



September 28, 2021

Select Standing Committee on Finance and Government Services
c/o Parliamentary Committees Office
Room 224, Parliament Buildings
Victoria, BC V8V 1X4
Canada

**RE: 2022 Provincial BC Budget Submission
for the BC Fruit Growers Association (BCFGA),**

Dear Committee members,

Thank you for the opportunity to present to the committee and participate in the Budget 2022 consultations. The BC Fruit Growers' Association represents 350 commercial tree fruit growers, all family farms. The tree fruit industry is located from Osoyoos to Salmon Arm, and includes the Similkameen and Creston Valleys. Our vision for the tree fruit industry is

**A Prosperous, Sustainable, Innovative Tree Fruit Sector in BC
that grows products that improve health.**

But how do we get there from here?

Current challenges for legislators are extreme: BC faced three emergencies this summer:

- The COVID-19 pandemic,
- The Opioid addiction emergency, and
- The Climate emergency.

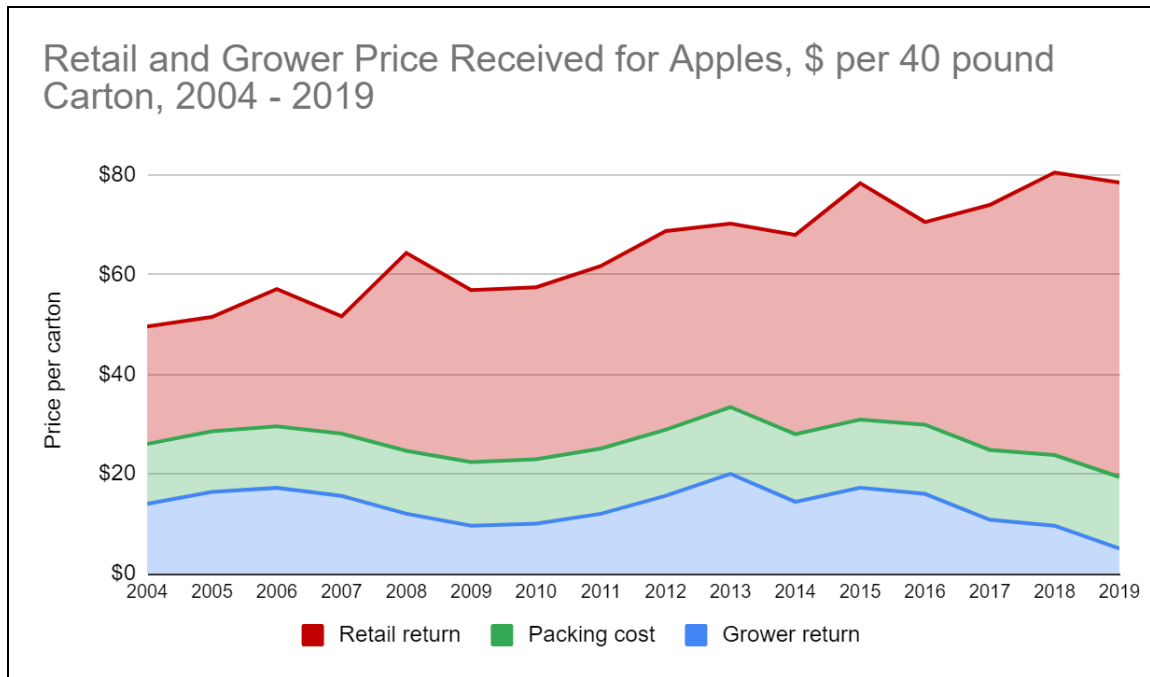
Our growers are concerned about and severely impacted by two of these emergencies, the COVID-19 pandemic and Climate change.

It is important to note that, even without COVID-19 and the Climate emergency, there is pre-existing financial pressure on the tree fruit industry:

For example, as a result of the China-US trade war, US apple growers were paid \$.07 per pound in 2020, equivalent to a \$12.3 million payment in the BC apple sector, and US cherry growers were paid \$.41 per pound over the two years 2018 and 2019, equivalent to \$8.5 million payment in the BC cherry sector. In other words, US growers received a boost equivalent to 13.4% of average industry revenues. BC producers did not receive this trade war funding.

Food Retail Consolidation

Consolidation in the Canadian food retail space is impacting competition - the many brokers and packers and even greater number of farmers is resulting in an unequal balance in bargaining power, with grower margins shrinking while retailer margins grow:

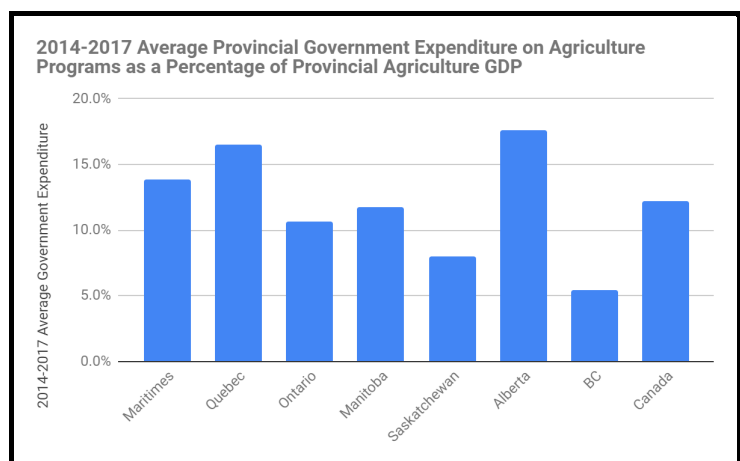


Source: AC Nielsen, Standard Cooperative packing costs, and Cooperative Price pools.

An initiative to establish a national Food Retailer Code of Practice is underway, and it is hoped that the most egregious anti-competitive behaviours will be curtailed.

Provincial Agriculture Budget

BC governments have failed to come close to matching the agricultural contributions in other provinces, and Canada is known to be a low agriculture funder in the developed economies. The most recent information available shows a four year average from 2014-2017 with the following provincial contributions. BC provincial agricultural funding is one-half of our counterparts in Ontario and one-third that of Ontario. When we speak to our counterparts in Ontario and Quebec, there is a sense of growth and renewal of apple orchards. In BC, we are downsizing apple acreage.



Other tree fruit commodities are impacted too, but do not have as much direct impact from US competition - though that is growing - including cherries, peaches, and nectarines.

The BCFGGA thanks the Finance and Government Services committee for twice recommending that the Tree Fruit Replant Program be renewed. Unfortunately, this has not happened. It is likely too late for a Replant Program to have any immediate effect. Any decision to introduce a Replant Program for Spring 2022 is too late now, and the program will be disrupted. A Spring 2023 replant Program is possible, but the startup of a new Replant Program will only begin to have results in 2028. By that time, the apple sector will be restructured and a fraction of its current size.

Without the 'vote of confidence' of a new commitment to the Replant Program, the apple acreage has reduced 15% in the past 3 years with further reductions being planned by growers. For apples, food security will decrease and food prices will increase, as that is the law of supply and demand.

COVID-19 Impact

The 600 commercial farms producing tree fruits are very appreciative of the province's leadership and work with the federal government to ensure Temporary Foreign Workers can safely travel to, and work for growers. The centralized, 2-week quarantine was provided by the province and helped reduce if not eliminate outbreaks amongst Temporary Foreign Workers.

Even with this vital support for the centralized quarantine, COVID-19 had other impacts that resulted in worker shortages - the reduced availability of French Canadian and traveling tourist workers. Although our cherry and apple crops were down significantly this year (more on that later), we were still short of labour - despite our appeals to Canadians to come help with the farm harvest. Economy-wide, there is a labour shortage. For horticulture, this labour shortage impacts not only harvest, but all crop practices, such as pruning, thinning, and the timeliness of Integrated Pest Management Practices.

We sought to discuss relief with the Ministry of Jobs Economic Recovery and Innovation, but were unsuccessful. Apple acreage has plummeted by 15% in the past 3 years. Once removed, growers will await a stronger signal of economic returns for apples, then plant, and then wait for trees to mature and yields to climb to commercial production levels - it is a 5 to 10 year turnaround for those removed acres, and only if the current cumulative impacts, topped by COVID-19 labour shortages, are reversed.

Climate Emergency

Cherry crops have been hit by three years of weather impacts: 2019 summer rains, 2020 Spring frost, and the 2021 heat wave.

The BC tree fruit crop suffered from the intense, all-time record-setting heat of June 28 - August 2, 2021. Heat losses are between 50 and 70% of early season cherries, about 20% of late season cherries, and apple production is expected to drop by 20%.

A request for Agriculture Recovery assistance related to mitigation and extraordinary costs was denied by the Minister of Agriculture. The AgriRecovery Program is cost shared with the federal government, so that the provinces share is 40% of the total program cost. The rationale for not instituting this emergency program is that the Ministry of Agriculture is working on an Industry Stabilization Plan, though the two initiatives serve entirely different purposes.

The estimated monetary loss of the heat damaged crop is \$17.3 million out of \$103.2 million of potential industry revenue. Agricultural insurance programs will help, but we estimate the assistance will amount to a maximum of \$5 million or 1/3 of the loss. Grower profit margins are smaller than this 17% drop, so there are real losses occurring, on top of the COVID-19 costs, due to the 2021 weather impact.

What is needed

The BCFG Board of Directors and tree fruit growers have done much soul searching, and if there is any one item that could immediately assist the industry and 'flatten the curve', that would be for the province to fund the grower's share of the SIR program for the past 3 years and for 5 years going forward, as well as the inflationary costs borne by Regional Districts for the next 5 years.

The cost of this SIR Stabilization Program would be about \$11.2 million. While this contribution would have a limited financial impact and be spread over 5 years, it represents a vote of confidence in the areawide, integrated pest management program that is a shared cost program between Regional District and apple growers. The contribution would preserve the program until our industry and SIR has had a chance to develop and implement our restructuring plans.

Several solutions are possible to re-introduce longer term stability and growth in the agriculture sector, as a whole.

The province could increase the provincial agriculture budget to the level in competing provinces - about 13% of agriculture GDP, or a 250% increase in agriculture budget to achieve parity. An increase in the agriculture budget would also be competitive with the funding of agriculture programs and subsidies in the US. There are many worthy programs, such as the Environmental Farm Plan Program, that run out of funds every year due to short budgets.

Another option is to provide market control to apple growers through the establishment of an Apple Marketing Board or Commission. The province protects and gives marketing powers to wine (and hence grape) producers, dairy and poultry producers. Apple producers in Ontario and Quebec have Marketing Commissions, and this represents an opportunity to improve the economics of apple production without drawing on the provincial treasury.

Labour is an area of regulation in which the province could take more direct control from the federal government, and allow more flexibility to meet BC producer needs. There are good international agricultural workers, the problem is flexibility of the temporary immigration programs - the current programs particularly do not work for international backpackers and smaller family farms. Investment in on farm housing (which could be used for college students in the off season), and investment in operations of backpacker centralized campsites is an area the province could invest in.

Another way to reduce its dependence upon the Ministry of Agriculture, while providing much needed re-investment, would be a reworking of the Property Taxation system to establish an Agricultural Trust Fund, such that:

- To qualify for Class 9 property tax rates (reduced from regular rates), a higher threshold than \$3,500 to \$10,000 is required. We are recommending a minimum of \$25,000 to \$50,000 agricultural revenue to qualify for class 9 property tax rate and that any property tax paid on ALR land in excess of the class 9 rate be directed into an agricultural trust fund, similar to the Peace River Agricultural Trust Fund or the Columbia Basin Trust,

We understand that this proposal has been on the table in previous years and not made progress, due to lack of political support. Perhaps now, with COVID-19 and weather impacts, and the consequences on Food Security and Food Prices more evident, the discussion should be renewed. There are several items needed to support this degentrification of the agricultural landbase.

- That there be no further ‘holidays’ from the qualification threshold as has been granted the prior two years,
- That any property removed from the ALR, or subdivided, pay an equivalent of 10 years of property tax differential (regular rate less class 9 rate) into the Agricultural Trust Fund before being released,
- Any foreign purchases of ALR land be subject to a 50% property purchase tax administered through the property taxation authority and that the funds be directed to the Agricultural Trust Fund, and
- That the Trust be available for programs that promote the agricultural use of ALR land, promoting family farming. Priorities could include: improving agricultural water supply systems, production research, marketing promotion, extension services, and innovation (agritech).

An Agricultural Trust would help to counteract the economic impact of COVID-19, weather and anti-competitive trade practices of our US competitors and the consolidated retail sector. The ALR and primary agriculture would be strengthened. Alternatively, the renegotiation of the Columbia River Treaty could provide a dedicated funding stream for the support of impacted commodities, including tree fruits.

Conclusion

The BC tree fruit sector has been hammered in recent years by weather extremes, lower labour availability due to COVID-19, and the lowest level of provincial support for agriculture in Canada (itself amongst the lowest in the developed economies). Apple acreage is down 15% in 3 years and further reductions are projected. Cherry acreage is up, but faces weather and subsidized competitors.

Solutions include:

1. A provincial SIR Stabilization Program of \$11.2 million over the next 5 years, for the apple sector, to stabilize SIR and assist apple grower finances.
2. A general increase in the Agriculture Budget to parity levels with competing provinces, to allow proper and full funding of existing programs and to start to address the higher agricultural program funding and subsidies of the US.
3. Establish a marketing commission or marketing board for apples, to allow growers greater market power to balance the consolidated food retailer market power.
4. Redesigning and supporting the agriculture property tax system to incentivize agricultural use and stop gentrification, and to invest surplus property tax funds in an agricultural trust to operate industry stabilization and development programs.

In summary, the tree fruit sector has been impacted by weather and trade wars, and current issues of all-time record-setting heat in 2021 and COVID-19 disruption to foreign labour have impacted all tree fruits. The apple sector has been further impacted by retailer consolidation, massive expansion due to the Columbia River Treaty, and increased labour costs combined with reduced availability of domestic workers. With all of these impacts, the tree fruit sector needs government programs and positive, collaborative support of the Ministry of Agriculture. The Select Standing Committee on Finance and Government Services plays a vital role in encouraging the government to address the current depleted state of the tree fruit sector. The costs will be significant, but worthwhile in preserving the Agriculture Land Reserve, rural jobs and food security.