



## 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. Our association represents 801 commercial tree fruit growers in the Okanagan-Similkameen-Creston Valleys, with a farm gate value of about \$95 million.

The theme of this year's budget is "Building BC For Your Family". We hope that members of the committee will reflect on the contribution of **BC farm families** to the economy of BC. BC farm families provide the initial step in a chain that includes:

1. Rural development and jobs in areas most impacted by economic downturns.
2. Value-added packing and processing, with retail and restaurant 'local product' also adding value.
3. Healthy fruit and vegetable products.
4. Agricultural productivity in the Agriculture Land Reserve and future food security.

However, the reality is that the government has, during good times and bad, Liberal or NDP, reduced the agriculture budget as a percentage of Agriculture GDP.

Therefore, our first recommendation is to **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 create as a first link in the value chain.

Restoring the level of agriculture budget to be just average, compared to other Canadian provinces, is essential to ensure the competitiveness and to continue a strong role for the farm family in BC. We note that the hog sector is all but gone, where there were once 200 Onion growers, there are 3 today, the cattle sector has decreased by 25 % in a single year. The BC tree fruit industry has not escaped and has shrunk from 300 million pounds 15 years ago to 200 million pounds currently. **The BC agriculture community and farm families need competitive government programs.**

Last year, we did not ask for increases to budgets, recognizing the fiscal pressures on government. This year, we ask for the following improvements:

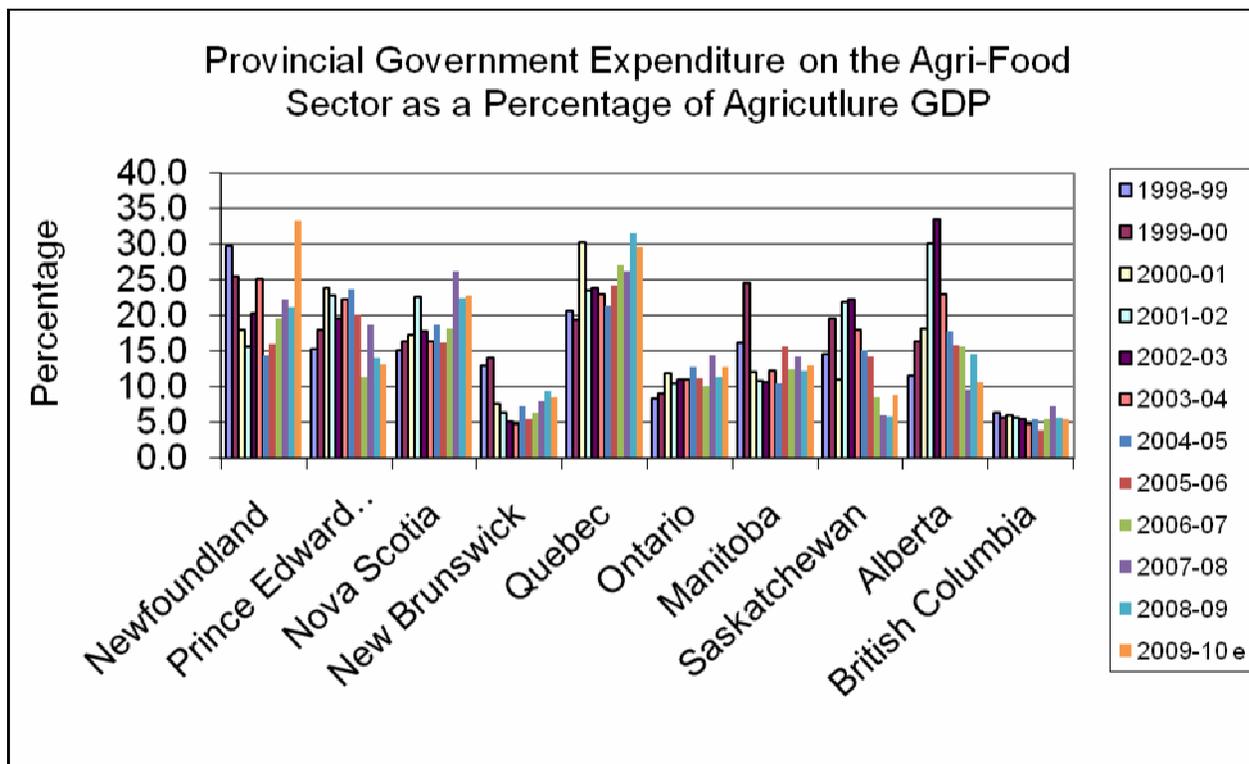
1. **Place the agriculture budget at the average level of competing provinces.** This will require an immediate annual increase from 5.5% to 13.8% of Agricultural GDP, an **additional \$116 million dollars**. If this request seems excessive, it is not – it is a measure of just how far behind the province has fallen.
2. Another possibility is to direct to the tree fruit sector a sliver of the Columbia River Agreement funds which flow into government general revenues.

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 and now cherries in Washington State. Since the regular supply of irrigation water was made possible by the Columbia River Treaty in 1953, Washington State apple industry has grown from the same size to twenty-five times the size of the BC tree fruit industry. Clearly some form of compensation must be offered to the BC tree fruit industry due to this impact. We estimate the current level of damage from dumping (based on the 2003, 2004, 2008 and 2009 apple crops and the 2009 cherry crop, and assuming a frequency of similar market collapses every 3 years) is \$14 million per year that is taken out of the economy that supports farm families. This shortfall is entirely caused by overproduction in Washington State, which is made possible by the controlled irrigation water supply made possible by the Columbia River Treaty.

Our requested increase in agriculture budget is **equivalent to \$9.25 million in added resources for the tree fruit industry**. This can **alternately** be provided directly to the tree fruit industry by **redirecting Columbia Basin Treaty funds from general revenue to the tree fruit industry**.

3. We also request the **reversal** of the extremely short-sighted **budget cuts to the critical health and nutritional promotion programs**, such as the School Fruit and Vegetable Snack Program. Nutritional education in the classroom is not only getting rave reviews and accolades – it is a very effective way to help families improve their future health. It is reported that the youth of today are the first generation in recorded history that will have a life expectation shorter than their parents. There is abundant evidence that the deterioration in health status is diet-related.

Yet the government cut the program that has a proven positive impact on dietary choices? We think this, in a nutshell, is what is wrong with the current health care system – choices that are driven by bureaucracies and lack of focus on programs that deliver results (see appendix). If we sound frustrated and angry about the cuts to the School Fruit and Vegetable Snack Program, we are. We ask that the Finance and Government Services Committee will **provide very strong direction to restore funding and ensure that 100% of BC schools have access to this important health care and nutritional program – the School Fruit and Vegetable Nutrition Program.**



The budget consultation paper asks: “What are your priorities if government had additional resources?”

- Debt reduction is prudent but should not be an exclusive approach, especially given the province’s very positive credit rating.
- Health Care costs must be managed according to business principles – a vision, specialization, and prudent choices in health care promotion are not today in evidence. These basics must be achieved to control the ‘obese’ health care budget
- Tax cuts are not a priority.
- Our support for HST is based on reflecting the GST process and rules. Unfortunately, there is an important new rule that the province introduced with HST which very negatively impacts the tree fruit sector. We triggered the newly-introduced RITC provision of the HST because our industry strategy of merging our cooperatives into a single, more competitive entity has put us over the income threshold for the RITC provision to kick in. The share of HST benefit for the tree fruit sector is estimated at \$0.72 million per year, but this will be diminished by the arbitrary introduction of the RITC for agricultural cooperatives will penalize the tree fruit industry by \$0.21 million per year. We have ask the government that the Reclaimed Input Tax Credit provision be addressed for agricultural cooperatives as it has in Ontario, and we anxiously await a response from government.
- Addressing tax inequities between rural and urban areas is important to maintain the social fabric of BC. For example, the carbon tax represents a massive transfer of wealth and funds from rural and agriculture communities to urban communities, from needy to communities with above-average incomes. This is inequitable and must be addressed.
- Investment in programs is required to support agriculture in particular, as well as other business sectors, to keep the tax base growing to pay for future growth in demand for the essential health care and education programs.

## Summary

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

1. **Place the agriculture budget at the average level of competing provinces, providing an additional \$116 million in annual funding immediately.**
2. **Alternately, redirecting \$9.25 million of the Columbia Basin Treaty funds from general revenue to the tree fruit industry**
3. **Reverse budget cuts to the critical health and nutritional promotion programs and provide very strong direction to restore funding and ensure that 100% of BC schools have access to this important health care and nutritional program – the School Fruit and Vegetable Nutrition Program.**
4. In terms of priorities if government has additional new resources, we recommend:
  - Prudent debt reduction, but not be an exclusive approach,
  - 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 Relations. Our hope is that the focus on the grass roots of families, and in our case, farm families, will bring a positive change in focus in agriculture and health care budgets.**

## **Appendix: Fix the health care system**

The BC Fruit Growers' Association strongly suggests that more emphasis be placed on recognized business planning principles, including:

- a. Vision. What is a practical and visionary role for the health care system in future years? Then, when tough decisions on prioritizing funding need to be made, the public will, hopefully by participating in the visioning process, be more supportive of those decisions.
- b. Do cost-benefit analysis to prioritize program expenditure and make policy and budget decisions. For example, this analysis will clearly result in priority funding for health promotion. In particular, the cuts to the School Fruit and Vegetable Snack program need to be not only reversed, but all schools brought into the program. The School Fruit and Vegetable Snack program is a key health promotion expenditure that is insignificant compared to the uncontrolled expansion of acute and chronic health care costs related to obesity and adult-onset diabetes caused by poor diet and poor diet education. Additionally, there is opportunity to develop new policies which reward citizens for adopting healthy lifestyles, starting with healthy eating.
- c. Specialize. Why must our health care system offer all services for every human disease and health problem? We do not attempt to grow bananas and oranges in BC. We do not build space stations here. We do build components and we do specialize. We feel there is opportunity for dialogue on how BC acute care could specialize, attracting business for its specialties, while citizens with other acute problems could receive improved care albeit elsewhere for specialties BC decides not to invest in.

Much of our general improvement in the economy is attributed to specialization. We understand the view that treatment of acute health problems in the patients local region is seen as desirable by most individuals, but this view is in absence of an overall vision for the health care system. If the health outcome is more likely to be positive, if the cost to government is lower, and if there are off-setting gains in other areas of health care, then the rationale for trading specialized treatments with other areas is obvious. Specialization is a very old concept, but apparently lost on the insulated and bureaucratic world of health care. Time to change.

**We understand the issues in health care are complex. Some key values must be established before we, as a society, can deal with the complexities of the system.**