. Maguire: Would you concur with the present policy that says that, if payments are required to alleviate a problem in an area because of a disaster, a natural disaster, it can be

done on an acreage basis? We are constantly told that we cannot do it that way because of countervailable mechanisms and everything else, but clearly under the free trade rules if it is because of a natural disaster you can use an acreage-based payment, as has been done in Canada and in the U.S. on a regular basis.

Mr. Roeland: I would see no problem with that. I think it kind of happened in the southwest this past couple of years. It happened with the flood. Our crop insurance has been changed because of certain problems we have been having, so I guess it basically should be no problem.

Mr. Jack Penner: Thank you very much, Mr. Roeland. Good presentation. I refer to your comments on the United States and European Union and their involvement in their agricultural sectors. Can you tell us what Canada should do in order to maintain the agricultural industry in this province? Let us refer to this province alone. I mean, what really needs to happen? Is it simply money that needs to be put on the table to equal the American supports, or do we need a different way of thinking our way through this whole system? Do we need a new direction entirely, or do we need to try and invent programs that would be deemed non-countervailable in order to address this issue? And if so, how can you do that?

Mr. Roeland: Well, I think the first problem was they pulled out a little too fast when the other two general areas kind of did not. They got rid of their subsidies a little quicker than they may have had to. They could have held off, maybe used it for negotiation. What can you negotiate now? You have given it away. I think maybe they are still aiming at protecting their marketing boards and your dairy products type of thing. They were willing to kind of hold that up, but maybe they gave up the grain sector a little too fast.

Mr. Jack Penner: Just one more question. You are probably aware that the European Union has indicated that they are not even willing to come to the table to discuss agriculture for at least another seven years, and the Americans have really shown very little interest in moving away from their position. That simply means the additional \$5.8 million that the Bush

administration just added to its support mechanism, bringing their total program to almost within \$70 billion—what sort of programming would you think would be needed for our farmers to remain competitive over the next half decade, the next five years, before we even start discussing agricultural supports again?

Mr. Roeland: Geez, I do not know; that is a tough one. I guess maybe they would have to have the rest of the Canadian population on side. They would have to have the urbans with them and their rural residential people that also have moved into our area now. I do not think they can match those dollars just by what we hear, but maybe there is no will there. Maybe they could be pushed into a little bit of give-and-take or a little bit of bending of the rules which everybody else is doing. You keep hearing about this green, but everything is more or less amber, so why do we not go for amber?

Mr. Chairperson: Thank you very much, Mr. Roeland.

I would like to call Mr. Brian Kelley and Mr. Ken Yuill to the microphone, please. Ms. Dorothy Boznianin is on deck.

I get to ask a couple of questions to begin with here, though. First of all, do you gentlemen wish to present together?

Mr. Ken Yuill (Private Citizen): Yes, basically I will be making the introduction, and Mr. Kelley will be dealing with the more involved parts of this material. I am not a scientist, and we can get into some significant details. I am a farmer, and I do not know the difference between an oleoglucosuccerite [*phonetic*] and some of the other things. However, we have investigated some of these things, and we have had some understanding.

Mr. Chairperson: Thank you. In that case I will need leave of the committee to have both Mr. Yuill and Mr. Kelley present together. Do I have the leave to allow that to happen? [*Agreed*]

The other question I have is: Do you gentlemen represent an organization?

Mr. Yuill: Yes. We represent a newly formed organization that has not been named yet.

Mr. Chairperson: You are making this very tough; you realize that.

Mr. Yuill: We are going to need your people's help for a lot of things down this path, and maybe you can make some suggestions.

Mr. Chairperson: You know, we politicians like to pigeonhole everybody, and we have our categories.

Mr. Yuill: I guess because this is an offshoot and, hopefully, becomes much more involved than the former sugar beet growers, which really spearheaded this till this stage. You can do what you want.

Mr. Chairperson: Finally, has there been a copy—okay, it has been distributed. The floor is all yours, Mr. Yuill.

Mr. Yuill: You have got quite a bit of copy in front of you there, and I will try to abbreviate because basically I am just doing the introduction part of this.

Mr. Chairman, honourable Minister of Agriculture (Ms. Wowchuk), ladies and gentlemen of the Standing Committee on Agriculture, we are here because we believe that our new group has a vision for one step in solving the current problems of the grain and oilseeds industry. It is advancing one of the final points of your resolutions.

We think that an historic meeting occurred on April 25 at Altona. A group of Manitoba farmers decided to create a new and unique organization. The vision for the future of the group is to have farmers work together to take control of a new crop, and one or more new products, and to create a new industry in Manitoba. These forward-thinking farmers decided to do something to break away from traditional commodity production of grains and oilseeds. As one farmer said, our choice is to do something or to do nothing, and we know that to do nothing will not work. This comes about from the former sugar beet growers who, while trying to re-establish their industry, have identified other non-sugar opportunities.

They knew from past experience of being growers that did not have control over the supply chain that they wanted a different structure for the next industry opportunity. They had seen the success of their close neighbours across the border with American Crystal Sugar Company, a new-generation co-operative owned by farmers and controlling all aspects of the industry. They had seen the difficulties that led to the closing of most of the Canadian sugar industry other than a refined, imported sugar from a subsidized, distorted marketplace—at the same time as their neighbours were successful in an industry just a few miles away. The opportunity identified by our new group comes about after two years of work while pursuing opportunities with European food companies and researchers, as well as dealing with many different people in North America, the E.U. and elsewhere. The primary opportunities exist with Plant Research International, located in the Netherlands, which will be described shortly.

With the experience of the sugar industry, a number of the Manitoba producers involved in this new group knew that for any new opportunities a new industry restructure was required. If the vision is achieved, this new structure will give farmers control over the field to customers' supply chain, including processing and marketing, control over the IPR for the crop and products and control over their future.

You can see the list of people on the steering committee. Currently here attending is Mr. Rick Friesen from Niverville with me, who is on the steering committee, and myself and the others as named there. The steering committee has been mandated to work on several opportunities. While all the opportunities are at a very early stage, all are based several fundamental principles for a unique approach to new products and value-added processing.

* (21:30)

These principles are: Significant farmer ownership and control, e.g., a new generation co-op or similar type of organization in the production, processing and marketing activities of the supply chain; a co-ordinated supply chain that covers the product from research through production, processing and marketing, right to

the end user; ownership and/or control over new products, e.g., the intellectual property rights for the crop, that are not commodities subject to subsidized competitors; form strategic alliances with researchers, processors and others to create new crops and new products for new markets; take advantage of the agronomic and low-cost production potential of Manitoba's agriculture industry and the production expertise of the farmer; take advantage of the Manitoba farmers' knowledge and experience with co-ordinated supply chains, and this is one of the key competitive advantages for this group of farmers; take advantage of the entrepreneurial orientation of farmers to invest in new value-added processing and marketing businesses, if it is profitable and makes sense; and to have a bold vision, combined with careful planning and executed steps to control risks.

The farmers who have contributed to this organization believe that the top-down vertical integration model typical in the U.S. is not what they want. Instead they will be the integrator who controls the supply chain, and by a large number working together they can compete globally and increase their profits.

The future for farmers depends on being able to take more control over the processing and marketing activities in the supply chain that connects the field to the consumer. One of the ways to obtain this control is to have ownership of the intellectual property rights for the crop. If the rights to the crop are controlled by producers, it can make the products less like commodities, which have many others being willing to sell the same commodity, each at lower prices until there is little profit left.

I will let Mr. Kelley get involved in the more technical parts of this presentation. Thank you.

Mr. Chairperson: Thank you, Mr. Yuill. The Chair recognizes Mr. Brian Kelley.

Mr. Brian Kelley (Private Citizen): Greetings and thank you for the opportunity to be here.

There actually are several that are identified, but the primary opportunity comes from contact over a period of time with one of the leading

research institutes on biotechnology, and it is Plant Research International in the Netherlands. They have done considerable work on a number of crops, including the sugar beet, or more appropriately the non-sugar beet, because none of these opportunities deal with sugar. They are, however, taking that former crop and converting it into new crops with new products. In particular, the primary one that initially is to be looked at is one that would produce a non-food chemical compound, and may well be glycerol, which is used in a variety of products as a very high-quality lubricant and emulsifier.

The reason for pursuing industrial products is that then there is no longer a problem in the marketplace from a biotech or GMO crop. It is a phenomenon of this issue that it is really only a problem when it is food. It is not a problem for pharmaceuticals. It is not a problem in industrial markets. Other potential products have been identified, also based on the former sugar beet, and are to be explored as well. In addition to that, this same work in Europe and with other companies around the world has identified several food companies which may well have potential, and where there is the beginnings of a relationship, but they may have potential interests in coming to North America. It has been identified that this group of farmers and Manitoba are very attractive for a company entering the North American food or industrial products market for a number of reasons, to be mentioned in a moment.

To reinforce the market potential for this, while this is unique and it has not previously been done, it is the case that Cargill and Dow have formed a joint venture business called Cargill Dow Polymers. They have invested \$300 million in a new processing plant to produce a polymer: polylactic acid. They estimate that within 10 years they will be producing a billion pounds of that product, and it will take well in excess of a million tons of corn or wheat to be processed to produce that one industrial product for that marketplace. That is given as an example because a number of these products do have significant volumes and are not real small-niche opportunities, but are ones which do have significant potential.

In the interests of time, I am going to abbreviate, given that you have the material in

front of you. There is a heading of: why the former sugar beet? What it documents are three reasons why the researchers have identified that as a crop which has commercial potential to produce other products. There are a number of challenges to this project, and it is a case that the opportunities are potentially very large, but so are the challenges. It will require a number of stages of research to develop to see if the crop can be developed; to see if the particular product from that crop has potential in the marketplace. We will do an initial research, driven by the marketplace. But the initial research will be based on the concept only, so as the research goes forward to produce the crop and then produce the product, it will be necessary to further test in the marketplace whether it is exactly the right specifications for the various markets and customers. Based on that, it will be necessary to do further research to revise the crop and revise the product. It will be necessary to do agronomic research. It will be necessary to do research on the processing and the processing technology, and to then develop a business.

In fact what this is, and what the immensity of the opportunity is to create a new crop and a new industry. It is not just a new product from an existing crop. The analogy that is the most appropriate is: it is the equivalent of creating Canola. Now it is not expected that it will be that large an acreage or that large in size. That is unrealistic. But it is the case that it is the equivalent conceptually of creating Canola. It is a new crop with new products for new markets, and everything about it is new. A very large opportunity and an equally large set of challenges.

There are a number of competitive advantages. In fact it is the competitive advantages and the principles that Mr. Yuill talked about that led to this. It was not a blind search hoping for something, but rather, identifying what the advantages are of Manitoba; identifying what the advantages are for the farmers that were believed that would be interested in this and for the group that initially have pursued this. Those advantages are listed. I will abbreviate them down to the agronomic potential for Manitoba; the low production costs; the production expertise; the entrepreneurial orientation of farmers; and, especially, the

familiarity by many farmers with the concept of a co-ordinated supply chain. This entrepreneurial approach is necessary to manage it right from the research through production, processing and marketing—to do something that is this challenging and new.

For companies which have the potential to produce new products through new crops for new markets, to find a location in the world that has an interest, that has the agronomic and cost advantages and has a group of producers that are organized and prepared to pursue it, we think, creates opportunities for a number of companies and the potential for companies in Europe and others to find it attractive to come here. That is why the principles that Mr. Yuill mentioned are what is driving this. It is not the product that is driving it. That is very conceptually challenging because it is different than what most people are accustomed to.

* (21:40)

There is page 5 which speaks of the economic and rural development benefits. It is reasonable to expect that if there is any degree of success with this there will be significant potential benefits. Some estimates—actually guesstimates that have been guessed at this stage, because it is a very, very early stage—indicate that if it had the similar kinds of value-added impacts of the sugar industry, and it may be more, it may be less, it is potentially 3000 jobs—\$300 million of economic activity, and \$30 million of tax revenue for the province annually. It is significant.

In spite of the fact that the group and the organization are so new as to not have a name yet, as Mr. Yuill pointed out, the first meeting at which a decision was made to proceed to organize and a steering committee was formed and mandated to start to organize occurred only five days ago. So one of the things the steering committee has to do shortly is identify which—of a number of names—is going to be the name for the organization.

There are, on page 6, three key things, and there are many steps that have been identified, but three key ones are for the organization and the producers to develop collaborations with the research community. We believe that is the right

terminology, because this is not just as simple as going to Plant Research International in Europe and having this done. It will involve, in all likelihood, universities, Agriculture and Agri-Food Canada and many others involved in the research area and support.

The second fundamental aspect is conducting the marketing and technical investigations—a whole series of times and stages, in order to confirm that it is appropriate to continue on to the next stage. Because controlling the risks in a very well executed plan, as Mr. Yuill has mentioned, is critical.

The third, and the reason for being here this evening, is to begin the process of obtaining public sector support, as well as continuing to get grower support to do the research and the development work—which will require a significant amount of funding, an unidentified amount as yet, but it is a very, very demanding undertaking. We certainly want to have the opportunity to present this as an example of a group which is proceeding with the third last of your paragraphs in the resolution; which calls for recommendations to building and sustaining rural communities, including how to produce growth and value-added, higher-value agriculture and agri-food industries as well as industrial and manufacturing opportunities. So we thank you for the opportunity to present this.

Mr. Chairperson: Thank you, Mr. Kelley. The floor is open for questions, beginning with the honourable minister.

Ms. Wowchuk: Thank you, Mr. Yuill and Mr. Kelley, for bringing this presentation to us. Certainly as we look at the agriculture industry and what the opportunities are, you have identified an area of new opportunity that has potential. You talk about the sugar beet industry, and certainly it is too bad that we lost the sugar beet industry here in Manitoba. But we do have the expertise and the people to work in the industry.

As a Government, both my department and the Department of Industry, Trade and Mines have also had discussions with Plant Research International, and are certainly interested in having further discussions.

What I wanted to ask about is in the area of GMOs. Certainly, with the sugar beet industry, there is no sugar beet industry in Manitoba and there is not a risk of cross-pollination that has been an issue with other commodities. But you also talk about wheat and the research that is being done in wheat and corn for non-food products. I wonder, what is your view? Europe, as you have said, is not very accepting of GMOs, although the research continues there.

What is your view on the acceptance of the Canadian public of GMO products, and also the concern that has been raised about cross-pollination of new varieties that may put at risk our wheat for human consumption?

Mr. Kelley: A challenging and controversial question, and hopefully not so with the answer. That is outside the area this is focussing on. In fact, part of the reason why this focus for this group is the way it is, it avoids the whole GMO issue. Because the perceptions of GMO, from my perspective, make no sense. GMOs are widely accepted in the pharmaceutical industry. I am not sure of the percentage, but a large percentage of pharmaceuticals in the world are now produced through GMOs, and I have never heard of any public concern regarding it.

There are a number of GMO initiatives in Europe. In fact the world-leading centres on biotechnology and GMO products, the first two, and certainly the first product from the former sugar beet was what is referred to as a fructan beet. In fact the molecule that Mr. Yuill referred to, it is a longer-chain modified sugar which produces health benefits and is not in fact a sugar any longer because of the different molecule.

In Japan, research has identified it has significant potential for reduced cancer and heart disease. In spite of those benefits, while the crop was developed, the product was developed and it was licensed to a company in Europe, they basically are just sitting on it—is our understanding—with the expectation that eventually the science that shows health benefits from GMOs will eventually win out and probably will get accepted. Because they have paid to get the licence. But at this point in time,

they are not attempting to take it into the marketplace.

In Canada, there are certainly many concerns by consumers regarding foods. It creates significant marketing questions for someone who goes forward with that. But how it turns out in the end, in my mind, is very questionable. I think there are going to be quite a number of food products that have very clear health benefits. It is going to cause great consternation for consumers to decide whether GMOs are good, or GMOs are bad. In some people's minds, it is going to be both.

Mr. Chairperson: Honourable minister, briefly. We are running out of time.

Ms. Wowchuk: I just want to thank you for your presentation, and look forward to further discussions with you and your organization as you become more organized and find a name for your organization. I look forward to discussing this topic with you at greater length.

Mr. Kelley: Thank you.

Mr. Chairperson: We have three more questioners. I would ask them to be brief. We are running short of time.

Mr. Gerrard: Thank you, both of you. Briefly, this clearly is but one example of what could be a whole range of potential new products. What do you see as the role of government in this area? Is it primarily in the support of the research? At what stage can government play the most useful role?

Mr. Kelley: It is striking how much has changed when dealing with this. It used to be that the public sector did the research, developed the crop, developed the product and made it available. It has evolved to where there are matching industry initiatives in others; where it is quasi-public and quasi-private and, further, it has developed where many of the products and crops now are private. One of the dilemmas with that is for producers to be able to control their future and make a profit. They need to have some control, and they need to have some rights to the profits through ownership. Which means they need to be able to control so it is not just the very large corporations that do the private sector research.

That means the producer groups that form new generation crops or organization like that, which this concept includes, will depend heavily on public sector support especially for research. The research will be the challenging stage and it is really the traditional role of the public sector and this particular example will involve creating a new model which has never been done before in Canada. We have spoken to a number of people who have researched in North America. It is a new approach but it has significant potential, specifically for improving the profitability of producers.

Mr. Chairperson: We are overtime, but I will allow one more question. Mr. Praznik, briefly.

Mr. Praznik: Mr. Chair, very briefly. Are there any other policy changes that you would look towards the provincial government to make to encourage this type of future developments in our province?

Mr. Kelley: Further improvement in the new generation crop legislation to make it easier to raise funds. I expect it will require some change in orientation to funding research where a group is going to own the rights to it because that is the only way the farmers can be able to have profits in the future is somehow get control of that. One of the ideas presented is a new generation co-op that would be available for investment to a large number of producers from anywhere that have an interest in this and that would perhaps allow the public sector to be able to invest in the research, because it would be quasi-publicly available to a group of producers but once they committed to it they would then control it and have profits for the future. It will require new approaches.

* (21:50)

Mr. Chairperson: Thank you, Mr. Kelly, Mr. Yuill, for your presentations. We will call the reeve of the R.M. of Lac du Bonnet, Mrs. Dorothy Boznianin. I would ask for clarification on your spelling please, ma'am. Your last name. Pronunciation.

Mrs. Dorothy Boznianin (Reeve, R.M. of Lac du Bonnet): You did just fine. You can say it any way you want. I was married to him for two

years before I knew how to spell it. So that is okay.

First of all, I would like to commend you for being an all-party committee. I think that is rather refreshing. Anybody who has listened to me in the past, including Darren, knows how I feel about upper-level politicians. All we see is the bad side of you. It is that you are always at each other's throats. So it is good to see you all working together, and I am glad all parties are involved.

Being the last speaker, I think I can be very brief and say that I would just like to enforce almost all the comments that I have heard here tonight. But from my municipality's perspective, drainage is critically important for the farmers in our area and all the ones we speak to. It greatly affects their level of income and what happens.

We have drainage in our area that has not been looked at for many, many years. I will commend the farmers in our area for taking some steps and forming a farmers co-op to deal with drainage, and having to go out on their own and do the work on a drain that the Province was supposed to have been doing, and has neglected for many, many years. I think it is really too bad they had to do that, but I commend them for doing it. They know by going out this winter and surveying—and our local Ag rep accompanied them—that on one small stretch in the Stead basin area they found 96 blockages on one provincial drain.

So, when we are told we have to improve our drainage and the provincial ones are not functioning, what are we supposed to do? I think this is of prime importance in our area—that we have to look at this.

While we are talking drainage, I am going to speak of one thing that is area specific, and this includes our good neighbour to the north, the R.M. of Alexander, who we are meeting with jointly again this week. That is, we are also very concerned about drainage and what has happened with hydro. When the hydro dam was built, the dikes were built, all natural drainage was cut off rerouting it miles back through our municipalities. That drainage is hopelessly inadequate. It is causing major flooding in the

area. Also, the dikes are 50 years old and leaking. We do have some small movement now, after many meetings with Hydro. They are looking at doing—they are doing a drainage study in Lac du Bonnet right now. So there is some small movement.

This is something the provincial government has to look at because you are also in control of Hydro. It has to be addressed because the water is backing up and causing major flooding for many, many areas, right up to peoples' houses. That is a concern.

When we look at things that have been discussed here tonight—just give me a minute now because I have lost my train of thought. It is getting late. One of the things we have done in our area is, we have worked very hard for a few years now in forming a drainage co-op with all of our neighbouring municipalities. Reeve Tim Coe [*phonetic*] touched on it briefly and I think we have really done well. We include natural resources, water resources, highways. All the players are at the table when we have our meetings so we can resolve issues, and it has worked really, really well.

In talking with our neighbours, the R.M. of Alexander, we feel that we are being punished by the system because we are being told, even though we have this, and we are all the way from Reynolds, parts of Springfield and all the way to St. Clements. All of us are working together, and we are co-operating so well together. We are being told that if we do not form a conservation district, we cannot access funding. To us, that is blackmail.

When we form a committee, and we are working well together and we are getting things done, why can our committee not access funding as well as the conservation district? I commend the conservation districts for what they have done, and forming them is a good thing, but we do not always want to go that route. We are being told—we had Dick Mennon [*phonetic*] come out and speak to our group and he said, well, you just put a couple of mills on your tax rate and you hire a water manager to look after this for you and then you get an engineer to do everything for you. Well, if we are going to have to do that—we are at the grass-roots level. We are

being taxed to the hilt. You know, our people feel taxed to the hilt right now. I do not think that is fair. If we have a system that is working really good for us, and all of these municipalities working together. Why can we not access the same funding as conservation districts. We should be able to, and yet we are being told we cannot.

I really think that is something you have to look at very seriously, because it is a great concern.

Also, something maybe the province can help us address is a lot of confusion and a lot of concern over what is happening with Fisheries and Oceans. This comes up time and again at our meetings. If Fisheries and Oceans has their way, from what we are being told, we might as well shut down every fertilizer plant and every farmer in the whole province, because they want to restrict every drainage that we dig and every thing that we do. This is causing so many problems. We invite them to come to our meetings; they never show up. We have asked for guidelines; we never get them. There is nothing coming back to us on how it is going to affect us and what is going to happen. We are just being told Fisheries and Oceans is there and these are the rules they are coming down with, but what are they? We do not get any answers anywhere. I think the province has to step in and act on this.

One of the other issues in our area that was discussed very thoroughly was the issue of crop insurance. Many of our farmers have expressed concern over the way that is being done, and they said they do not think it is fair that it is being equalized. We have farmers in our area, a couple of them, you know, farming 6000 acres and they said: you lose one or two quarters, and you are being equalized just because the other quarter produced. You cannot collect anything on that. They feel this is really unfair.

Again, I will have to stress the drainage issues. Mr. Praznik knows. He was one of the people who did a fly-over. He knows in the Stead basin area how many acres affecting three or four municipalities were totally under water, and stayed that way for a long time—long beyond where they should. This is a concern.

We, as a group, as I said, are dealing with water management. One of our municipalities wants to be the retention area. We have areas in our municipality—we have put a freeze on the sale of Crown land because we do not want all our watersheds destroyed.

We have been proactive in doing all these things, but again, we feel we are being punished for doing that. So, while you are considering all the other farm concerns and the issues, the income, all of these are important, but please do not forget these other issues. Thank you.

Mr. Chairperson: Thank you, Mrs. Boznianin.

* (22:00)

Ms. Wowchuk: Thank you very much for your presentation, Dorothy.

You have outlined several issues and you talked about drainage, as have many others this evening, and it is a very important issue for this area. I want to tell you that our Government has taken a step to put some money back into drainage this year, although it is a small step in comparison to the amount of money that has been removed. But we have started to move forward to address that one.

I find it very interesting, the discussion on the co-op that you have versus a conservation district. I commend you for the work that you have done. It sounds like you are doing very good work and working together with other municipalities to address this. Is your concern with the conservation district, the fact that if you go to the conservation district then you are going to have to hire people to start to manage it, and it will be additional money to be spent when, in fact, you are doing what has to be done right now? Is that the reason that you do not want to go the conservation district route?

Mrs. Boznianin: That is a very big issue. We did contact our neighbouring municipalities to form a conservation district a couple of years ago and they declined. They did not want to go that route, and now I am sort of glad we did not because we are accomplishing the same thing anyway. We are municipalities and volunteers working together and we do not want to have to

create another level of bureaucracy and more salaries that have to come out of our taxpayers' pockets when they cannot afford it. Everybody feels right now they are being taxed to the hilt.

The school tax issue is an important one. In our municipality, most people feel it should be taken off all land but we are dealing with that with the AMM; also with another group who is looking into this. We have taken our concerns to them. I am not a tax expert so I do not have the answers for that but it has to be taken off all property because it is not fair to the low income or the elderly.

We are cottage country out our way and up until now we have been very fortunate because we do have a lot of lakefront and we do have a lot of cottages, so we have been able to hold the line, or almost. We cannot, any more, but we have been able to keep our taxes at a more reasonable level than some municipalities have because of that. We do not feel that the taxpayer in general should always be penalized, and always be hit upon for more. We are at the grassroots. We take the flak first before it goes anywhere else. We are the ones who have to collect the taxes and we are there. We are the first target. We feel that this is something that has to be addressed in a very sensible way. I think we are doing a very good job and being very responsible.

Our farmers who formed this group have to really be commended too. They know. They are the ones who farm along that area, and they know that this was looked at. This has been presented to government for over 40 years. Many councillors have passed away already working on this drainage issue. It has not been addressed. It has been pushed on the back burner, pushed aside all the time. Then we get a letter from natural resources saying, well, this is the how we break it down, and this is what you have to do to do your share and then we will do our share. Well, as a municipality we did our share, but the government never did their share.

So I feel that this is totally unfair, and it really needs to be looked at. It is not fair that our producers have to lose all this acreage and all this land. It is also creating another very serious problem. We were again told this by Fisheries

and Oceans. They came and did a presentation to council. They showed us the big maps, showing us how the algae problem in the lakes has increased; the deterioration of our lakes and our beaches because of it. Because when the flood water hits it picks up the fertilizer, washes it into the lake. It did the same with all the lagoons. You know, you cannot totally blame the farmers but they seem to be putting most of the blame on the farmland and all the fertilizer that is being washed and creating this algae problem. Nobody is doing anything to help us solve the problem.

Mr. Gerrard: Thank you for your presentation. I wonder if you could expand a little bit on the Hydro situation, the problem that was created, and what specifically Hydro should do to help find a solution or what the province should do to make sure that Hydro gets involved in finding a solution.

Mrs. Boznianin: It has taken many years of meetings to get to the table with them and to get them at all involved. But, as I said, they are now taking some small steps to look at this because when the power dams were built, when McArthur Falls was built, they built a dike all along the Winnipeg River and that dike was to hold the flood water back. To go with that they then built a floodway going through a lot of the farmland that I am talking to carry water. One major creek, the Wardrobe Creek—all the water is diverted back into that, all the way through towards about the Mud Falls area, if you know where that is. It comes out there, creating a lot of erosion problems and the water is now flowing through all this area. There has been no maintenance there as well. There are several beaver dams along there, which they want, because it slows the water down. But, in the meantime, the water is backing up and flooding farmland and delaying them many weeks before they can get on the land.

We also have residents that are trapped between the highway and the dike. Their yards are getting wetter and wetter, and they are coming to us and asking us to drain them. We cannot. There is no place for them to go because the water is so high. One guy comes to us and says, well, the dike is leaking. What are you going to do? So we send Highways to go talk to him because he is sandwiched between the

highway and the dike. There is no way that we can solve his problem unless Hydro gets involved.

So I think, for us and for Alexander, they are a major player in our drainage problems.

Mr. Chairperson: Mrs. Boznianin, I was not trying to be impolite. I was just cueing the Hansard people so that they know when your voice takes over, for the purposes of their tapes. I was quite proud of the fact that I had finally got the pronunciation of your name right. I apologize for interrupting you last time.

Mr. Praznik: Dorothy, I am very glad you referenced the municipal co-operative, because that has been an approach that has developed here that does not fit in the mould. It is so nice to see the point is being made, and I hope the Government gives it some consideration in planning how they deal with drainage. When you talked about the Stead basin—I know the minister referenced some new money—there was a million dollars in the Budget. It is multi-millions of dollars just to do the Stead area. We all have a collective problem with how we deal with drainage. It is going to have to be addressed with AMM in the near future.

What I did want to ask you, Dorothy, was the land set-aside program, which the minister has referenced, I would like to ask if you could perhaps give some of your perspective, given that we have, in your municipality, particularly on the western boundary, some of the recharge areas for the Brokenhead River and our water system. We had an excessive amount of land going under the plough, in essence. Do you see some possibilities with a good set-aside program that would allow us to fix some of those problems that have occurred over the last 30 years that might give us some long-term benefits, if it made sufficiently enough money in it for the farmers involved to see that happen? So would you be encouraging of that kind of a program?

* (22:10)

Mrs. Boznianin: Darren, I am not here to speak for the farmers and to say whether or not they would want to take their land out of production.

What I am saying is we are sort of at the high end. Yes, we drain through Brokenhead to the Brokenhead River, but our problem there is, on our side of the boundary, all the drainage there has been downloaded to the municipality. On the Brokenhead side, it is still provincial drains, as the reeve mentioned, 12 of them he has along there. Well, we share some of those. Just across the road, they are provincial. On our side, they are all municipal. There is only one that is not. We have to maintain that.

Now Brokenhead is telling us do not plough the snow in the winter, do not increase the water flow, do not do anything. You have to remember when you are talking about our drainage to the Brokenhead, we are talking about a certain amount of farmland on our side. But it is only one sixth of what is on the Brokenhead side. Now we are being asked to contribute to all the drainage problems all the way down there, where our ditches are draining all the water from Natural Resources land and Natural Resources is not giving us anything. We feel that is unfair.

We had problems in our municipality. We had ice problems right across roads. We had backups. We have springs running. When you get a thaw and a freeze, a thaw and a freeze, the water keeps running from these natural drains and springs, and right across the roads and freezing. So the roads were almost impassable, and Natural Resources takes no responsibility. Most of the land is theirs. We only have maybe a strip one or two miles wide that is in our municipality and farmland. It is one mile wide in some places, two, three miles in another area, yet we have to bear the burden of all the drainage from the ridges, from all of Natural Resources land and we are not getting any help. We are just being downloaded upon in the past.

Now we are saying we cannot do this anymore. We cannot bear the burden and we cannot keep on raising taxes for our ratepayers to keep this going. So we are saying there has to be more money put into provincial drainage and a better sense of co-operation from that level. Does that answer your question?

Mr. Praznik: Mr. Chair, these are very, very important points. But I was just looking that Dorothy was from the municipal viewpoint,

given that there are some areas in your municipality that are fairly sensitive—naturally for recharge of aquifers, et cetera—that with an appropriate set-aside program it would have given us the opportunity to fix a few of those problems we know have been there in the past.

I appreciate the importance of those drainage issues. Your points were certainly well-made and needed to be made. That is what I was asking in my question, because we would like to encourage the minister to explore this. In our neck of the woods there are some areas along the forest, in recharge areas, where a suitable set-aside program could help us solve a couple of problems.

Mrs. Boznianin: Darren, you are not really going to like my whole answer to this. Again, I am going to say, in some areas when there were roads built, and what not, they were not supposed to be sold off, but then government changes and they get sold off. I am sorry it was your government that sold it off and created us the drainage problems in the first place, where it should not have been sold off. We cannot go back and change the clock. Really, some of these areas should not have been opened up. Yes, I think a set-aside program might work in some areas.

Mr. Ashton: There was actually one thing I wanted to ask specifically, and that is if you could document some of these cases of Fisheries and Oceans. We have the same problem right now with highways. When you mentioned about people not showing up at meetings, we run as critical situations. We had a washed-out bridge. We had a temporary bridge put in, and despite the urgency of the matter we ran into all the regulations. That is fair ball. I do not think there is anybody who questions that you have to have some regulations, but the department hired a whole bunch of new inspectors, yet we could not get them at meetings, which put in jeopardy our ability to repair the bridge.

I am wondering if you could provide some of the cases where that has happened, because I would be more than prepared, from my perspective, to raise not only our concerns as a department but some of the municipal concerns as well. If they are going to have those

regulations in place and the staff have been hired, I think there are about 50-odd new inspectors, they should be in place to meet with municipalities, meet with provincial governments, so we can figure out what to do and abide by the regulations but move projects along where necessary.

Mrs. Boznianin: I agree with what you are saying. The frustration that we are facing in our area is that we are simply being told that we are going to have to get permission from Fisheries and Oceans. Before we never had to pay a licence to dig a ditch. Now we pay a licence to dig a ditch. We have to get a permit. Okay, we will accept that, but now we are being told Fisheries and Oceans is coming on board. We need another licence; it is going to be another fee, and that they are going to have to okay everything.

At one point, we were told, at a meeting of the municipalities and the committee, I do not remember the lady's name who was out from Fisheries and Oceans, but she indicated that we are going to have to start doing major studies before we can do any drainage in the municipality. Who is going to pay for those studies? We cannot afford to, at our level. It is just unrealistic.

Then you run into other jurisdictions, where they do not want siltation, they are protecting the water supply, they are protecting the fish. That is good. We all want to protect our water supply, but to what extent, and how is this going to affect us if they are not going to allow us to clean out a major drainage ditch because there are a few fish in there?

We had a meeting recently, where the R.M. of St. Andrews brought out their form that they got to clean out Bottomly Creek. Fisheries and Oceans and the Province already have this information. Why are they sending a form to the municipalities asking what kind of fish species are in that river, in that creek? The questions they are asking are so unrealistic and their expectations are unrealistic. We have to look at it from our perspective and from the perspective of our ratepayers. It just cannot continue the way it is.

We need answers and we need them soon, because we are having drainage in some areas

stopped. Then we get Department of Environment involved. They okay some ditches that we think are questionable and they are going to stop others. There does not seem to be any consistency in what is happening. So that is a major concern at all our meetings.

Mr. Chairperson: Thank you very much, Reeve Boznianin. That concludes the list of presenters that I have before me here tonight. Are there any other persons in attendance who wish to make a presentation? We do have a taker on my offer for another presentation.

Mr. Larry McGonigal (Private Citizen): One taker, Mr. Chairman.

Mr. Chairperson: Could you state your name for the committee, please.

Mr. McGonigal: Larry McGonigal. Just for the media present, I am not here on behalf of the Beausejour Chamber of Commerce, which I am president of. I am actually speaking to you because I am a solicitor in Beausejour and I represent a number of farmers who have had drainage problems. I am not going to ask the minister or anybody else to make comment on the litigation that is there, but I do want to add a couple of comments to it.

Reeve Tymko made mention of the Lydiatt drain. Just to add some information to that, there were at least four farmers who did not respond to that survey because it is in litigation. I do not correctly recall the numbers, but I daresay we could double the amount of annual losses that the farmers are facing, just by those farmers who are clients and have indicated to me that their losses are putting them under. In fact the losses are such that one of the number of clients has put the land up for sale. The other farmers are indicating that if this goes on much longer they will be putting their lands up for sale, because there is just no possible way for them to continue.

That was just a small point that I wanted to add to and actually support Reeve Tymko on. He is not going to be so happy with my next comments because in fact the farmers that I represent see a problem. We talk about the drainage problems that the provincial waterways

have. In fact I had interesting statistics. I do not know if the minister is aware of these statistics, and I will not ask her to comment on them, because she might not have the numbers before her. But when I started digging into and investigating the issues, it was clear that there were approximately 4300 kilometres of provincial waterways in the province. Yet the comments that I received from my sources were that the funding currently available is only able to repair about 10 kilometres and maintain 30 kilometres. I do not know that these numbers are correct or proper, but that would mean that a provincial drain would be cleared out once every 100 years. Certainly this is a completely inadequate standard. So there has to be more funding from the province in relation to that area.

Also, we have to look at the problems of these farmers. I speak more holistically. As well as the other farmers, I have numerous complaints. As a lawyer who lives and plays hockey and is a local country boy, I came from the city. I have definitely changed my ways. Now I live and play in the area, and I hear a lot of farmers talking about the fact that there are procedures that the R.M.s are not following with respect to the drainage problems. We are not just talking about the provincial waterways. We are dealing with all drainage. There needs to be a holistic approach. One farmer will approach the R.M.s and mention that they have a problem. Their problem may be solved, but it is in the middle of a drainage system. So they either add to blockage upstream or add to drainage downstream. That is something that has been, from comments that I have, a problem and has to be dealt with.

I am going to deal with the few clients that I do have. One of the problems that they are running into is the fact that there is legislation in place about changing drainage. When you change drainage, and it affects farmers, you have to give them notice. There have to be meetings, there has to be a decision, which is reviewable through water resources. None of that happens, or it happens 20 years later. They just take a whole area and say could you just give us a licence for this and it creates a problem.

When I hear the reeve from Lac du Bonnet speak about the concern she has with Fisheries

and Oceans coming in and talking about doing a holistic study of the area, and the cost of that, I think to myself perhaps there will be benefit to doing those studies. You can do those studies from a number of perspectives. Environment will want to look at it. Fisheries and Oceans will want to look at it. Water Resources will want to look at it. There are a whole number of reasons why you might actually put federal and provincial dollars toward a study, and specifically of our water basin.

Those would be my comments, just briefly. I am open to any questions.

Mr. Chairperson: Thank you, Mr. McGonigal.

* (22:20)

Mr. Gerrard: When I have talked to farmers in the Brokenhead Valley, it seems to me that one of the problems here is that, as you increase the rate of water coming off the land, increase the rate of drainage, you have a bottleneck, in a sense. That if you want to get the water off fast, the only way to do that is to dredge, I suppose, the Brokenhead River or something like that. The other option is to hold back more water upstream in some fashion. Is that also possible? How do you manage this situation where you have to look at both sides of this? It seems to me it cannot just be a question of trying to move it through, because that does not automatically solve it.

Mr. McGonigal: I think there are a number of ways you can certainly deal with it. We are talking about various other considerations with not producing on lands and stuff like that. You could certainly look to the different reasons and the different uses or non-uses of the land to maybe create ponds or retaining ponds or something of that nature.

I think more so, though, that when we deal with it right from top down, water resources down through the municipalities, that you have to say when you come up with a problem, a local farmer brings you a problem about the evaporation, or the flow rate off of his land is not meeting the standard—and I understand the standard might be around two days or something for an average rainfall to drain off the lands. If it

is not meeting that standard, instead of just looking to speed up the water downstream, they really need to have an understanding of the entire system, so that they can create a more holistic approach to the entire system, rather than just at random solving a problem. So there has to be a number of different ways to deal with the problems that can be specific.

But I think that when we look to a study or studies of the area, that you can then give the tools into the municipalities' hands to take those tools and say, well, we do have areas here for retaining some of the run-off. We do have an ability here, because we understand the entire system, the system as a whole.

There is one situation that I know of where, indeed, finally the farmers involved walked around and actually counted their culverts, measured the culverts, went back to the manufacturers of those culverts and said we want you to tell us about the flow rates through those culverts. They counted the culverts of the water flowing in and the culverts of the water flowing out, and I said, put on your rubber boots. I said there is just no way that you are going to have that water drain off your land properly. Yet the culverts were just recently changed, one added and some changed. It was thought to be an increase, and it just was not adequate.

So an understanding of the entire system needs to be studied, and from that position federal government dollars might be wisely put to studying the entire situation from a number of different perspectives.

Ms. Wowchuk: Mr. McGonigal, you have offered some interesting insight into the issues, but you also talked about representing farmers. Rather than getting into a discussion about those issues, I would just like to thank you for offering your insight into what is a very challenging issue, not only in this part of the province but in many parts of the province, and dealing with water takes a lot of co-operation on everybody's part.

Mr. McGonigal: Yes. Thank you.

Mr. Chairperson: Thank you for your time tonight, Mr. McGonigal.

Are there any other persons who are in attendance who wish to present to the committee this evening? I would like to call the names of people who have registered in other communities who may or may not be here this evening to present: Bob Radcliffe; Perry Van Humbech; Glen Franklin; Maxine Plesiuk. Those four names will be carried over to our final committee hearing, which will begin tomorrow evening at 6:30 at the Legislature in Winnipeg.

I want to say that that does conclude the business before the committee this evening.

Mr. Jack Penner: Mr. Chairman, I want to, on behalf of all my colleagues, indeed all the committee members, express our sincere appreciation to all of those who presented here today and for the manner with which you presented.

I think you have given us a lot of food for thought, and I think you have given us a lot of substance on which to develop positions not only to take to Ottawa asking for more assistance, but I think you have given us a fairly good indication of what needs to happen in many areas that need some long-term attention—such as drainage and many other issues that have been raised today. So our sincere appreciation to you for taking the time to come out here today.

To those members who made representation on a new industry, I might suggest to you that you might want to call it the Wowchuk institute. She might give you a substantial grant if you do that. Thank you.

Mr. Chairperson: Thank you, Mr. Penner.

Mr. Praznik: Mr. Chair, as the sitting MLA for the area, I just wanted to thank my colleagues in the Legislature for including Beausejour on the list of places the Province is going to and thank all who came out tonight. Despite the fact that those who watch politics on television and see us hammering away at each other, producing good stories and the look that we are at each other, a good deal of the work is done on a co-operative basis.

I am looking forward to the new minister of highways and me getting the feds to put more

money into highways. Thank you, Mr. Chair, and thank you to the public.

Mr. Chairperson: Thank you, Mr. Praznik.

Ms. Wowchuk: Mr. Chairman, I would, first of all, like to begin by thanking the Member for Emerson (Mr. Jack Penner) for his endorsement, because he knows that I really believe in research, and I do believe that there are opportunities for new crops to be developed in this province.

* (22:30)

But, aside from that, I, too, on behalf of all the members want to thank you for sitting here this evening, for listening to the presenters and for participating in the discussion, because it is through discussion like this that we work on new policy—work on new solutions. Certainly this will help us. Your suggestions and ideas will help us as we move forward to submit this presentation to the federal government. So thank you very much.

Mr. Chairperson: Thank you, Ms. Wowchuk.

Just before we leave, I want to single out one group of people for a thank you on behalf of myself, all of the committee members and the Legislative Assembly—the people with Hansard and the people with the legislative staff who have travelled with us to Dauphin and to Brandon and here to Beausejour. We will be returning to the more familiar confines of the Legislature tomorrow night. Without these people, this would not have been possible, and I would have been totally and completely lost. So I want to say thank you very much to them. I will allow for some applause at that. I want to say thank you to the members of the committee and the presenters here this evening.

We do have one problem though. I do not have a gavel in which to end this committee, so we have to stay here until we do find one.

Committee rise.

COMMITTEE ROSE AT: 10:31 p.m.

WRITTEN SUBMISSIONS PRESENTED BUT NOT READ

Dear Committee Members:

Subject: Rural Community Crisis

On behalf of the Rural Municipality of Winchester, I respectfully submit the following concerns regarding the farm crisis and ask for your consideration concerning this situation and its impact on our communities.

We would like to suggest that the present program, Manitoba Crop Insurance Corporation, while in the past has proven its effectiveness, at this time needs to be upgraded to include drought, flooding, and other disasters. Producers who choose not to purchase coverage by the program should not be eligible for claims by any other program. Claims paid out should well, in fact, make allowance, not only for real costs incurred (the producer must provide proof of expense, so the system does not suffer abuse), but a general cost of living reimbursement. This type of program will ensure the survival of the producer. It will allow him to ensure proof of income to financial institutions to enable them to secure future operating loans. Claims should be paid out by acreage so that everyone is eligible, and the system is equitable for everyone.

Other solutions will obviously NOT provide the answer. Grain producers diversifying to livestock production will only harm those markets already suffering due to supply and demand. Hopefully, a more efficient insurance program will provide these producers with coverage as well.

The average age of the producer in Canada is 57 years. It is important that we find a solution quickly in order for the young producers to continue in this industry. Another year will surely see more of our producers not survive. Our small communities will cease to exist as farming operations grow larger still in order to survive. Is this what we want for our country? This matter is widespread and affects more than the producer, but the farming community as a whole.

We request that a subsidy program for THIS year be implemented, with payouts ranging from \$40-\$60 per acre, which would allow funds to enable the producer to begin operations this year.

We urge you to take action, and quickly. Trusting this is satisfactory. We appreciate the opportunity to express our view, and look forward to working with you to provide a solution to this industry.

Respectfully submitted,

Roger C. Goethals
Reeve, Rural Municipality of Winchester
Deloraine

* * *

INTRODUCTION:

The Manitoba Chambers of Commerce welcomes the opportunity to provide a written submission in response to the all-party resolution entitled "Federal Support for Agriculture."

This submission will first outline our position in relation to the all-party resolution. We will then proceed to explain the "message" that the Chambers' position should be sending to all levels of government.

THE POSITION OF THE MANITOBA CHAMBERS OF COMMERCE:

Each year, the agenda of the Manitoba Chambers of Commerce is largely set by the resolutions that are passed at our Annual General Meeting. The resolutions are essentially policy positions that are directed towards either the Government of Manitoba or the federal government. The policy position has to relate to an issue that is timely, and either provincial or federal in scope.

This year, our Annual General Meeting was held in Russell, Manitoba, from April 6 to April 8. While agriculture has always been a fundamental issue for the Manitoba Chambers of Commerce, thereby inspiring a number of resolutions each year, this year we were struck by the number of resolutions that sought to address the challenges facing agriculture.

Indeed, this year, 25 percent of the proposed resolutions related to agriculture. This is the highest percentage of resolutions dealing with agriculture in recent memory. We interpret this fact, in and of itself, as confirmation of the growing concern in relation to the vitality of our agricultural sector.

The majority of the resolutions on agriculture were adopted as policy for the Manitoba Chambers of Commerce. We would like to take this opportunity to set out those resolutions that are germane to the issues before the committee. Again, please bear in mind that these resolutions were adopted by the Manitoba Chambers of Commerce on April 8, 2001:

RESOLUTION: NATIONAL FARM POLICY

Preamble: Canadian farmers are increasingly being squeezed by low global commodity prices and escalating input costs. Farmers in other countries receive financial support from their national treasuries to compensate for this. This discriminatory advantage is forcing Canadian farmers from their land in increasing numbers, and undermining the social and economic fabric of rural communities.

Resolution: That the federal and provincial governments should cooperatively work towards a National Farm Policy that strengthens the viability of Canadian farms and assists in establishing value-added processing. Such a policy would help stem the tide of farmers abandoning the land and improve the inter-dependent economy of rural economies across the nation.

RESOLUTION: AGRICULTURE

Preamble: The low prices for grains and oilseeds in international markets, along with ongoing trends in the food processing and marketing channels, have caused producers to face significant financial pressures. One of the strategies for overcoming these challenge involves producers becoming owners of value-added processing/marketing businesses. The management, financing and marketing skills and expertise required for these businesses differs dramatically from those management skills required to successfully produce commodities.

The provincial Department of Agriculture and Food released "Destination 2010—A Strategic Roadmap For Agriculture and Food" in early 2001.

Resolution: That the Department of Agriculture and Food and the Department of Industry Trade and Mines work together so as to shift the primary focus of the provincial government's agricultural strategy, as it is outlined in the "Destination 2010-A Strategic Roadmap for Agriculture and Food", to one which enhances the desire, knowledge, and skill sets that will enable Manitoba's producers to participate more effectively in value-added processing/marketing opportunities.

RESOLUTION: REMOVAL OF BARRIERS TO TRADE

Preamble: Many of Manitoba's products face increased competition from jurisdictions that subsidize local production, while simultaneously instilling trade impediments to the receipt of Manitoba's products. If such subsidies and trade impediments are to be removed, Manitoba must ensure that provincial and federal regulators not only fully understand, but fully embrace the principles of free trade, both as a set of obligations and as a right or rights.

Resolution: The Provincial Government

- a) Reaffirm its commitment to removing trade impediments;
- b) Require a report from all provincially authorized regulators as to whether or not trade impediments exist, and take steps to have such trade impediments removed;
- c) Continue to study and provide informed reports regarding trade related issues that affect, or may come to affect, Manitoba's industries; and
- d) Develop and implement communication strategies to promote a better understanding of the principles of free trade within Canada and with our foreign trade partners.

We were pleased to note that the all-party resolution embraces these very concepts—the

need for immediate federal action to counter the devastating effect international subsidies and escalating input costs are having upon our grain and oilseeds sectors, the need for provincial policies that emphasize the growth of value added initiatives, and the ultimate need to eliminate all international subsidies.

Accordingly, the Manitoba Chambers of Commerce strongly supports the all-party agricultural resolution.

THE "MESSAGE"

Let us now try to explain what message our approval of your resolution should send to all levels of government. The Manitoba Chambers of Commerce is unique in a number of aspects. Consisting of direct corporate members, as well as local chambers, we represent 74 communities and over 10 000 businesses across Manitoba. As such, we are the largest business lobby in Manitoba.

We are also unique in that our mandate is not restricted to a particular area within Manitoba. Nor is it restricted to a particular size of business, or to a particular sector of business. Therefore, the Chambers' support of the all-party resolution confirms that businesses across Manitoba, from Altona to Winnipeg, from Churchill to Morden, from within the agricultural sector and from without, from sole proprietorships to the largest corporations in Manitoba, are recognizing the plight of our oilseeds and grain producers, and are calling for the types of solutions that are set out in your all-party resolution.

Just as this issue transcends all locations within Manitoba, and all types of businesses, so, too, does it transcend political stripe. That is why we commend our provincial government, our official Opposition, and the provincial Liberal Party for putting aside "politics" in order to bring this resolution forward.

Let the message then go forth:

This is not just a "farmer issue." The bitter harvest endured by the grain and oilseeds sectors has brought together Manitobans of all stripes, of all political

affiliations-united in their call for a resolution to the crisis that threatens a sector that is crucial to the economy, the vitality, and the very identity of our province.

The Manitoba Chambers of Commerce is honoured to join this chorus, and committed to ensuring that it is heard.

Julie Turenne Maynard
Chairman
The Manitoba Chambers of Commerce

* * *

Manitoba Legislative Standing Committee on
Agriculture—
Federal Support for Agriculture Resolution

Thank you for the occasion to present the farmers' views on the 2001 Farm Economic Disaster. Your resolution to be presented to the federal government needs to add the following comments, and have appropriate action taken by our federal and provincial government representatives to solve this farm economic disaster. Please make good use of my observations.

Ottawa's plan is that any farmer earning less than \$100,000 in sales should quit farming. This, apparently, would make other farmers more efficient.

Who gives Ottawa such a directive?

Who defines what is efficiency when it comes to farm issues?

Farmers do not just "efficiently" raise food crops and livestock. We are the basis of local community living across Canada, a part of society. We farmers want to contribute to the life and hope of a peaceful and prosperous society. Asking farmers who make less than \$100,000 to quit is an insult to the people of Canada. To follow this advice is to give rise to a new feudalistic style of agribusiness with its vertical integration and exclusive view of communities.

This farm crisis is partly about a social clash of the following values. I have heard another farmer say: I want my right to make a living

without anyone else interfering with me. Instead of promoting that individualistic attitude, government must justifiably limit my rights and your rights in order to protect us all. Increasingly, the global nature of agriculture trade IS interfering with all farmers' rights to make a living.

Ottawa had a policy of settlement and of community for the previous 100 years. That was also contradicted by the cheap food policy. Now, due to deregulation, cutbacks, and offloading of costs, the new Ottawa policy is de-settlement of the prairies.

The evidence includes removal of the Crow rate (which most of the presenters have agreed is now a mistake because their farm income is lower) and the abandonment of taxpayer funded railways. In short, Ottawa is walking away from its responsibilities to protect our public investments like rail infrastructure. (In this case, what was a public investment in railroads is now worth \$0.00).

As a result of rail closures, we are now witnessing road damage from excessive heavy truck use. The loss of rails and the farm crises have speeded the consolidation of farmland ownership into larger and larger blocks (aided by modern technology, of course). A rural population decline and loss of farming skills have occurred.

Other evidence of de-settlement is Ottawa's willingness to promote trade, while the net income of farmers has not increased like trade has increased.

Are we, as farmers, any better off than "before"? Obviously not, as many of the presenters have attested.

Ottawa is responsible to pay farmers at comparable levels with other countries who do subsidize their farmers. This is not a provincial requirement.

It is foolish of Ottawa or Manitoba to try to ask other countries to not subsidize their farmers. What would be the result of the removal of subsidies given to farmers in other countries? Nothing. Those subsidies are in place because

"market economy" has been a failure for farmers. Our legislative representatives should admit that the "market economy" has failed farmers. Why else would farmers be appearing at this committee hearing?

The reason farmers have difficulties in the market economy is that governments are not regulating the excess profits made by others. Nor is government re-distributing the wealth to us as farmers who deserve our share. The wealth which farmers create each year for the economy is not returned to us equitably.

I observed that most of your presenters seemed to have discovered a new idea, namely, cost of production. We farm citizens demand that our government regulate the price of our product, so that the consumers will pay us the costs of growing our products. This is an achievable goal as the will to do so is present. It would require, in grain farming, a global "set aside" of farmland, equitably shared, in order to match supply to the demand.

Thinking long term on this issue is a must. Issues to consider include: farm size, capping government program payments, taxing larger operations at a higher level, rejecting certain farm technologies which promote over production (do mention some technologies do damage the environment, as well as excessively increasing the cost of production) devising a land transfer system for retiring and beginning farmers, designing programs to be as equitable to each farmer as possible, examining taxation issues affecting farmers, and rejecting corporate concentration in the processing and retailing sectors of the wider society by strict competition laws.

Do you get the impression that the economic system presently used in our Canadian/ developed world society is at fault for delivering low prices and high costs to us as farmers? I do. So must you, our government legislators and opposition legislators.

You are legislators. You are charged with making moral judgments about the behaviour of our society and economy in the law-making part of your job. Individuals within this society then

use these laws to build a peaceful and prosperous society, unless balance is misplaced.

We need leadership from you to solve the problems I have described to you.

The marketplace's corporate agenda (deregulation) is not the same as the farmers' and consumers' agenda (living).

Choose, you must, in order to solve the farmers' problems.

I suggest that we resolve to require the federal government to quit asking other countries to stop subsidizing their farmers. Instead, our federal government should subsidize our farmers, or fix the market economy.

I suggest that we resolve to strike a national task force on agriculture and farmers to investigate the effect of market place power imbalance on small to medium size farmers. The task force would have power to set new market structures and rules for the farmers to benefit by.

I suggest that we resolve to establish cost of production pay for farm produce that is consumed within Canada and put limits upon production of the "supply burdensome export crops" in matched step with other exporters.

I suggest that we resolve to favour Canadian local processing and retailing of end food products, by placing high taxes upon imports of these.

Your job as legislators is to choose the laws for society to operate by. Choose you must.

P.S.: John Ralston Saul in "The Doubter's Companion" defines job as "a result not a cause."

Ian L. Robson, Farmer
April 29, 2001

* * *

**Presentation by United Grain Growers to the
Manitoba Legislature Standing Committee on
Agriculture
Beausejour, Manitoba
April 30, 2001**

United Grain Growers wishes to thank the committee members for this opportunity to

present its views on the all-party resolution put forward by your committee.

UGG is one of the largest agribusiness firms in western Canada, employing over 1500, including more than 500 in Manitoba. Founded in 1906, the company's core businesses include grain merchandising, farm input sales and service, livestock production services, farm business communications and farm financial services.

UGG is governed by a 15-member board of directors, including 12 elected farmers. The comments and recommendations we put forward here today are based upon policy resolutions adopted by UGG farmer members at our annual general meeting and the advice we receive from our network of 105 policy advisors.

UGG is pleased to add its voice in support of the resolution put forward by your committee. As your resolution properly notes, the financial difficulties facing prairie farmers are largely the result of decisions in policy areas that fall under federal jurisdiction. For this reason, UGG rejects the notion that federal support to farmers be cost-shared with the provinces on a 60:40 basis.

The reduction in federal farm income supports, shortcomings in federal agricultural policy, and the failure in international trade negotiations to adequately protect the interests of prairie grain producers are at the heart of the financial difficulties facing western farmers.

In the following presentation, UGG will provide comment on those areas where federal policies are contributing to the hardship facing prairie farmers. UGG will also provide its thoughts on measures that are needed to address these issues and on the delivery mechanism for additional financial assistance.

Building The Case For Additional Federal Support:

UGG has identified a number of areas where federal policies are largely responsible for the financial difficulties prairie farmers are experiencing. We provide comment in each of these areas:

Farm support

Federal farm support to the Canadian agriculture industry has declined over the past decade. For the three-year fiscal period ending 1990-91, federal government expenditures in support of agriculture averaged \$4.1 billion annually. A decade later, in the three-year fiscal period ending 2000-01, federal expenditures in support of agriculture had declined by 34.5 percent to \$2.7 billion annually (see Appendix One).

Federal support to prairie agriculture has declined by an even greater amount. For the three-year period ending 1990-91, federal government expenditures in support of agriculture in the three prairie provinces averaged \$2.6 billion annually. A decade later, in the three-year period ending 2000-01, federal expenditures had declined by 42.9 percent to \$1.5 billion annually. Whereas contributions by the federal government to the three prairie provinces were once well above 60 percent of the federal pie, contributions in the past three years have averaged 54.5 percent.

While the overall trend is disturbing, the decline in support to prairie agriculture is even more alarming when you consider that it is grain producers in the three prairie provinces that are bearing the brunt of low prices caused by international price distortions.

Uneven and unfair levels of producer support

Western Canadian farmers are being hit particularly hard by the federal government's decision to sharply lower its level of farm support without securing reciprocal agreement from the European Union, the United States and other countries to put support of their farmers on an equal footing with Canada. The production and trade-distorting policies of these other countries are widely acknowledged as the main cause of depressed farm incomes among prairie grain farmers. We note that the federal cutbacks in support of prairie grain, oilseed and pulse producers were far in excess of Canada's commitments under the WTO agreement.

The following table illustrates the sharp reduction in the level of support to Canadian

farmers. Government support to Canadian grain producers has fallen dramatically whereas support to farmers in the United States and Europe is comparable to levels received 12 years ago. For example, in the case of wheat, 46 percent of the farm gate value in the U.S. in 1999 was derived from government subsidies. In Europe, the figure was 58 percent, compared to 11 percent in Canada. These numbers compare to average support levels for wheat of 49 percent, 55 percent and 45 percent respectively in the U.S., Europe and Canada in the 1986 to 1988 period.

Table 1: Producer Support Estimates, as a percentage of farm gate value, selected commodities, for Canada, United States and the European Union.

	Canada %	United States %	European Union %
1999 PSEs:			
Wheat	11	46	58
Oilseeds	10	25	46
Other grains	9	40	67
All commodities	20	24	49
1986-88 PSEs:			
Wheat	45	49	55
Oilseeds	25	8	66
Other grains	54	40	60
All commodities	34	25	44

Source: Organization for Economic Co-operation and Development, *Agriculture Policies in OECD Countries, Monitoring and Evaluation*, 2000.

U.S. marketing loan program

The U.S. marketing loan program is having a serious detrimental impact on prairie farmers, particularly canola producers. Under the program, the U.S. government establishes "loan rates," which effectively provides a floor price for each commodity. These loan rates are established at the national level, and then are adjusted for each county, depending on the county's distance to the nearest terminal elevator. U.S. farmers can then trigger a "loan deficiency payment" whenever the county market price falls below the county loan rate established for that commodity.

The high U.S. loan rates encourage greater production, as more acreage is planted and farmers use more fertilizer and chemicals to boost yields, than would otherwise be the case. In addition, differences in relative loan rates distort cropping patterns by encouraging U.S. producers to shift acreage to those crops with relatively high loan rates. In the past two years, this has been especially true for soybeans and canola. The following table illustrates the distorting impact of the U.S. marketing loan program, by comparing the national loan rates to recent market prices, as represented by nearby futures prices since February 1, 2001.

Table 2: Comparison of U.S. loan rates to market prices

	2001 loan rates (U.S. \$ per bushel)	Average Nearby Futures Price* (U.S. \$ per bushel)	Ration (Loan rate divided by futures price)
Wheat	2.58	2.66	.97
Soybeans	5.26	4.47	1.18
Canola	4.65	4.05	1.15
Corn	1.89	2.11	.90
Barley	1.65	1.79	.92
Oats	1.21	1.05	1.15

* Average daily closing price, nearby contract, February 1 to April 20, 2001. Chicago Board of Trade for wheat, soybeans, corn and oats.

Winnipeg Commodity Exchange for canola and barley (converted at 1 USD = 1.55 Canadian)

As the above table shows, the national loan rate for soybeans is U.S. \$0.79 per bushel (Canadian \$1.22 per bushel) or 18 percent above prevailing market prices. The relatively high support price for soybeans is encouraging U.S. farmers to plant more soybeans at the expense of corn, barley and perhaps wheat. As you may know, canola oil competes directly with soybean oil and so any increases in soybean production has a detrimental impact on canola prices.

The pain for Canadian canola producers does not end there. The high U.S. loan rate for canola is also encouraging U.S. farmers to grow more canola, when market signals would normally be telling them to cut back acreage. The national loan rate for canola is U.S. \$0.60 per bushel (Canadian \$0.93 per bushel) above prevailing market prices.

We note as well that North Dakota county loan rates for canola are somewhat above the national loan rate, ranging from U.S. \$4.66 to \$4.94 per bushel which, in Canadian funds is approximately \$7.20 to \$7.65 per bushel. By comparison, spot prices for canola in southern Manitoba are currently about \$5.80 per bushel. The forward price, for fall delivery is approximately \$5.65 per bushel. In other words, U.S. farmers can expect to receive almost \$2 per bushel more for their canola than their Canadian counterparts.

This wide disparity in expected market returns is reflected in seeded acreage intentions. As the following table shows, Canadian canola acreage in 2001 is expected to decline by 23 percent to 9.3 million acres. This is on top of a 13% acreage decline in the previous year.

By comparison, U.S. canola acreage in 2001 is expected to increase by 21 percent to million acres. This is on top of a 46% increase in the previous year.

Table 3: Canadian and U.S. canola acreage comparison

Canola acreage (000's acres)	1999	2000	2001 ^f	2001 ^f as a % of 1999
Canada	13,750	12,095	9,275	67%
United States	1,076	1,567	1,892	176%

^f-forecast. Statistics Canada, seeding intentions survey, April 24, 2001 USDA acreage intentions report, March 30, 2001.

Sources: Agriculture and Agri-Food Canada, Statistics Canada, U.S. Department of Agriculture

In summary , Canadian farmers are left on their own to bear the full brunt of market distortions caused by the U.S. marketing loan program. In contrast, the U.S. government program not only shelters its farmers from low market prices, but aggravates the situation further by encouraging farmers to grow more canola (and soybeans) than they would otherwise.

In our view, the Canadian government is not doing enough to address this situation. We

recognize the Canadian government may be limited in its ability to convince the U.S. government to rein in its farm support, but at the very least, greater effort should be made to ensure the Americans do not support their farmers in a manner that is so blatantly production and trade distorting. Failing this, we believe the Canadian government has an obligation to provide off-setting "trade equalization payments." We will have more to say on this later.

European oat subsidies

Western Canada has enjoyed good growth in the production, processing and export of oats since the crop was removed from the jurisdiction of the Canadian Wheat Board in 1989. Canadian oat production has climbed from an annual average of 3 million tonnes in 1986-1988 to an average of 3.6 million tonnes in 1998-2000. Canadian oat exports have also climbed from an average of \$73 million annually in 1989 to 1991 to an average of \$209 million over the past three years (1997 to 1999). Manitoba farmers have taken full advantage of this opportunity as their close proximity to milling and feed oat markets in the U.S. midwest, combined with good soil and weather conditions for oat production, has given them a natural comparative advantage in the growing and marketing of this crop. Oat production in Manitoba has climbed from an annual average of 373,000 tonnes in 1986-1988 to 967,000 tonnes in 1998-2000.

Despite this success, further expansion in the Canadian oat market is being undermined by American imports of highly subsidized European oats. These subsidized oat imports negatively affect oat prices on both sides of the border and have limited Canadian oat exports to this important market.

UGG has raised this issue with the federal government on several occasions, however there appears to be little progress in resolving the issue. In December, 1998, Canada and the United States signed a Record of Understanding concerning several cross-border agricultural issues. One of the commitments under the ROU was to "work together to encourage the European Union not to subsidize oats exported to North America." The ROU further noted that

"North American oat producers cannot get fair returns from the marketplace because heavily subsidized EU oats are depressing prices."

To date, we have seen no evidence of progress on this issue. Attached, in Appendix Two, is a chart that shows the volume and level of European export subsidies on oats. The subsidized exports continue unabated. In the crop year to date, the Europeans have authorized shipment of 664,500 tonnes of subsidized oat exports at an average maximum subsidy level of U.S. \$32 per tonne. We point out that over 95 percent of European oat exports are destined for U.S. markets -- markets that would be largely filled by increased Canadian exports if it were not for these subsidies.

We find it incredible that U.S. and Canadian governments continue to allow European subsidized oat shipments to be freely exported to North American shores, to the clear detriment of North American oat producers.

In the interests of Manitoba producers, processors and exporters of oats, we would urge the Manitoba government to determine why there has been no progress on this file, and to seek compensation from the federal government if an end to these subsidized oat shipments is not in sight.

Tariff and trade barriers

The grain industry in western Canada is primarily export-oriented and as such, securing higher prices for prairie farmers is highly dependent on obtaining unfettered access to foreign markets.

As the following table shows, the elimination of tariffs and other import restrictions on grain and grain products under the Canada-U.S. Free Trade Agreement has contributed to the strong growth in exports of most grain and grain-related products to the U.S. market over the past decade. For example, net exports of canola seed, oil and meal to the U.S. have climbed from an annual average of \$148 million in the 1989-91 period to an annual average of \$644 million in the most recent three-year period.

Table 4: Canadian net exports to the U.S., selected grain and grain products

	Average Net Exports 1989-91 (Cdn \$ million)	Average Net Exports 1997-99 (Cdn \$ million)
Canola:		
Seed	7	86
Oil	90	329
Meal	51	229
Total Canola	148	644
Wheat	31	327
Durum	48	125
Flour	4	48
Mixes, Cereals, Bakery Products	(4)	193
Pasta	(6)	(37)
Oats	73	209
Barley	51	143
Flax	56	76
Soybeans	(29)	(44)
Soybean meal	(162)	(234)

Source: Agriculture and Agri-Food Canada, *Grains and Oilseeds Statistics*, December 2000

While agricultural trade flows between Canada and the U.S. have grown significantly under CUSTA, Canadian governments must remain vigilant to ensure access to this important market is not compromised. In this regard, we wish to acknowledge and thank Minister Wowchuk for the role she played in ensuring the North Dakota legislature did not go forward with border measures that would have severely hindered the access of Canadian grain and grain products into U.S. markets.

Canadian farmers are also benefitting from improved access for grain exports to Mexican markets under NAFTA, although tariff levels on some commodities (notably barley and dry beans) currently restrict our exports to this market. We understand these tariff barriers will be largely eliminated in accordance with NAFTA over the next two years.

While Canada has enjoyed success in securing improved access for grain and grain-related products into the United States and Mexico, tariff and non-tariff barriers in other countries remain high. The continuing presence of these high tariffs is restricting export volumes and reducing sale returns, resulting in lower prices to Canadian grain, oilseed and pulse producers. In our view, the Canadian

government has not been aggressive in seeking reductions in these tariffs, particularly in Asian and South American markets. While we are hopeful that negotiations under the proposed Free Trade Agreement of the Americas and the WTO will lead to improved access to markets over the long term, we believe the federal government should be engaging in more bilateral trade arrangements over the near term, so as to reduce or eliminate many of these high tariff barriers on grain and grain products.

Fuel Taxes

Across the Prairies, farmers are exempt from paying provincial taxes on farm-use fuel. However, farmers are not exempt from paying federal excise taxes on either diesel fuel or gasoline. The current rate is 4 cents per litre for diesel fuel and 10 cents per litre for gasoline. In our view, this represents an unwarranted tax burden. We can accept paying fuel taxes for that portion that relates to road travel (providing the bulk of the money is spent on road construction), however in the case of diesel fuel used by farmers, we estimate that 95 percent is used for field work. A typical 2000 acre grain farm consumes 20,000 to 30,000 litres of diesel fuel, and is therefore paying \$750 to \$1150 in federal taxes for diesel fuel used on-farm. Gasoline used in field work varies widely from farm to farm, but federal taxes on the amount consumed would generally account for a further \$100 to \$500 per farm. In our view, these fuel taxes represent an unwarranted tax on food production. We note that the manufacturers of most other goods are not subject to this extra taxation. We further note that these taxes weigh disproportionately on prairie grain and oilseed producers, which tend to be more fuel-intensive than other types of farming operations.

The Prairie Provinces have recognized the inappropriateness of taxing fuel consumed in farm operations. We believe this principle should also apply at the federal level, and would encourage this committee to seek such an exemption for all Canadian farmers.

Road Expenditures

Good roads are essential to ensuring Manitoba farmers have good access to

competitive markets and competing businesses for both their farm inputs and production.

In 1999 UGG commissioned a study by the University of Manitoba Transport Institute to examine the relationship between fuel taxes and road expenditures.²

The study found that Manitoba provincial government expenditures on roads were in line with fuel tax revenue. In 1997-98, the province of Manitoba spent \$232 million on roads, or roughly \$1.06 for every dollar of fuel tax revenue collected. This compares reasonably favourably to Saskatchewan and Alberta, where provincial road expenditures as a proportion of fuel tax collections amounted to 68 cents and \$1.18 respectively.

The picture at the federal level is much more dismal. The Transport Institute study found that the federal government collects about \$4.5 billion in road fuel taxes, and yet spends only \$200 million on road construction, or less than a nickel for every dollar it collects in fuel tax revenue. On the Prairies, the amount spent by the federal government on roads is (or at least was at the time of the study) less than two cents for every dollar collected.

The study also revealed that the prairie provinces pay a disproportionate share of federal road fuel taxes. In the five years from 1993-94 to 1997-98, the prairie provinces contributed \$3.6 billion or 20.2 percent of total federal road fuel tax revenue. Over the same time period, the Gross Domestic Product (GDP) in the three provinces averaged \$142 billion, or 18.0 percent of the GDP of all provinces and territories.

We note that if federal fuel tax revenue on the Prairies had been in line with our contribution to the federal economy (i.e. 18 percent), the three prairie provinces would have sent about \$400 million less to the federal treasury over the five-year period. In effect, the prairie provinces are being penalized for having a resource-based economy with its relatively greater dependence on transportation services.

We note as well that these federal taxes discriminate against businesses in rural areas

where shipping distances to market are often greater .

We would urge your committee to take whatever action it feels necessary to ensure federal expenditures on prairie roads is increased.

Further processing on the Prairies

UGG believes that changes must be made under the Canadian Wheat Board Act that would remove the impediments to new generation co-ops and other value-added processing initiatives for wheat and barley on the Prairies. We believe these ventures offer farmers some genuine opportunities to add value and increase their farm incomes.

We note, for example, that Ontario wheat farmers are permitted to market 150,000 tonnes, or about 10 percent of their crop, directly to processors. We find it unacceptable that growers in one part of the country are accorded marketing opportunities that are denied to growers of the same commodity in another part of the country.

Intransigence on the part of the Canadian Wheat Board and the federal government are preventing these opportunities from being realized.

We ask your committee to seek the elimination of these impediments to the expansion of the grain processing industry in western Canada.

Additional Federal Support

For the above-noted reasons, UGG believes the prairie provinces have a strong case for obtaining federal farm support far beyond what has been allocated to date. That said, we believe that the additional \$500 million as proposed in your resolution is probably the most that might reasonably be expected, given today's political climate at the federal level.

As we noted earlier, given that the financial hardship facing prairie farmers is largely a result of federal policies, we do not believe there is any justification for a cost-sharing arrangement with

the provinces on any additional support payments. While the federal government has stated that the 60:40 cost-sharing ratio is a "traditional" cost-sharing arrangement, we note the testimony of federal agriculture officials before the House of Commons Standing Committee on Agriculture and Agri-Food on March 22, 2001, in which it was indicated that this 60:40 cost-sharing basis has been the practice only since 1996. In prior years, the federal government acknowledged and accepted its responsibility to address farm income shortfalls that were the result of policy matters that fell under federal jurisdiction.

Farm Support Mechanisms

In our view, any farm support program should adhere to the following principles:

- 1) The program should be production and enterprise neutral. It should not encourage the growing of certain crops over others, nor should it encourage one type of farming operation over another. Programs should ensure farmers continue to follow sound management practices.
- 2) The program should not have any adverse trade implications. In other words, it should fall into the "green" category of farm income support.
- 3) The programs should be easy to administer from the perspective of both government and farmers.

Trade Equalization Payments

UGG believes that NISA provides an effective basis for the federal and provincial governments to provide additional income support to farmers, as has been the case under the Canada-Manitoba Adjustment Programs (CMAP 1 and CMAP 2). In our view, these adjustment programs generally fit the criteria as noted above, although we believe that some recognition should be given to those farmers who grow and feed their own grain to livestock.

In our view, NISA is an effective and appropriate vehicle for the federal government to address specific income problems that result

from production and trade distorting programs of other countries. For this purpose, UGG recommends the establishment of a Fund III. We would propose that the federal government make contributions to this fund based on the amount of "hurt" that farmers suffer on account of the destructive practices of other nations. In our view, these "trade equalization payments" could be targetted on a sector-by-sector basis. That is, the level of hurt could be calculated on a commodity by commodity basis (e.g. wheat, canola, et cetera.), but the equalization payment should be made on a sectoral (e.g. grains, cattle, hog, et cetera) or industry-wide basis, so as not to be production distorting.

UGG further believes this Fund III should be considered as a replacement for the CFIP. In our view, CFIP and the predecessor program, AIDA, have not been effective and do not meet the criteria we noted above. In our view, the three key components of Canada's safety net program should be crop insurance, cash advances and NISA. Crop insurance should be used to address production risks. The cash advance program should be used to address cash flow problems. The NISA program can and should be used to address income stability concerns and income shortfalls due to international political decisions that are beyond the farmers' control.

Regardless of the mechanism, UGG believes the federal and provincial governments must adopt a more consistent, coherent approach to farm support, rather than responding to crisis situations on an ad hoc basis.

Summary

In this submission, UGG has identified several issues in policy areas under federal jurisdiction that give rise to the financial difficulties that are facing prairie farmers. These include:

- A sharp decline in federal financial support to the farm sector, particularly to farmers in the prairie provinces. Over the past decade, federal support to prairie farmers has declined by 43 percent, despite the ongoing presence of highly distorting and price-depressing subsidies of other countries.

- The seemingly passive acceptance of the U.S. marketing loan program which is strongly encouraging U.S. farmers to overproduce soybeans and canola, to the severe detriment of western Canadian canola producers.
- The European Union continues to heavily subsidize oat exports to the United States, despite an agreement between Canada and the U.S. that greater efforts would be made to eliminate this practice.
- Tariff and non-tariff barriers for the grain and grain-related products remain high in many countries. The Canadian government does not appear to be aggressive in seeking the reduction or elimination of these trade barriers.
- The Canadian government continues to levy unwarranted fuel taxes on farm-use fuel.
- The Canadian government collects large sums of fuel tax revenue, however returns a very meagre proportion to road construction. The proportion returned to prairie provinces is even less.
- Canadian Wheat Board regulations continue to act as an impediment to the expansion of grain processing on the prairies.

In our view, the above reasons provide ample justification for the request for additional financial assistance from the federal government.

UGG believes the best way to direct additional monies is to base payments on the NISA program. We believe that channeling money to farmers in this manner should become a long-term feature of the federal farm safety net program. For this purpose, we recommend the establishment of a Fund III under NISA whereby the federal government could make "trade equalization payments" to compensate farmers for the hurt resulting from international trade policies.

UGG believes that the arguments in favour of additional support from the federal government are well-founded and should be

dealt with on an urgent basis. We add our voice in support of the all-party resolution.

While the current situation in the farm community is most difficult, UGG would be remiss if we did not express our confidence in the long-term future of this industry in Manitoba. As a measure of this confidence, we note that UGG has made major capital investments of some \$35 million in Manitoba over the past three years. These investments have included \$12 million in a new high throughput elevator and fertilizer distribution centre at Shoal Lake, a \$1.8-million expansion and upgrade at Hargrave, a \$2.4 million expansion of the elevator facility at Dundonald, a \$1.5-million expansion and upgrade at Deloraine, a \$2.7-million expansion and upgrade at Beausejour, a \$2.6-million expansion to double our feed mill capacity at Hart Feeds in Ste. Anne and over \$12 million in computer technology development at our head office in Winnipeg.

UGG remains committed to this industry and is optimistic with respect to its long-term future.

Thank you for this opportunity to put forward our views. questions you may have.

Respectfully submitted,
United Grain Growers

Appendix One

Federal government expenditures in support of the Agri-Food sector

(in \$ Million)

	Man.	Sask.	Alta.	Prairies	Canad	% to prairies
1986/87	355	999	733	2088	3323	62.8%
1987/88	557	1518	1063	3139	4687	67.0%
1988/89	523	1478	989	2990	4485	66.7%
1989/90	454	1306	674	2433	4112	59.2%

1990/91	366	1204	720	2290	3745	61.1%
1991/92	775	2265	1180	4220	5882	71.7%
1992/93	466	1227	818	2511	4147	60.5%
1993/94	388	976	576	1939	3237	59.9%
1994/95	375	1055	515	1944	3163	61.5%
1995/96	424	959	624	2007	3157	63.6%
1996/97	344	1060	598	2002	3101	64.6%
1997/98	218	656	425	1298	2448	53.0%
1998/99	232	455	396	1084	2162	50.1%
1999/00	351	859	480	1691	2823	59.9%
2000/01e	324	757	547	1628	3101	52.5%
15 year totals	6152	16773	10338	33263	53573	
Annual average	410	1118	689	2218	3572	62.1%

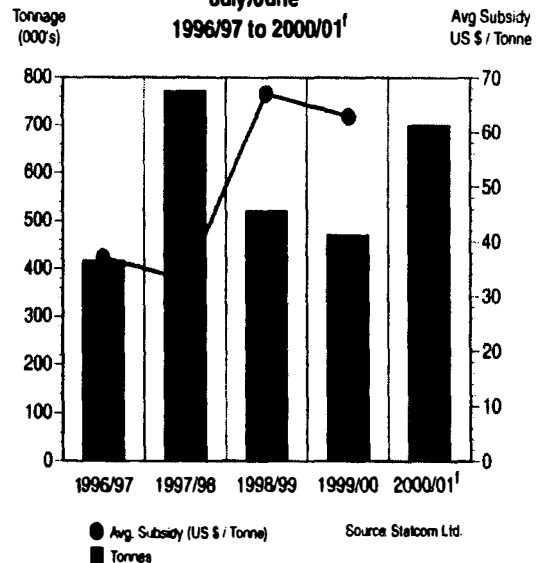
Sources: Farm Income, Financial Conditions and Government Expenditure Data Book, January, 1994 Farm Income, Financial Conditions and Government Assistance Data Book, March 2001

Appendix Two

EU Oat Export Subsidies

July/June

1996/97 to 2000/01^f



Source Statcom Ltd.