



## The British Columbia Fruit Growers' Association

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1473 Water Street, Kelowna, BC V1Y 1J6  
Ph: (250) 762 – 5226 • Fax (250) 861 – 9089  
e-mail • [info@bcfga.com](mailto:info@bcfga.com)

### Select Standing Committee on Finance and Government Services

#### Pre-Budget Consultation

*Presented by  
Joe Sardinha, President  
Glen Lucas, General Manager*

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#### Introduction

The BC Fruit Growers' Association appreciates the opportunity for input into the provincial budget. We have had the privilege of presenting a brief to the Pre-Budget Consultation each year since 2002. Our association represents 760 commercial tree fruit growers in the Okanagan-Similkameen-Creston Valleys, with a farm gate value of about \$80 million.

The theme of this year's budget could be "Addressing the Fiscal Challenge and Getting BC Working". The Fiscal challenge set before the government is more difficult now that the HST has been defeated in the provincial referendum. It is therefore an opportune time to refocus investment in the resource sectors to stimulate the economic activity that creates jobs and ultimately generates the provincial revenues needed to support government programs.

Recently, the agriculture sector, under the stewardship of the BC Agriculture Council, had the opportunity to discuss the general economic approach of the provincial government. Our associations were united in their disappointment with the past 20 years of government cuts to the agriculture budget. There should be no surprise that nearly all agriculture sectors in BC have shrunk – those that have not, such as dairy, poultry, eggs, and wine, have protected markets through government regulations or marketing boards. The commodities that have shrunk are being hit by high taxation or subsidies provided to our competitors. For example, the carbon tax makes our production costs higher than competitors. Our competitors also receive considerably more government subsidy and programming support.

There are two results of cuts to the agriculture budget:

1. Output is shrinking as the competitive position of some sectors continues to erode. The apple, hog, beef, potato, onion, and carrot sectors have shrunk dramatically. Some fortunate commodities have avoided the shrinkage over the past 20 years: cherries, blueberries and nursery, for example. However, there are challenges on the horizon for these commodities.
2. Farm income is negative, and it is more persistently negative in BC than in the rest of Canada. This is both unusual and unacceptable for a province with such a diverse agricultural sector.

BC Agriculture has many strengths that have allowed it to survive so far:

1. A strong entrepreneurial spirit.
2. High quality and advantages of producing in our Northern climate.
3. Innovation – for example, BC tree fruit growers use the most advanced techniques in the world, from investing in high density apple plantings to the rapid adoption of new, late season cherry varieties.
4. Consumer preference for BC products and a willingness to pay a premium.

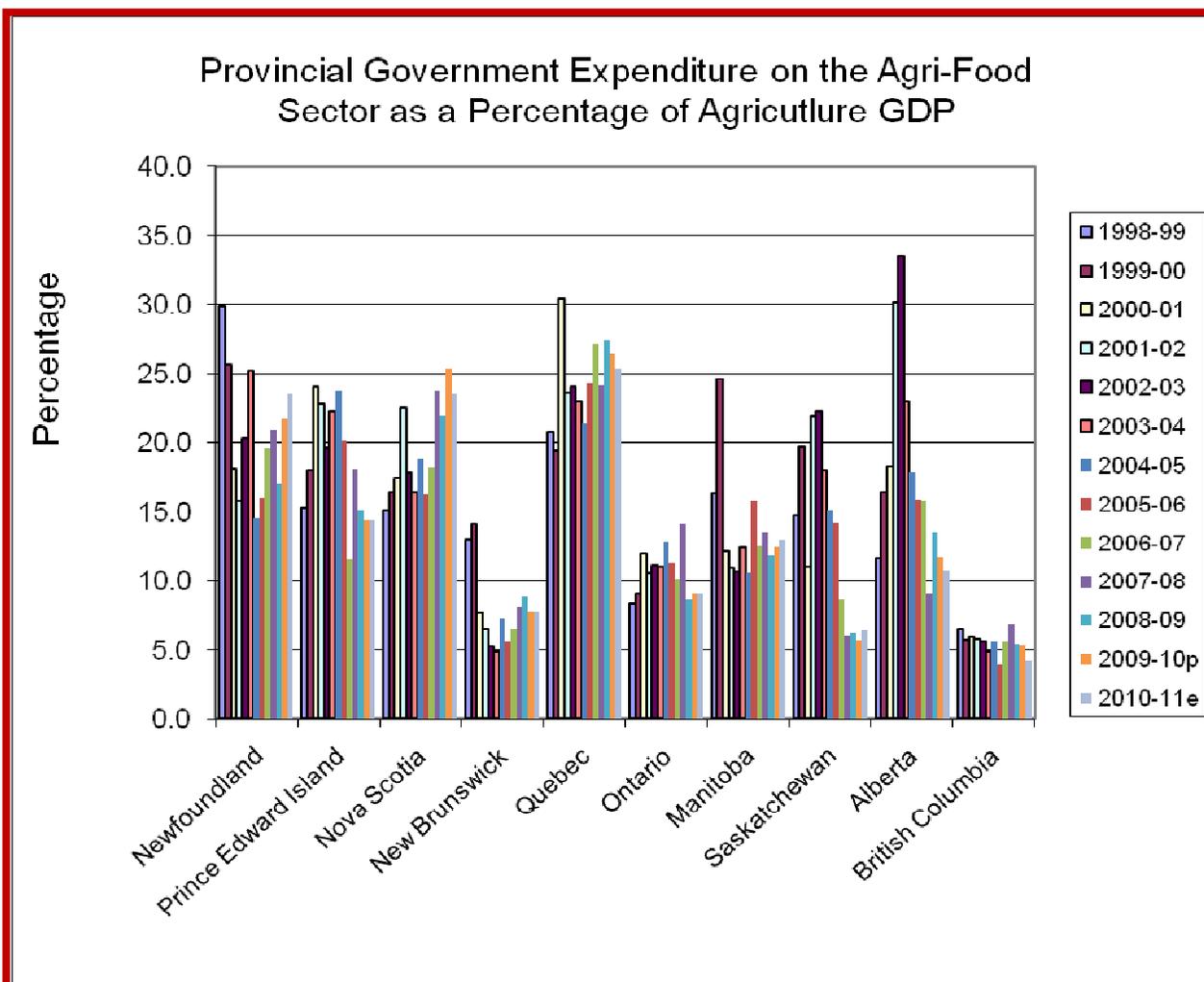
What can the government do to address the problems of the agriculture sector?

- Make profitable agriculture in BC a priority with **effective programming that meets the needs of agriculture**.
- **Get the basics right and the jobs will follow.** Our farm families provide the first step in the value chain. Without the first step of ensuring agriculture production is viable, the agriculture multiplier (one of the highest) does not work. We need our government to provide a competitive economy through competitive taxation rates (especially carbon tax and through provisions to offset the negative impact of replacing HST with PST/GST). We need our government to finally address the long-term downturn in agriculture by investing in the sector to the same degree as other jurisdictions. Investment in agriculture will help to create rural jobs. Jobs will be created through investment activities (renewal of farm and processing infrastructure) and through operations.
- We propose that the province **reverse the trend of diminishing agriculture budgets**, not only for the sake of farm families, but also for the benefits that a strong, thriving

farm economy creates as a first link in the value chain. Successive Social Credit, NDP and Liberal governments have, during good times and bad, reduced the agriculture budget as a percentage of Agriculture Gross Domestic Product (GDP).

Another possibility is to **direct a fraction of the Columbia River Treaty Agreement funds (which flow annually into government general revenues) to the tree fruit, potato and vegetable sectors.** How does the tree fruit sector have a claim on the Columbia River Treaty funds? Our sector has been pummeled by the overproduction of apples in Washington State. Since the regular supply of irrigation water was made possible by the Columbia River Treaty in 1964, Washington State apple industry has grown from the same size to twenty-five times the size of the BC tree fruit industry.

With some of the Columbia River Treaty benefits directed to each of the affected sectors – tree fruit, potatoes and field vegetables - there would be further private investment in innovation, infrastructure and other elements of industry development.



The budget consultation paper asks several specific questions – the following comments are provided as input for the Select Standing Committee on Finance and Government Services.

How can we maintain BC as a preferred destination for investment?

In fact, BC is not a preferred destination for investment in the agriculture sector. In some ways BC agriculture is viewed as a high cost venture (especially land) operating with diminishing government support, an increasing regulatory burden and unfair taxation. The government needs address these competitive issues.

With current fiscal challenges, what measures can government take to help families?

We feel strongly that providing nutritional food for youth will help families and reduce future health care costs. There are three areas that need attention:

1. The Buy BC program must be re-introduced. This is long promised and overdue.
2. The School Fruit and Vegetable Nutrition program needs additional resources to fulfill the government promise of introducing the program in all BC schools.
3. It is time for government to implement a policy for its institutions to preferentially buy BC agriculture products – the public does, so why is the government lagging?

What programs and spending are your priorities?

Clearly, agriculture programming is our priority. This will create spin-off jobs and economic activity, especially in rural areas where jobs and economic activity are needed most.

A growing percentage of ALR land is vacant, unproductive land, which does little to contribute to the economic activity needed to sustain our provincial economy and ultimately the services BC citizens depend on. The government needs to live up to its commitment to the ALR by keeping the land productive. In order to sustain agriculture production, government must make efforts to provide equitable funding to BC agriculture relative to competing areas.

How do we create the jobs future generations will depend on?

By investing in the agriculture sector today, there will be a base for future generations to develop and adapt future jobs in farming, food processing and the related tourism industry.

How important is our credit rating?

The BC credit rating is less important than getting our agriculture sector on a competitive basis. Our credit rating will falter if government does not get the basics right, and providing a competitive level of investment and resources for agriculture is a pre-requisite.

## Summary

The BCFGGA appreciates the opportunity to provide input into the budget for a tenth consecutive year. The BCFGGA recommends:

1. **Placing the agriculture budget at the average level of competing provinces, providing an additional \$116 million in annual funding immediately.**

**Alternately, redirecting \$9.25 million annually of the Columbia Basin Treaty funds (\$200 to \$300 million annually is diverted to general revenue for the province) to invest in the tree fruit, potato and vegetable sectors affected by the Treaty.**

2. **Increasing budgets for the critical health and nutritional promotion programs and providing very strong direction to ensure that 100% of BC schools have access to the School Fruit and Vegetable Nutrition Program.**
3. **Re-instating the Buy BC Program.**
4. In terms of priorities if government has additional new resources, we recommend that:
  - Prudent debt reduction must be postponed until the economy recovers,
  - Health care costs must be managed,
  - Tax cuts are not a priority,
  - Addressing tax inequities between rural and urban areas is important to maintain the social fabric of BC,
  - Investment in economic development programs is required.

**We appreciate the time and effort of the Select Standing Committee on Finance and Government Services. Our hope is that the focus on getting the economic basics right will bring a positive change in focus in agriculture, which will help rural BC and create jobs and sustain families.**