



The British Columbia Fruit Growers' Association

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Select Standing Committee on Finance and Government Services Budget 2019 Consultation

Presented by

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Introduction

Thank you for the opportunity to comment on the 2019 provincial budget. My name is Pinder Dhaliwal – I am President of the BC Fruit Growers' Association. With me today is Glen Lucas, our General Manager. The budget review is very important to our association and members. We are pleased to be in the heart of the Columbia River Basin to comment on the 2019 BC budget.

The Columbia River Basin is home to farms which grow the latest season cherries in the world, and is home to many fine apple orchards, especially in the Creston area. Tree fruit farming was more widespread in the Columbia River valley, but since the Columbia River Treaty, a long decline took place, probably initiated by the loss of much productive farmland to flooding, and the consequent reduction in services and infrastructure that supports farming. The impacts of the Columbia River Treaty on the tree fruit and potato and vegetable sectors needs to be recognized and action taken. A first step would be the establishment of a trust to fund infrastructure and climate change projects for the sectors.

Our associations also supports the province's ongoing review and negotiation of an updated Columbia River Treaty. We support the province's position, composed of 14 principles, on the Columbia River

Treaty renegotiation, established in November 2013. We know it will probably take many more years to negotiate the next version of the Columbia River Treaty. When the new CRT finalized, the province will be in a position to account for the impacts of the Treaty on BC tree fruit and vegetable growers, funded by the equitable sharing of benefits under the treaty.

Our association represents 485 commercial tree fruit growers in the Okanagan, Similkameen, Shuswap and Creston Valleys. Our mission is:

A Prosperous, Sustainable, Innovative Tree Fruit Sector in BC

that grows products that improve health.

Based on the most recent Agriculture Census in 2016, the family-owned tree fruit farms in BC generate income of \$ 118.6 million per year, with a packed value of \$218.8 million, and \$776.6 million of economic activity annually.

The Province has provided our sector with a \$5 million Competitiveness Fund, which will be launched very soon. This fund will encourage industry to take bold steps and plan for infrastructure investments, research new pest management practices that are area-wide with integrated pest management, and develop a strategic marketing plan that leads to a bright future. This investment will lead to growth and stability in our sector, both preserving and creating jobs, and ensure that we continue to produce fresh, healthy, BC-grown tree fruit. The Competitiveness Program is a companion to the Tree Fruit Replant Program.

Going back in time to a 1990 Royal Commission of Inquiry, Commissioner Peter Lusztig pointed out that Okanagan tree fruit growers needed to change over to higher value varieties and plant more modern, higher density orchards. But economic analysis showed that growers did not have the resources to do this on their own. As a result of the Lusztig report, the replant program was established. About every 5-10 years, the government has reviewed the replant program and the same conclusions are reached - in order to renew orchards, growers need a replant program that provides approximately 25% of the required investment. This incentive to renew has kept our fields green - both with orchards and with the economic boost it provides.

The current program recognizes that a longer-term approach is needed for tree fruit: growers must order from nurseries 3 years prior to planting, and nurseries must order rootstocks 2-3 years prior to that. A replant program that allows growers to plan 5-7 years out provides stability and matches the planning times in the tree fruit sector.

The current program is for the period 2015 - 2021. Our first budget request is to add 4 years to the Replant Program, taking us to 2025. With an price-index, the funding for the program is about \$1.5 million per year. Growers then invest a further \$5 million per year in replanting orchards. This funding extension will match the program with the planning times of the sector, and allow us to move the sector ahead strongly to meet market demands and provide jobs and investment in the BC agriculture sector. The BCFGA strongly supports the extension of the Replant Program to 2025.

Now we would like to address the questions in the budget consultation paper.

Budget 2019 Consultation Questions

1. What are your top three priorities to help make life better for you, your family, and your community?

First, Extend the Replant Program four years to 2025, with \$1.5 million per year of government funding triggering an investment of \$5 million per year by tree fruit growers.

Second, make the payroll tax fair. We understand that the employment tax is shifting the cost of Medical Service Program premiums from employees to employers. However, our sector employs about 7,000 foreign guest workers from Mexico and the Caribbean, under the Seasonal Agricultural Worker Program, that are not eligible for MSP. Why are employers being taxed on their wages? We request exemption of MSP-ineligible Foreign workers from the payroll tax. Or reduce the payroll tax for active farms, as is done with property tax.

Third, get federal matching funds to invest in water infrastructure. Climate change is upon us. In 2017 we had no rain for 100 days, and in 2018, no rain for 70 days. When we held a round table with farmers in Creston, they identified water supply as their number one priority. The province should be able to leverage federal funds for water supply projects, but federal programs are not aligned for this purpose. For example, the province has allocated \$5 million towards a \$10 million irrigation water infrastructure project in Oliver, but the federal government programs do not allow matching and this essential project is stalled. The federal government has, in the age of climate change, not created any matching funds projects for water infrastructure. With your help, we can change this deficiency.

2. If you had one dollar to put toward programs and services across government, how would you choose to divide it??

Assuming it is an extra dollar (in other words, current government programs continue), the BCFGA would naturally invest in programs and services that help our sector to invest and create economic activity. Therefore, that extra dollar would be divided equally between:

- Climate change (e.g. investment in water supply and climate change programs).
- Economic development (e.g. farm payroll tax abatement, replant program to 2025)
- Debt reduction

The BCFGA recognizes the many competing demands for government budget. Our focus is on keeping our sector healthy and able to generate the \$776 million in economic activity each year, with reasonable government programs to support the stability and growth of the sector.

3. Given the high level of demand for government programs and services, how would you pay for new and enhanced programs and services?

The provincial budget shows strong growth in government revenues. This is due to the success of industry and business. Therefore, ensuring a healthy business climate and programs that provide reasonable taxation and programs for business is key to generating funds to pay for social programs.

Increasing taxation on business, and creating a high-tax jurisdiction, may actually reduce government revenues. The current issue is that Canada has, at the federal level, become uncompetitive with the US tax structure. Keeping the playing field level and programs that support business and infrastructure investment, Canadian and British Columbians will compete with any region of the world.

In other words, a strong economy relative to other regions is more important to government revenues than simply increasing the taxation rate.

4. What can government do to build a diverse and sustainable economy and support businesses and industries across our province?

The priority, from the tree fruit sector perspective, is ensuring a healthy business climate through fair taxation that does not place BC at a disadvantage to other regions, and support for programs that provide a positive business climate. In general, we support all of the listed objectives, from streamlining regulation to stabilizing the housing market, as ways of building a diverse and sustainable economy. Achieving a balance is the key.

Summary

In conclusion, thank you for the Committee's effort in reaching out to all British Columbians. We appreciate your efforts in strengthening the BC economy and giving direction to programs. Investing in replant to 2025 and making the payroll tax fair, we can grow the tree fruit sector and secure its contribution to government revenues.