



**Manitoba Beef Producers
Growing Forward II Position Paper
April 2, 2012**

The Manitoba Beef Producers is a producer-driven, non-profit organization representing approximately 8,000 individual cattle producers involved in various aspects of the beef cattle industry, including the cow-calf, backgrounding, and finishing sectors.

Agriculture drives 28% of Manitoba's economy and is the largest wealth-generating activity in the province. Despite the challenges over the past number of years, Manitoba is home to the third largest beef cow herd in Canada – 98% of individual commercial beef cattle operations are cow/calf farms and the remaining 2% represent feedlots. Manitoba's beef cattle industry purchases over \$300 million worth of feed annual, and \$225 million in operating inputs each and every year.

Because beef cattle are Manitoba's *single largest agricultural commodity in terms of the number of individual farm operations* in the province, our industry plays a vital role in Manitoba's overall economy and is an essential component in maintaining rural economic sustainability. Our industry's demand-creation power of \$635 million per year means that not only can our rural communities continue to survive but also that Winnipeg, Brandon, and other major urban centers can continue to receive the extensive economic derivatives of our industry's wealth creation. As one of Manitoba's leading primary industries, our industry's economic spin-offs are what eventually lead to the growth of the rest of the province's business community.

A key priority for the Federal and Provincial Governments must be to ensure the economic viability of the beef industry through the availability and accessibility of risk based, sector funded insurance programs - programs that are relevant, predictable, bankable, and timely for the beef industry. There is a need to keep the entire beef production chain healthy. This includes cow/calf producers, background operations and feedlots.

Through the new suite of Growing Forward II programs, it is imperative that the Provincial/Federal Bilateral agreement addresses the livestock sector's needs.

The Manitoba Beef Producers appreciates this opportunity to provide comments and recommendations on Growing Forward II.

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Developing Domestic and Global Markets

The Manitoba Beef Producers are supportive of the Federal Government's initiatives to expand access to global markets for beef and beef products.

Accessing and investing in growing markets in Canada and abroad are the best ways to spur innovation and differentiation of Canadian products. Buyers will ask for and buy Canadian goods when they can access them. Canada must be demanding market access based on the Canadian system. This system needs to be science-based using international standards. Both provincially and nationally, we need to lead in the science based standard making at international bodies and ensure science is the basis of trade access.

Manitoba Beef Producers supports investment in exploratory market development where Canadian exports are not currently present. Dedicated investment in gaining and defending meaningful market access needs to grow and the industry will grow and innovate to meet the demands of new real customers.

Research and Innovation

Increased research spending must be part of Growing Forward's replacement. Currently, research investment is too low, and increased investment needs to include both structural renewal and project funding with industry direction.

Regulations need to be designed and, importantly, implemented in a way that puts Canadian competitiveness on equal footing with other regulatory goals. The Manitoba Beef Producers supports two key principles:

- Science based regulations designed to protect the human health, the environment and the health of our animals.
- Effective consultations must take place before the government enacts new legislation, regulations or policies that impact the economic viability of the beef sector.

Manitoba Beef Producers supports maintaining a science based approval process for new varieties of feed grains and forages. This includes the approval of products of modern biotechnology.

Other issues that may arise from the introduction of a new feed or forage, for example concerns relating to public support or market access, should be left to the industry to determine and should not be part of the regulatory approval process.

This position is being taken to help secure a predictable regulatory approval process, which is critical to promoting investment in research and development in forages and feed grains. Investment in the development of new forages and feed grains is critical to the long term success of the beef industry in Manitoba.

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Business-Risk Management Programs in the Beef Sector

The existing business-risk management programs under Growing Forward do not adequately address the livestock sector's needs. The reason is not in the details of the BRM programs; it is because of the fundamental flaw of trying to have a single BRM suite that is almost exclusively reliant on margin-based programming in the absence of production insurance for livestock.

The problem is in adopting a 'one-size-fits-all' suite of programming to cover all aspects of agriculture. This has, each and every year since 2003, proven to be an ineffective approach to farm income stabilization in the cattle industry. Attempting to cover such widely divergent sectors such as both livestock and grains/oilseeds into a single framework did not work under CAIS and it continues not to work with AgriStability. It is important BRM programs are not linked with cross-compliance. These programs must remain voluntary for producers.

It is therefore critical that the federal and provincial governments contribute funding to their respective agricultural departments and agencies to allow for the development of separate Business Risk Management systems in agriculture. Cattle producers need to have a farm income stabilization policy that can actually respond to the unique challenges found within the province's and Canada's livestock sector.

AgriStability

To ensure AgriStability is timely, bankable, and effective, it must be simplified for both administrators and claimants.

For the next suite of BRM Programs through Growing Forward II, MBP recommends the following changes to AgriStability:

- **“Drop Dead Date” Clause** – There is currently no limit on when AgriStability payouts can be re-evaluated and recalculated. This can become a huge problem for a producer's eligibility in following years if there is a payment re-calculation. MBP requests Growing Forward II include a 3 year timeline on when payments can be re-evaluated. This would provide some predictability and stability for producers, while adding accountability to the AgriStability Program.
- **Viability Test** - Eliminate the viability test requiring producers to have positive reference margins in two of the three years used to calculate these margins. With the economic situation that has faced producers over the past number of years, many who would be viable under normal market circumstances are not eligible to apply for AgriStability or have been removed from the program.

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Cattle Price Insurance Program

Our industry needs risk management programs to maintain and enhance infrastructure by building the capacity to generate broader methods of marketing.

It is essential that the federal and provincial governments contribute funding to their respective agricultural departments and agencies to allow for the development of a Cattle Insurance Program for livestock.

The Manitoba Beef Producers has been actively working with the Canadian Cattlemen's Association and other provincial organizations to implement a Cattle Price Insurance Program for all sectors of our industry, including cow/calf, backgrounder or grasser, and finisher. A proactive insurance program would do a great deal to close the gap between the effectiveness of existing BRM programming and the need for stabilization in the cattle industry.

The implementation of this program provides an avenue for the Federal Government to move away from ad hoc and disaster relief programs not budgeted for. Government-promoted Business Risk Management Programs, like AgriStability, will fundamentally work better for beef producers, who will have the capacity to build reference margins, maximize market signals, and increase the value of the beef commodity. A Cattle Price Insurance Program is a risk management tool that is predictable and calculable to the current production period or year.

A program will backstop the livestock cash advance payment program, and will be a risk management tool for young farmers who do not qualify for AgriStability. A Cattle Price Insurance Program would allow producers the ability to maintain higher margins. It offers the following advantages:

- Market Based Program
- Affordability
- Bankability
- User Friendly Program Structure
- Value Added Approach
- Rural Stability
- Ability to Recoup Government Investment
- Backstop for the Cash Advance Payment Program

Volatility in prices and costs will be a major challenge for the foreseeable future. Marketing price and basis insurance with cost shared premiums – similar to the crop insurance model - for all stages of cattle production will help producers proactively manage risk.

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AgriRecovery

AgriRecovery is important to maintain in order to cover catastrophic losses. Clear triggers and clear follow-up that does not depend on political decision-making will help producers take action following disaster events. The usage of AgriRecovery to date should provide for some clear, written rules that industry can reference in challenging times. Knowing what a program will and will not cover are important parts of decision making. In addition, AgriRecovery should cover infrastructure losses, but revenue caps must be removed or modified to better reflect ongoing changes to the industry.

Current disaster assistance programs limit program payouts by initiating eligibility caps based on pre-set gross revenue limits. As a producer, if your operation has gross revenue that exceeds the limit you are ineligible to receive the assistance. The government has recognized this is unjust and has raised the caps to accommodate producers with higher income. However, even at the latest cap rate of \$15million, most cattle feeder operations remain ineligible to receive disaster assistance under this program.

The Manitoba Beef Producers recommends the eligibility caps are removed to better reflect current production and changes across the agriculture industry.

Disaster Financial Assistance

The Provincial and Federal governments must work together to revise the Disaster Financial Assistance (DFA) program to meet the needs of modern agriculture operations.

Currently, producers with a net income of over \$2 million are not eligible to apply under the Disaster Financial Assistance Program. The Manitoba Beef Producers' key amendments to DFA include the removal of eligibility restrictions based on a producer's revenues and potential artificial geographic restrictions that would have rendered some Manitobans ineligible, had the program been applied to the 2011 spring flood.

The 2011 floods and high moisture conditions in Manitoba are a clear demonstration that the DFA is outdated and does not meet the needs of the industry. Reform of Disaster Financial Assistance is necessary so the Federal Government can move away from emergency *ad hoc* programs. A modernized standing disaster assistance program that is effective, has known criteria and known compensation levels is necessary for the beef industry.

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Non-Business Risk Management Programs for the Beef Sector

Federal and Provincial Governments must create a suite of food safety, environment, research, health and welfare programs that are national in scope, and while implemented at the Provincial level must adhere to the national design. For best success these programs must support and grow industry's capacity to:

- Manage disease risks
- Implement biosecurity and other prevention tools
- Develop emergency management schemes
- Develop and implement Codes of Practice and other protocols as the market requires

Federal and Provincial Governments have the responsibility to fund these programs because it allows for the expansion and diversification of farm operations to meet the demands of the consumer and the public.

Non business-risk management programs, like Verified Beef, need to be directed and delivered by producers and must remain voluntary. Cross compliance (i.e., requiring participation in "voluntary" programs to be eligible for other Growing Forward II programs) must not be considered.

The Manitoba Beef Producers requests the Federal and Provincial Governments maintain funding for all current Growing Forward Non-Business Risk Management Programs for the next Growing Forward II agreement in 2013.

On-Farm Food Safety

The Canadian cattle industry, through the support and encouragement of Federal and Provincial Governments, already has a long established and very successful on-farm food safety program through the Verified Beef Program (VBP). As a government sponsored third-party delivered program, it is an on-farm program that has built an incredible level of comfort and trust among beef producers, which has positively influenced program uptake and overall success.

Growing Forward dollars for On-Farm Food Safety Programs in Manitoba have exhausted. It is important that the next suite of programs in Growing Forward II has enough dollars to carry-out these programs through to the end of Growing Forward II.

The Manitoba Beef Producers requests the FPT Governments increase funding for On-Farm Food Safety Programs, such as the Verified Beef Program and Biosecurity, in the next suite of Growing Forward II

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Environmental Sustainability

Resources need to be directed into innovative land management tools and conservation programming that will support market growth and environmental sustainability. This will increase the resilience of the grassland ecosystem, improve biodiversity, conservation and wildlife habitat. This will also help meet the public's demand for environmentally sustainable food production. Research into managed grazing and conservation along with technical assistance to sustainably increase agricultural productivity and use of conservation management will also help to develop markets and trade.

The Manitoba Beef Producers requests continued funding for Environmental Farm Plans and other programs that encourage and promote innovation into environmentally sustainable food production.

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