



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 each year since 2002, with this our 7th presentation. Our association represents 950 commercial tree fruit growers in the Okanagan-Similkameen-Creston Valleys, where over 99% of tree fruit production in BC is located. Our members' farms are small businesses in the rural areas of BC.

The theme of this year's budget is "Building on BC's Strengths". We are confident of the strength of the BC tree fruit industry – our growers have participated in a provincial-government funded "Replant Program". The industry has invested \$103 million and the government \$51 million to date in renewal of orchards through the replant program, based on a 67:33 cost share between growers and government. The changeover for the industry could not be made without government assistance, due to the lack of working capital available in the industry. The Replant Program has improved the revenues of the industry by an estimated \$24 million per year (appendix) and remains a key example of an industry-government partnership. A key element of the industry's strength is the partnership with the provincial government –

together we are implementing a tree fruit industry strategy that will make the industry economically and environmentally sustainable.

Industry Strategy

1. The competitive advantage of the tree fruit industry is our intensive management and the dry, northern climate. New varieties of apples and cherries, developed at the federal research station in Summerland, are gaining widespread acceptance throughout the world. It is estimated that 80 percent of new cherry plantings in the world are of Summerland varieties.
2. Environmentally, our industry is advanced - we utilize highly-efficient irrigation systems to conserve and manage water, Integrated Pest Management and other innovations such as area-wide programs for codling moth and starling control (pests of tree fruit and grapes). The tree fruit industry is among the lead agricultural crops in adopting Environmental Farm Plans.
3. Our industry strategy came from intense financial pressure on the industry. Immediately following a crash in the world market for apples in 2004 and 2005, we appealed to the province for assistance. While no direct assistance was provided, we were assured that an industry strategy would lead to development of programs to support the industry strategy.
4. The BC Tree Fruit Industry strategy is based on five 'pillars':
 - Restructuring the cooperative system,
 - Quality,
 - Markets,
 - Labour and
 - New varieties.

The strategy sets of actions, with good progress in all of the pillars. The Replant Program is linked directly to two of these pillars – markets and new varieties.

5. We recognize and appreciate the immediate, short-term response of government for our industry strategy: the Minister of Small Business and Revenue provided a grant to improve the operation of the seasonal farm labour market in the Okanagan. A grant of \$3 million has been provided as a bridge for the Replant Program. In addition, we worked with BC Investment Agriculture to implement a Tree Fruit Innovation Fund.

Replant Program – Long Term Planning Needed

6. While the Replant Program was announced July 13, 2007, it has taken until August 2008 to finalize agreements and receive the first advance payment of funding for the Replant Program. This delay has increased uncertainty for growers making financial plans for Replanting (recalling that growers do not have the working capital to undertake replant projects on their own). Thus, the replant for 2008 was about one-half of the level expected. It may take another year for growers and their suppliers to re-gain the momentum of the Replant Program. Replant is still viewed as the key component of a government-industry partnership on strategy for moving the tree fruit industry to self-reliance and sustainability.
7. The Tree Fruit Industry Strategy assigns high priority to continuity of the Replant Program. **We are seeking an additional 5 year commitment to the replant program, in the amount \$10 million**, or a 50% reduction from the prior program funding level. The grape and raspberry industry have asked separately to be added to this program, and we support increasing the budget further to accommodate these commodities, provided that industry strategies are developed which support the need for such programs.
8. As mentioned previously, the program was disrupted in the year 2008, due to delays in reaching an agreement and obtaining advance funds. The participation in 2008 is about one-third of expected participation, at approximately \$800,000 in grants. We anticipate that participation in 2009 will be approximately \$2 million in grants, leaving a small amount for the 2010 year.
9. As shown by the current experience, the tree fruit industry requires formalization of replant programs at least two years in advance of the program launch, in order that growers and nurseries may anticipate planting intentions and make plans. Thus, a decision on 2010 Replant is required now and must be part of the 2009-2010 provincial budget.
10. The tree fruit portion of the new Replant Program is expected to amount to \$2 million per year, with our portion of the program likely to peak at \$2.5 million in the first full year of the program (2010) and reduce to \$1.5 million by the final year. The participation of the other commodities will increase over the term of the program. The Replant Program encourages productivity and quality, not expansion.

Labour

11. Seasonal agriculture jobs provide a workplace entry point for many people, yet demographics and a move to greater urbanization continue to reduce the availability of seasonal harvest labour.
12. Our sector seeks an educational and supportive approach to changing labour market dynamics. We wish to avoid confrontational, regulatory, activist approaches. We have met with the local School District and have a plan for reaching out to high school students to describe the job opportunities in seasonal agriculture work.
13. Seasonal labour housing is funded by the State Government of our largest and most direct competitor – Washington State. Government funding for bathroom and shower facilities would resolve one of the items identified as a priority for improvement by agricultural workers. **We feel that allocation of \$13 million over a 5 year period will provide partial funding to resolve the housing issues for all BC agriculture workers, and we recommend that this be added to the scope of the low income housing funds provided by the province.**

Carbon Tax

14. The recent carbon tax hurts agriculture – it transfers income from our sector to urban areas, due to the concentration of the tax rebate to individuals in areas of high population density. We note that, though Agriculture GDP has increased faster, in general, than the whole-economy GDP, net income on farms has plummeted in the past two years. This is in large part due to crisis in the livestock sectors, but rising input prices have also taken a prominent role in diminishing agricultural financial performance. The carbon tax, which weighs unfairly on agriculture, will further burden agricultural input costs.
15. One federal party with a similar carbon tax plan for the entire country has recently announced specific programs to off-set the carbon tax for the agriculture sector. **We feel strongly that BC should take note of this example.**

With this background, the BCFGGA offers the following suggestions on the questions posed by the Minister of Finance in the *2008 Budget Consultation Paper*.

The Budget Review Questions

Q.1 By law government must table a plan each year showing how the money generated by the tax on carbon emissions will be returned to British Columbians. Which taxes do you want reduced next year?

This question is confusing. The choice is not only to reduce taxes. For example, the government paid \$100 to every British Columbian. This was not a reduction of taxes. It was a rebate.

We feel strongly that the carbon tax should go towards:

- incentives and programs to reduce carbon emissions,
- to encourage practices and research to sequester carbon, and finally,
- to finance programs for adaptation to climate change.

If forced to select one key item or program in each of these areas for our industry, the following fit most strongly with our industry's long term strategy and achieving climate change objectives of the government:

1. Invest in public transportation. Currently, there is no transportation system which integrates North-South movement in the Okanagan (which would be utilized by seasonal agriculture workers, for example). Our industry would also benefit from seasonal expansion of the local bus routes to rural areas, during harvest periods.
2. Invest in a research fund which can create pilot projects and provide incentives for adopting new technology. In our industry, there is not a large opportunity to capture carbon, as horticulture (especially field crops and tree fruits) is not an emitter of any consequence. However, there may be an opportunity to create some biofuel and make a modest carbon recapture from cull fruit (including grapes after juice extraction for wine making).
3. Create a directorate with a budget to prioritize and fund projects for industries impacted by climate change. The agriculture and forest industry appear to be the most liable to be affected by climate change; however, with some funding, adversity can be changed to opportunity through timely adaptation. We feel that strategic investment in our Production Insurance Program will greatly assist our industry in

containing short-term climate risks and thus enabling long-term adaptation to the impact of climate change.

Q.2 Given that the Province has committed 2/3 of all new spending in the next 3 years to health care, what choices would you make on other priority investments in 2009?

1. Replant – \$10 million commitment to a new 5 year Replant Program.
2. Farm Labour Housing - \$13 million commitment to all of agriculture.
3. Take note of the negative impact of the Carbon Tax on agriculture and rural areas, and make corresponding adjustments.

Q.3 Government has now reduced its debt from government operations to a level not seen since 1991. How should we invest the savings from lower interest payments on the reduced operating debt?

Debt reduction is prudent but should not be an exclusive approach, now that the province's credit ratings are extremely good. We feel that re-balancing towards economic development programs should start now, to strengthen the resilience of business sectors. Productivity and competitiveness need to be emphasized. Growth of the business sector will provide the added tax base needed for the health care and education programs.

Q.4 What other measures would you like to see in the budget in 2009?

The BCFGAs strongly encourages the Finance and Government Services Committee to support the proposed, more administratively efficient PST exemption and refund system for agriculture.

A Federal Carbon Tax - Mitigation for Agriculture

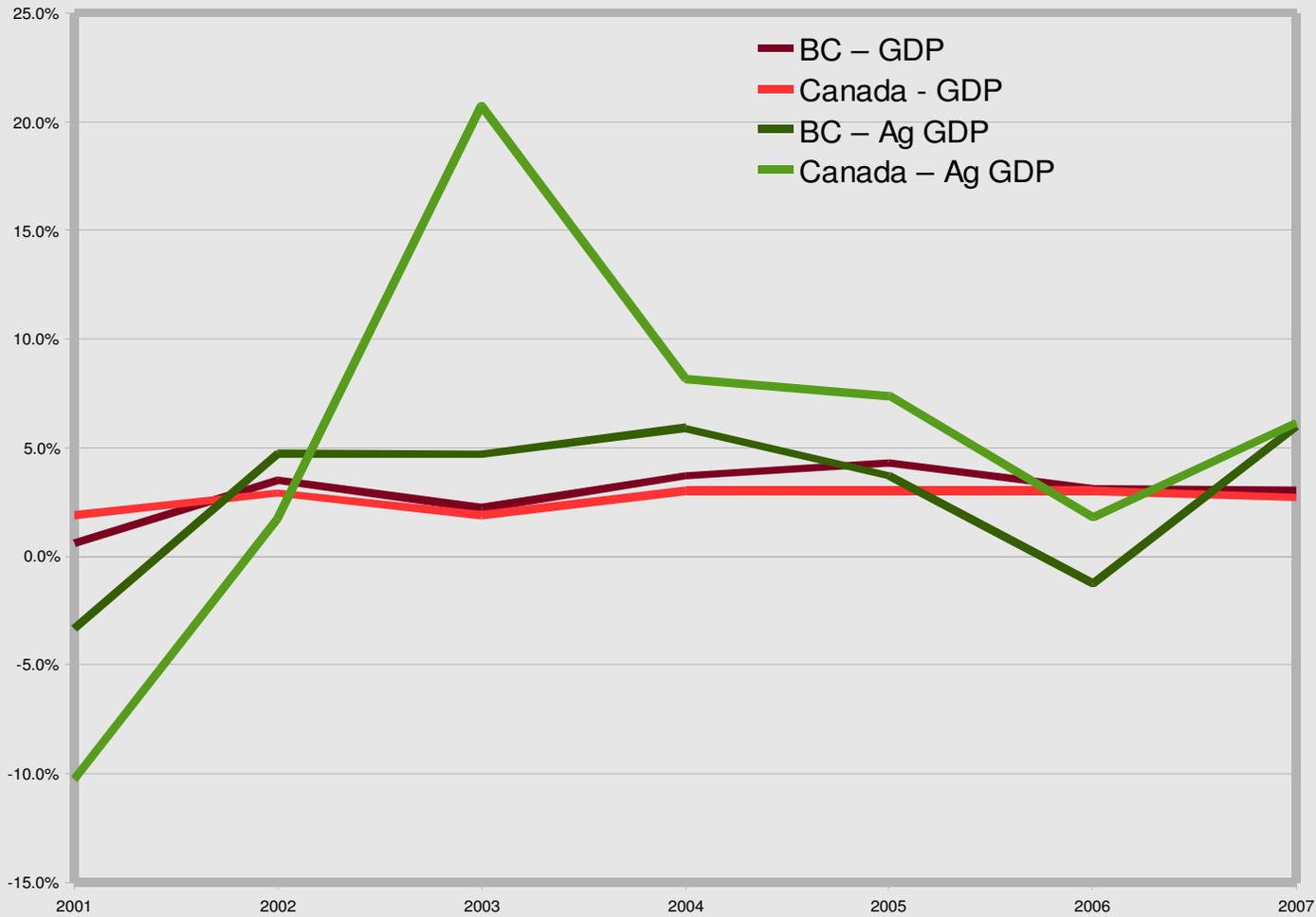
A federal political party made the following announcement on September 19, 2008. The announcement contains four programs to reduce the impact of carbon tax on agriculture. The four programs provide a total commitment of \$1.244 billion dollars. BC agriculture GDP is 8.95%, and if our share of the programs is the same ratio, then the carbon tax mitigation for BC is \$111,175,000 – more than the BC agriculture budget.

“We will make major investments to help farmers become more fuel efficient, reward farmers for their contributions to the environment and invest in research for green solutions from agriculture while also providing regional specific solutions for the economic risks that confront farmers.”

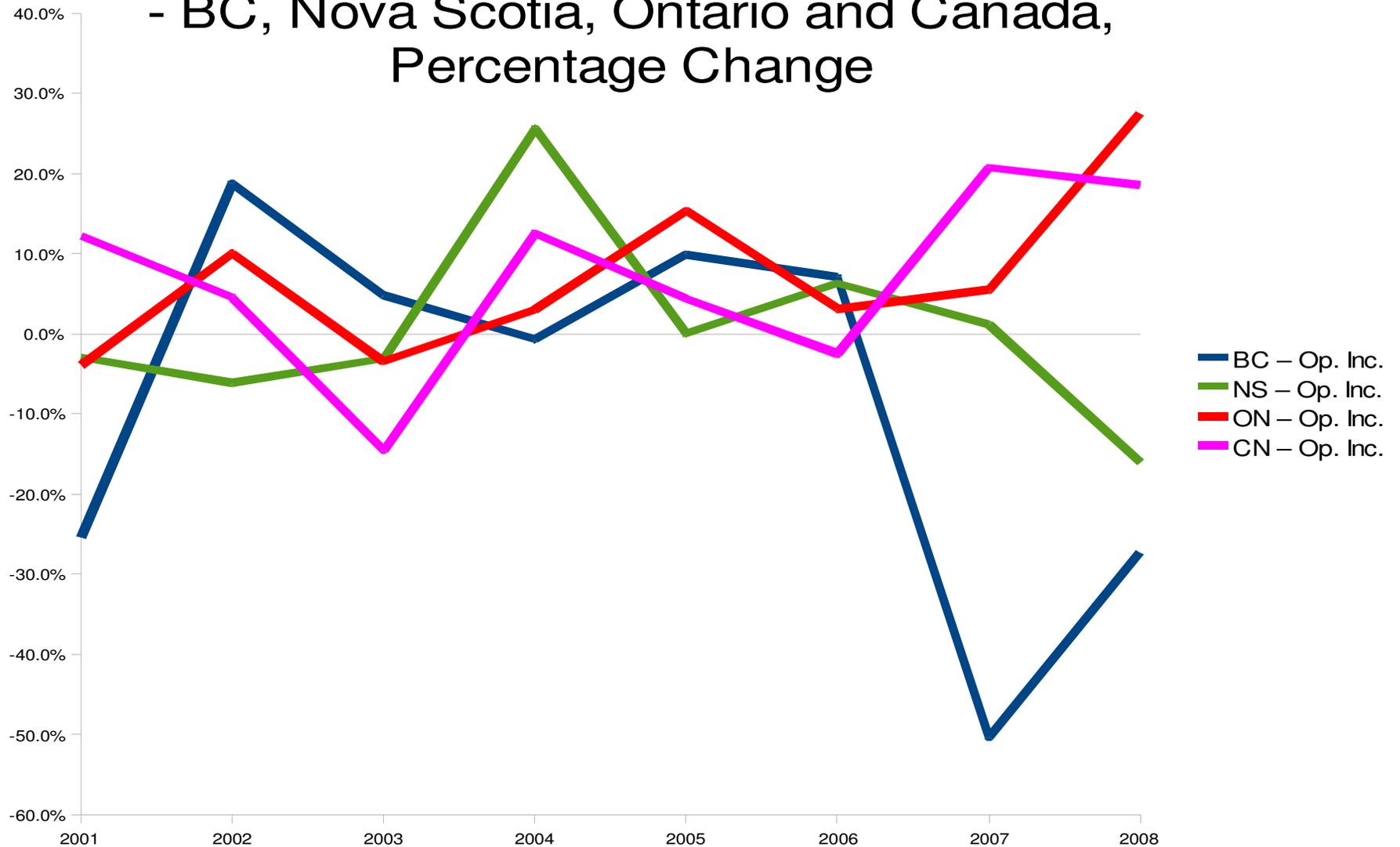
[We] would invest in rural Canada by introducing a:

- \$400-million Emissions Reduction Credit available to farms that reduce greenhouse gas emissions;
- \$250-million Green Farms Fund to help farmers invest in energy-efficient technology and reduce their reliance on fossil fuels;
- \$564-million Regional Flexibility Fund for farmers to develop regional-specific solutions for the environment, business risk management and cost of production needs; and
- new \$30-million program to support the promotion of local farmers’ markets and the branding of Canadian-grown foods.

Comparison of GDP growth rates, BC and Canada, Whole Economy and Agriculture



Operating Net Income - BC, Nova Scotia, Ontario and Canada, Percentage Change



Apple Production by variety, Okanagan Similkameen, 2000-2002 average
Comparison of Reported and Re-calculated with No New Varieties

Variety	Present Situation			Scenario 1: No Replant Program, Old Varieties Retained			Scenario 2: No Replant Program, Old Varieties Removed		
	Price	Volume (1,000 lbs)	Value (\$1,000's)	Price	Volume (1,000 lbs) * allocated new variety volume	Value (\$1,000's)	Price	Volume (1,000 lbs) * total vlume reduced	Value (\$1,000's)
Gala	0.30	57,522	17,112	0.30	-	-	0.30	-	-
Red Delicious	0.11	76,590	8,096	0.11	108,274	11,445	0.11	76,590	8,096
Spartan	0.19	49,989	9,557	0.19	70,669	13,511	0.19	49,989	9,557
McIntosh	0.15	66,946	10,112	0.15	94,640	14,295	0.15	66,946	10,112
Golden Delicious	0.16	24,672	3,866	0.16	34,878	5,465	0.16	24,672	3,866
Fuji	0.21	13,468	2,857	0.21	-	-	0.21	-	-
Ambrosia	0.58	1,478	857	0.58	-	-	0.58	-	-
Granny Smith	0.25	2,630	668	0.25	3,718	944	0.25	2,630	668
Jonagold	0.15	5,647	845	0.15	-	-	0.15	-	-
Braeburn	0.24	3,200	778	0.24	-	-	0.24	-	-
Other	0.20	10,037	1,958	0.20	-	-	0.20	-	-
Total	0.18	312,179	56,705	0.15	312,179	45,660	0.15	220,826	32,299

New varieties total 91,352
Old varieties total 220,826

