



The British Columbia Fruit Growers' Association

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Select Standing Committee on Finance and Government Services

Pre-Budget Consultation

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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, so this is our Eleventh presentation to the Committee. Our association represents 605 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 is "Balancing the budget by 2013/2014". The focus appears to be on freezing the public sector and maintaining tax rates. While we understand the need to focus on these short-term activities, we will make the case that focusing on the short-term alone will have a negative impact on the future opportunities, especially job growth.

It is an opportune time to refocus investment in the resource sectors – this will stimulate the economic activity that creates jobs and ultimately generates the provincial revenues needed to support government programs.

Recent reports have focused on the failure to invest in proper inventory evaluation and management in the forest sector. Agriculture has suffered similar neglect. In the budget discussion paper, it is noted that the Ministry of Health budget is 100 percent higher in 2000/01 compared to 2013/14, now over \$16 billion per year. For the same period, The Ministry of Agriculture budget has been reduced by 39% percent, from \$108.0 million in 2000/2001 to \$65.8 million for 2010/2011. The hollowing out of the Agriculture budget funds 0.3% of the Ministry of Health budget. Rather than neglect the growth and jobs opportunities in natural resources,

is it not better to focus on efficiencies and reduction of the administrative burden in Health Care? A 0.3% efficiency in Health Care is a 64% budget increase for Agriculture, and will lead to job creation in BC.

The farm sector is being hit by high taxation or by unfair competition from subsidized competitors. For example, the carbon tax makes our production costs higher than competitors. Our competitors also receive considerably more government subsidy and programming support. Apple growers in Washington State have received \$100 million towards farm worker housing over the past 11 years. In BC we face increasing regulatory costs and restrictions on farm worker housing.

The tree fruit sector has been very responsive to the relatively high tax and regulatory burden and the unfair subsidization of expenses in competing areas. Growers recognize and have acted on the need for efficiency gains. The industry has invested heavily in restructuring and replanting, with assistance of the provincial and federal governments. Gains in efficiency and product quality have been and will continue to be made in the BC tree fruit sector.

We appreciate the province's contribution to the \$2 million Replant Program and the recent announcement of \$2 million for a buy local program. We have received great support from BC Ministry of Agriculture staff (those that remain) throughout the past year on everything from export market development to management of invasive pests and other horticultural matters.

“Budget Consultations 2013” Questions

The Select Standing Committee on Finance and Government Services discussion paper asks several questions, which we will briefly comment on.

1. *What are your priorities?*

The priority of the BC Fruit Growers' Association is to see a fair Agriculture budget in BC, not one that places agriculture producers at a competitive disadvantage.

a. *What opportunities do you think there are to address this fiscal challenge (of balancing the budget)?*

The BCFGGA feels that the focus should be on developing jobs and economic activity, rather than on cost reduction during these recessionary times.

b. *Are there further efficiencies in other areas of service delivery?*

The BCFGGA has repeatedly suggested that more efficient delivery of Health Care services, and possibly with greater attention to the increasing administrative burden, could result in significant savings.

c. *Should the government hold the line on public sector wage increases?*

The public service should be paid what is fair, and we do not feel that the front line public sector services get the recognition they deserve.

d. Could there be an increase to revenue through other measures?

The BCFGAs feels that there is room to consider tax increases, but this must be made within the framework of increased fees for government services and the economic distribution of taxation.

- e. Another possibility is determining the value of water, other than that provided for hydro-electric power and flood control, under the Columbia River Treaty. For example, 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.

The Columbia River Treaty is currently being reviewed. Fruits and vegetable sectors affected by the Columbia River Treaty have asked to be consulted and to be provided with resources to calculate the current value, as well as the value of future expansion, of irrigation water through the Columbia River Treaty. If the US is willing to pay for assured and increased access to irrigation water storage and other services (e.g. fisheries, navigation, first nations), then some Columbia River Treaty benefits could be directed to each of the affected sectors – tree fruit, potatoes and field vegetables – with no effect on the provincial budget, and there could be additional funds allocated to general revenue. Such a strategy, if successful, would result in further investment in innovation, infrastructure, environmental stewardship and other elements of industry development, as well as contribute to a balanced budget.

We feel that potential revenue that will be left on the table if the BC Ministry of Energy, Mines and Natural Gas does not directly involve the Ministry of Agriculture and the affected agriculture commodity associations in the calculation of irrigation value of water provided under the Columbia River Treaty.

f. Would you make changes to government programs to reduce spending?

The BCFGGA feels that reducing government expenditure must be delayed if possible until economic times improve.

g. How do we create jobs future generations will depend on?

Resource sectors, especially in the renewable sectors such as agriculture, can create jobs in partnership with the province, provided that there is a competitive level of government programs for the sector. This is not the case at present for agriculture in BC – as the graph in our presentation shows.

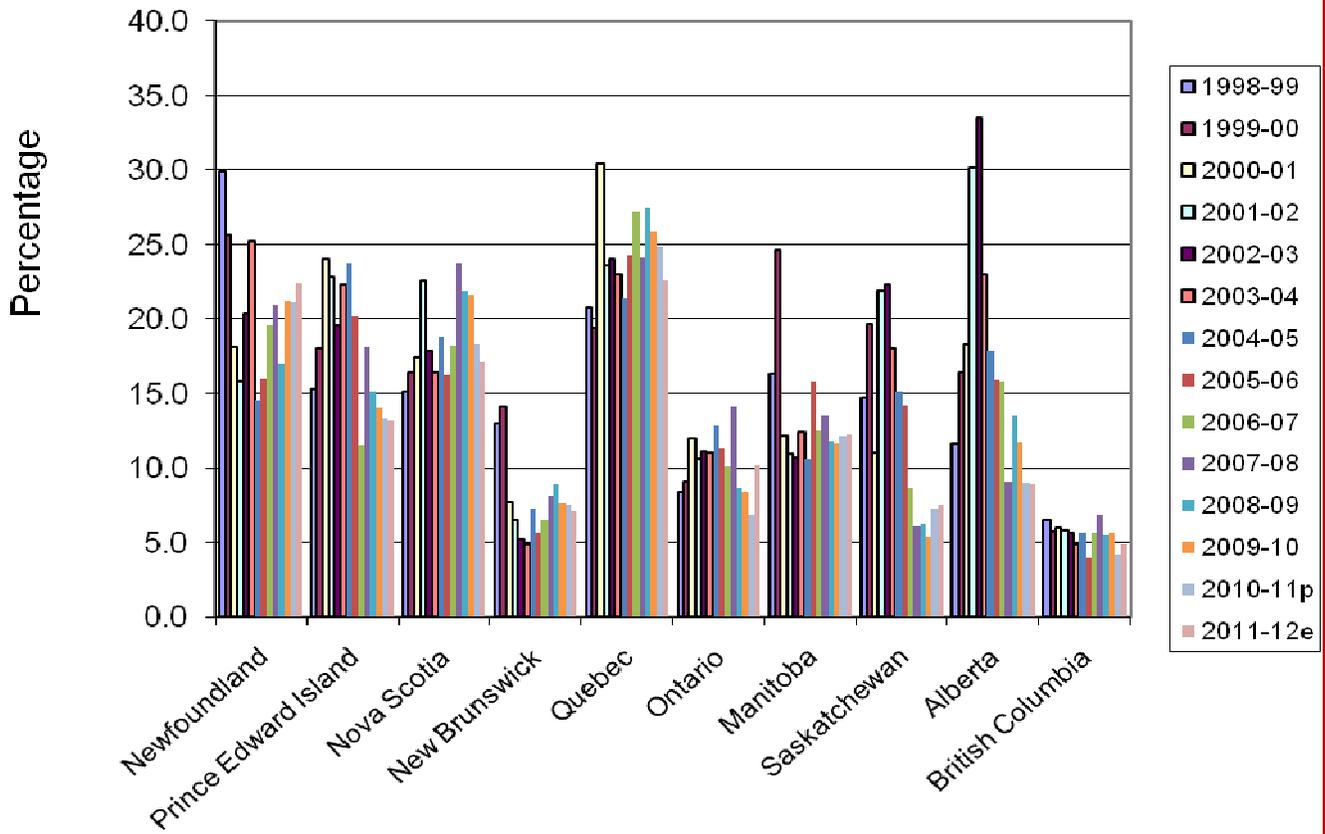
h. What would you like government do to create the conditions necessary for jobs and economic growth?

Increase the Agriculture Budget so that it is competitive with other regions.

i. How can we maintain BC as a safe haven for investors?

The BCFGGA understands the benefit of maintaining BC's credit rating. Like taxation, there is room for movement in BC's fiscal situation – BC will still be a relatively wise investment choice. It will be an even better investment choice if government partners with resource sectors to create jobs and economic activity, through increase program funding to achieve these goals.

Provincial Government Expenditure on the Agri-Food Sector as a Percentage of Agriculture GDP



Summary

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

1. Placing the agriculture budget at the average level of competing provinces, increasing the budget to the level it was at 10 years ago: \$108 million.

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, and engage the sectors in determining the value of irrigation water provided to the US as a result of the water control provided by the treaty.

2. In terms of budget priorities, we recommend that:

- Prudent debt reduction must be postponed until the economy recovers,
- Health care costs must be managed,
- Taxes might be increased to move towards a balanced budget, but that balance should be postponed until the economy is strongly growing, so long as the provincial credit rating remains unaffected,
- Addressing tax inequities between rural and urban areas is important to maintain the social fabric of BC (e.g. the carbon tax), and
- Investment in resource sector budgets is needed to correct years of neglect.

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 the tree fruit sector create jobs and sustain families.