



Second Session - Thirty-Seventh Legislature

of the

Legislative Assembly of Manitoba

Standing Committee

on

Agriculture

Chairperson

Mr. Stan Struthers

Constituency of Dauphin-Roblin



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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Seventh Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA

THE STANDING COMMITTEE ON AGRICULTURE

Tuesday, May 1, 2001

TIME – 6:30 p.m.

LOCATION – Winnipeg, Manitoba

**CHAIRPERSON – Mr. Stan Struthers
(Dauphin-Roblin)**

**VICE-CHAIRPERSON – Mr. Tom
Nevakshonoff (Interlake)**

ATTENDANCE - 13 – QUORUM – 8

Members of the Committee present:

Hon. Messrs. Ashton, Gerrard, Lemieux,
Smith (Brandon West), Hon. Ms. Wowchuk

Messrs. Cummings, Dewar, Maguire,
Nevakshonoff, Penner (Emerson), Pitura,
Schellenberg, Struthers

APPEARING:

Mr. Leonard Derkach, MLA for Russell
Mr. Stuart Murray, MLA for Kirkfield Park
Mr. David Faurshou, MLA for Portage la
Prairie

WITNESSES:

Mr. James Warren Melnyk, Private Citizen
Mrs. Kathleen Paterson, Private Citizen
Mrs. Linda Downing, Private Citizen
Mr. Murray Downing, Private Citizen
Mr. Joe Dusik, Private Citizen
Mr. Harvey Westfall, Private Citizen
Mr. Tom Kieper, Private Citizen
Mr. Marcel Hacault, Chairman, Manitoba
Pork Council
Mr. Don Dewar, President, Keystone
Agricultural Producers
Mr. Ian Wishart, Private Citizen
Mr. Greg Arason, President and CEO,
Canadian Wheat Board

Mr. Gilbert Lussier, Spokesperson,
Delegation of Farmers

Mr. Marc Raffard, Private Citizen

Mr. Robert Friesen, Canadian Federation of
Agriculture

Mr. Dan Penner, Manitoba Pulse Growers
Association

Mr. Herm Martens, Reeve, R.M. of Morris

Mr. Ron Dalmyn, President, Provincial
Coalition for Responsible Resource
Management

Mrs. Shirley Galbraith, Private Citizen

Mr. Edward Cook, Chairman, Western
Canadian Wheat Growers Association

Mr. Brad Mazur, Private Citizen

Ms. Celia Guilford, Private Citizen

Ms. Val Pogson, Private Citizen

Ms. Jan McIntyre, Private Citizen

Mrs. Dolores Schellenberg, Private Citizen

Mr. Ken Schellenberg, Private Citizen

Mr. David Oster, Reeve, R.M. of West St.
Paul

Mr. Daryl Knight, Private Citizen

Mr. Andrew Dennis, Private Citizen

WRITTEN SUBMISSIONS:

Mr. Ben Groening, South Norfolk –
Treherne Community Development Cor-
poration

Mr. Neil Hathaway, Private Citizen

Mr. Tom Kelly, Reeve, R.M. of South
Norfolk

Mr. Perry VanHumbeck, Private Citizen

Mr. Glen Franklin, Private Citizen

Mrs. Shannon Combs, Private Citizen

Manitoba Chambers of Commerce

Mr. Marcel Hacault, Chairman, Manitoba
Pork Council

Mr. Ian Wishart, Keystone Agricultural
Producers Rural Development Committee

Mr. Robert McLean, Reeve, R.M. of
Pembina

Mr. Neil Silver, President, Agricore

Mr. Tom Kieper, Private Citizen

MATTERS UNDER DISCUSSION:

All-Party Resolution on Federal Support for Agriculture; Proposition présentée par tous les partis au sujet de l'aide fédérale à l'agriculture

* * *

Mr. Chairperson: Good evening, everyone. Welcome to the fourth evening of the Standing Committee on Agriculture. Welcome to the Manitoba Legislature for those of you who are visiting. I want to call the standing committee to order. Tonight, the committee will be hearing public presentations regarding the provincial All-Party Resolution on Federal Support for Agriculture. For the benefit of all in attendance this evening, I would like to take a moment now and review some of the general information regarding proceedings in this committee.

First of all, it was agreed by this committee at our organizational meeting on April 18 that members of the public would be allowed 15 minutes for presentations followed by 5-minute question-and-answer sessions. The committee also agreed to allow some flexibility to this guideline.

It was also agreed at the April 18 meeting that, following our usual practice, an individual may make no more than one presentation to the committee on this matter. Also following our usual practice, it was agreed that presenters will appear before the committee in the same order as their registrations were received by the Clerk's Office.

In the case of presenters who are not in attendance this evening but have their names called, the committee agreed to call these names twice during the meeting. That means that we will call them again at the end of the meeting.

On this point, how does the committee propose to deal with presenters whose names have been called twice? Shall these names be dropped from the list after being called twice? *[Agreed]*

For the information of all presenters, please be advised that 20 copies of any written version of presentations would be appreciated. If you

require assistance with photocopying, please see our staff table at the back of the room.

With regard to the public gallery, I would like to mention that members of the audience are not to participate in the committee meeting by applauding or commenting from the audience. Also, for the information of the public, copies of the resolution under discussion here tonight are available from our staff table at the back of the room. Or it looks like they are about to be. As a final point of information for all in attendance, I would ask everyone here with cellphones to please turn them off so that the proceedings are not interrupted.

I would like to take a moment now and introduce the members of the committee. Around the committee we have around to my right Mr. Stu Murray, Member for Kirkfield Park; Mr. Larry Maguire, Arthur-Virden; Mr. Jack Penner, Emerson; Mr. Glen Cummings, Ste. Rose; Mr. Len Derkach, Russell; Mr. Frank Pitura, Morris; the Honourable Rosann Wowchuk, Minister of Agriculture; Mr. Tom Nevakshonoff, Interlake; Mr. Scott Smith, MLA, Brandon West; Mr. Ron Lemieux, La Verendrye; Mr. Harry Schellenberg, Rossmere; Mr. Greg Dewar, Selkirk; and Mr. Steven Ashton, Thompson. I am Stan Struthers. I am the MLA for Dauphin-Roblin. I think this was the first night that I got all the names and all the constituencies correct, was it not? No applauding, though; we are not allowed to applaud.

I will now read the names of persons who have registered to make public presentations this evening. Also, I would like to introduce Mr. Jon Gerrard, the Member for River Heights.

Hon. Scott Smith (Minister of Consumer and Corporate Affairs): I would just move that we dispense with reading the names in terms of time and just have the list agreed upon as a whole.

Mr. Chairperson: Is that agreeable to the committee? *[Agreed]* In that regard, there are lists available at the back if you are interested in knowing who is presenting, and if you are a presenter, just where you are on that list.

If there is anybody else in the audience who would like to register to make a presentation tonight, you may register at our staff table at the back of the room. I would like to inform the committee that written submissions have already been received from Ben Groening, representing the South Norfolk-Treherne Community Development Corporation; Neil Hathaway, private citizen; Tom Kelly, Reeve of the R.M. of South Norfolk; Perry VanHumbeck, private citizen; Glen Franklin, private citizen; and Shannon Combs, private citizen. Copies of these briefs have been prepared and distributed to all committee members.

* (18:40)

Is it the will of the committee for these written submissions to appear in the committee transcript for this meeting? *[Agreed]*

We have a lot of presenters tonight, 28 by my list. The other night in Brandon, we had a lot of people registered as well. To be consistent, I would like to offer the same options to presenters here this evening. In Brandon, what we did was we made it clear that if you had a written submission and you just wanted to leave the written submission with the committee, instead of waiting until later in the evening to make an oral presentation, you would be welcome to do so. It would be entered into the transcript as if it were an oral presentation.

At 12 o'clock, I would suggest that we evaluate the number of presenters that we have remaining and at that time canvass the audience to see whether we need to proceed or whether we need to look at different alternatives for finishing off the presenters. Is that something that is agreeable to the committee? *[Agreed]*

Then I believe we are ready to get started. I will now call on Mr. Daryl Knight, private citizen, to approach the committee. Mr. Daryl Knight. We will drop Mr. Knight's name to the bottom of our list and call him again at the end of our list.

Is there a Mr. James Warren Melnyk ready to present? Come forward, please. On deck, and be ready to present is Mr. Bert DeKoning of DeKoning Farms. Mr. Melnyk, do you have a presentation for the committee?

Mr. James Warren Melnyk (Private Citizen): Yes, I do.

Mr. Chairperson: Thank you. It will be distributed. The floor is all yours.

Mr. Melnyk: Hello, my name is James Melnyk. I farm 2500 acres and a 50 cow-calf herd with my parents in the R.M. of Rosburn. I am 22 years old, the only one of four children in my family who is farming and the only young farmer in our area.

I have been asked as a young farmer what I need to keep farming. Under the present MACC program, it is difficult for me to buy land. For example, if I were to buy one quarter of land with 140 acres of cultivated land for \$40,000, I would have to pay 30 percent down, which is \$12,000 or \$85 per acre, before I even grow a crop. Then, in the fall, I would have to make a payment of \$2,800, plus 5% interest, which would be another \$1,400 or \$30 per acre, for a total of \$115 per acre the first year. This makes it almost impossible for anyone to buy land through MACC right now.

Right now, out of the 2500 acres I farm, I own only 800 seeded acres and the rest is rented. In my immediate area, there are three separate family farms that are for sale. Two of these people are in their mid-'70s and have no equipment as they sold their machinery off or would have had to replace older machinery. They have not been able to sell and get the equity and retirement from their investment.

What I propose to the Manitoba government is to change the Young Farmer Program at MACC to make it possible for a young farmer to purchase land through MACC without having to make the principal or interest payment for the first three years, so he can build up some equity and have enough money to pay the down payment after that time.

This would encourage young people with limited resources to concentrate on building up the necessary equipment and facilities. As for the Manitoba Crop Insurance program, it is totally useless, not only for me but for the established farmer as well. For example, last year I had half of my Canola acres hailed out at

over 65 percent. Even at the coverage at 80 percent through Crop Insurance, I was not eligible to claim for losses because the other half of my Canola acres was on land that did not get any hail. I still had a high enough yield on the total acres that I did not qualify for insurance, even though I lost a third of my crop.

So I propose that the present Crop Insurance program be totally changed to a cost-of-production program that would take into account all of my losses and pay me at least what it would cost to produce the crop. Because I lost a third of my crop, my gross sales are down so these losses will not be included in any CMAP payment.

The AIDA program does not work either. For instance, in the 1999 crop year, I lost half of my crop due to excessive moisture. In turn, seeding was delayed and the crop froze. I still did not qualify for AIDA. What we need is a cost-of-production program and immediate cash injection of at least \$50 per acre to cover last year's losses and a moratorium on all existing farm debts until the farm economy stabilizes.

The provincial government should take the \$150 million, which was proposed after the rally in March, as the provincial contribution with a federal match on a 30-70 or a 40-60 or an 80-20, whatever it takes. On a 30-70 split, it would bring an extra \$300 million into Manitoba—and to access the money through the rainy day fund, which is, I have been told, in excess of \$200 million. Every spring I put my entire equity on the line to put in a crop. I ask for the same commitment towards agriculture from the provincial governments for the benefit of all Manitobans and Canada. That is about it. Thank you.

Mr. Chairperson: Thank you, Mr. Melnyk.

Hon. Rosann Wowchuk (Minister of Agriculture and Food): Thank you, Mr. Melnyk, for coming to this meeting, as well as to the others that I know you attended. I want to focus in on one area of your presentation, and that is dealing with crop insurance. You are talking about the level of coverage that is not adequate. You have also talked about a cost-of-production formula. Given the premiums that

producers pay now and the kinds of premiums that would have to be paid to increase the level of coverage or have more individual coverage, they would have to be raised substantially. Do you think that producers would be willing to pay more for their crop insurance if they were to get a different kind of coverage?

Mr. Melnyk: Well, I think there has been plenty paid into that Crop Insurance Program to begin with, because it is not just my situation. This situation has happened throughout the years. You have paid into these premiums and you never get anything out of them. That is pretty much what it is. There is no program there. It has not helped in the past, and it is not helping anybody in the future here. The premiums the way they are, I do not know what necessarily the cost of what it is going to take to put a cost to production through, but I know this Crop Insurance Program that is there is not even worth even having in there. It has not helped anybody and it has never helped anybody in my family or any neighbours or anybody. It cannot. You cannot—it just does not do anything for anybody.

* (18:50)

Mr. Jack Penner (Emerson): Thank you very much, James. Thank you again for coming to present before the committee. Very interested in the proposal that you are making regarding MACC. When one thinks a bit about how governments help industries establish and/or to maintain industries when they are in distress, one need only look at the Fort Versatile plant in the city of Winnipeg. I think some \$32 or \$33 million was extended interest-free, no payments required for the first three years, I believe. Then 10 years no interest charged if they maintained their payments.

Now, when I look at the Bombardier situation in Québec, \$1.5 billion extended to a corporation that was going to save 1000 jobs. If we look at extending those kinds of dollars to agriculture, would it be your view that we could in fact make the agriculture community progressive? Would you think we then could keep more young people on the farm if we extended that kind of programming to the agricultural sector, as well, on a per capita basis?

Mr. Melnyk: Definitely. I definitely agree with that. It is bad enough that there is no way for a young farmer to start, to get a grasp on just to start farming, never mind the problems of not being able to make any money doing it. There is no interest. In my area, there is nobody my age—everybody is at least 40 years of age. That is a generation lost already. You have lost that generation, my generation. If you lose my—which has already been lost—you have lost generations and generations of knowledge that can never be regained. If there is not something done now, it will all be lost.

Mr. Jack Penner: What would your response be, James, as a last question, to governments that say there is no more money for farmers?

Mr. Melnyk: Well, if there is no money for farmers, there is no money for the rest of the economy. It is going to destroy everything else because everything starts at agriculture and it ends everywhere else. They will destroy everything along the way, the whole economy of the country, I think.

Hon. Jon Gerrard (River Heights): On the Crop Insurance Program, one of the problems seems to be that, as farm size is expanded, the difficulties that you point out which are losing a third of your crop or a quarter of your crop, that in fact that is happening enough and that is enough to get you in real big trouble because of the size of the loss and that the Crop Insurance Program, as you point out, basically has got to be changed so that in some fashion it is a better support to farmers like yourself. I mean that is essentially the point that you are trying to make.

Mr. Melnyk: Yes, that is right. Yes, it is not doing the job. It is not guaranteeing anything. It is not guaranteeing anywhere close to what it cost you to produce that crop.

Mr. Chairperson: Thank you very much, Mr. Melnyk.

I would like to call Mr. Bert DeKoning from DeKoning Farms. On deck is Kathleen Paterson. Just so presenters know, it is not that I am being rude or impolite when I interrupt you calling your name. I do that so that Hansard knows when to cue your name on the tape. It is not that

I am being rude, but just give me a minute to present your name, okay?

I guess Mr. DeKoning is not here. We will drop his name to the bottom. Mrs. Kathleen Paterson, would you come forward, please. Following Mrs. Paterson is Mrs. Linda Downing.

Mrs. Paterson, do you have a presentation to be distributed? I see that you do. Was it a relative of yours that we heard from the other night?

Mrs. Kathleen Paterson (Private Citizen): Yes, my daughter.

Mr. Chairperson: You should be very proud of her.

Mrs. Paterson: Thank you.

Mr. Chairperson: Mrs. Paterson, the floor is all yours.

Mrs. Paterson: Good evening, members of the Standing Committee of Agriculture, fellow farmers and friends. Firstly, let me express my thanks to be given the chance to speak with you tonight. My name is Kathleen Paterson. I am with my husband Jim and six children. We farm or farmed four miles south of Deloraine.

We emigrated from Scotland five years ago and bought a grain farm at Deloraine. We did not expect to make a fortune in farming, only enough to sustain our family. I was born and raised on a farm in Scotland where I started farming with my dad from a very young age. I milked cows before going to school, feeding calves and growing crops. All I have ever wanted to do was farm.

I knew and understood that it was not a get-rich-quick occupation. I knew what farming was like. My husband and I thought that we would be able to make a living from nine quarters of Canadian grain land. Yes, we borrowed some money to buy land and machinery, not new state-of-the-art equipment. Our drills were 15 years old, the combine about the same, the grain truck and cultivator at least 20 years old. But

everyone borrows money to start up a business, do they not?

We harvested our first crop in the fall of 1996. Then in October the price began to slide. Canola went from almost \$10 to \$8.50 in a few days, although \$8.50 now seems like a fortune. But we pressed on regardless because we thought that was just part of the ups and downs of farming. In 1997, we started to realize the government system that was there to help us when things went wrong did not work. The Red River Valley was under water, yet we had to stop sowing because it was so dry. With the promise of crop insurance if we did not get a decent yield, we sowed our Canola into the dust on the 10th of June. It yielded 17 bushels an acre. Sorry, we were told in November, one bushel an acre above your coverage; and the price of Canola was now down to about \$7.

In the fall of 1997, my husband got a job with a seed plant which I originally thought would pay for the fun things in my children's lives such as riding and hockey, but we soon realized that we were going to need that money to help us out with the falling grain prices. In the spring, Jim kept his winter job and I went seeding the 1500 acres on my own, but, with about a hundred acres left to seed, I had an accident and was on crutches for about 11 months. I had to give up farming for most of these months. Jim had to give up his well-paying job off the farm and come home to start spraying.

The crop I planted in 1998 was one of the best crops, but the prices in Canola, wheat and flax had really started to fall. Jim once again was lucky enough to get a job in town, but in 1999 I had an operation on my leg and Jim had to yet again come home and help on the farm. At the end of April '99, Jim and I looked forward to farming together again on the land. But then came our flood of 1999.

Does this ring a bell or is it really forgotten? It was not as spectacular as the Red River flood but just as disastrous. It rained on my farm and we had 29 inches of rain. Jim and I sat at our kitchen table. We met in the yard with friends and neighbours, but we could hardly speak to each other through the stress and strain. We needed the crop of 1999 for our farm to exist.

It finally dried up in the second week of June, and some wise government official extended the crop insurance sowing deadline by five days. They even gave us money for custom seeding, but because we were farmers, we worked hard and finally got most of our wheat in by the 20th of June. It only yielded about 12 bushels an acre and even froze before we had it harvested. Our wheat average again was just too high to collect against crop insurance. We did have a claim on 100 acres of barley, and we got a cheque approximately for \$75. Ten days after they extended the crop insurance deadline we received \$50 per acre for unseeded land. We would have been better not to have sown anything and taken the year off. The bureaucrats certainly found a way for the Government to save money. Can someone sitting around this table please tell me why southwest Manitoba of '99 was not treated the same fair way as the Red River flood? Is it because the farmers in southwest Manitoba are not as important as the Red River farmers? Our provincial government must see to it that we are treated the same fair way as the Red River flood.

I have no problem with working hard at farming or not having a picture-book home or two holidays a year, but to work long hours and lose money is breaking my heart and sometimes making me into a monster of a mom and wife. Due to the stress and strain that I have to live with, do you know what it is like dreading to answer the phone when you owe money? Have you ever had only \$10 to your name for a week with no overdraft facilities nor close family to ask for help? We are both working off the farm and trying to pay off our debts from farming in 1999. I am lucky enough that I have daughters who work after school and who during the winter months have been paying our food bills. My youngest girl who also farms with me once wrote to her Gran back in Scotland: Grain prices rock bottom. Please send more money. Love, Jane.

* (19:00)

So, how and why are farmers in such a financial crisis? Because our government does not hear or care? I hope that you, this committee, after these four meetings with farmers and rural community members, will now do your utmost to fight for our future. Our Premier (Mr. Doer)

wrote a letter to our Prime Minister on March 21 this year to express his concerns. Has this letter had any effect, or will you have to take a stronger lead? The provincial government has committed \$38 million, but is that enough? Can you give us more money? AIDA and CFIP, what can I say? I can only hope that CFIP will work out for me this year. AIDA was the disaster in farming. There are also many smaller things you can do as a provincial government to help us: by sending out our seeded acres report as soon as possible so farmers may be able to access the final 40 percent from their spring cash advance; diversification by helping farmers in rural areas to build their own ethanol plants. This would help with the cost of freight and transportation in my area. Let us build these plants here in Manitoba before it is too late and they all go west.

I would also like to say that the \$500 million that was given to the Canadian farmers is also inadequate. Farmers need \$500 million more as a short-term plan for this spring to continue farming. Your resolutions have omitted to deal with a long-term plan for the agricultural industry here in Manitoba and the grain and oil sectors in particular, as this is a sector of the industry that is being most manipulated by foreign governments. Let us forget about the fire brigade programs such as AIDA, CFIP and CMAP. We have a program in place with Manitoba Crop Insurance. Let us up the coverage, and the program will pay out when needed. This would be a way to make sure the money went to the farmers, not the bureaucrats running a complicated system. And just think of the trees we would save!

Lastly, as I have mentioned before, the flood of 1999. In my area it has finished me and others from farming this year. Debt, stress and unhappiness are three words you should remember. We did not get treated fairly in the flood of 1999. So do something for us now before more farmers move off the land, move into your towns and cities, and maybe take your jobs.

Mr. Chairperson: Thank you, Mrs. Paterson.

Mr. Gerrard: Kathleen, thank you for your presentation. You certainly have put in very eloquent terms the state of the crisis at the moment and are urging some dramatic action.

Now, one of the things that you focussed in on, as did James Melnyk, was the need to change the crop insurance so that it really responds better now. This goes beyond the mistakes that were made in '99 in extending the crop insurance. I mean, I think that, in fact, the provincial government should acknowledge that mistake and provide some additional compensation for people in southwestern Manitoba because of that mistake.

So I would be interested, first of all, in your giving us some guesstimate of what you lost because of that mistake—I would guess it is significant—and, secondly, how you would change crop insurance.

Mrs. Paterson: I have written in my speech that we did not claim our wheat in our crop insurance. We farm on a hill, and half our wheat crop went in before the 16th of May. We were lucky, I thought at that time, but we had 480 acres that we did not seed until the 17th, 18th, 19th and 20th of June. We could not attempt it before the 15th, and I feel as though extending that crop insurance date in our area did farmers like me. All that we wanted to do was go out there and farm and try again. As I said, I needed the crop of 1999 for my farm to exist.

We went out and we seeded, and we did get \$10 assistance for custom seeding. We had 171 acres that were unseeded. That was the only income I really had that year—it was from that—and the proof is on my AIDA form. Because we had our early wheat and our late wheat, then our average for claiming was levelled out by the bad and the good. We actually grew a pretty good crop earlier on.

As I sat down and worked it out, getting 12 bushels an acre on number 3 frozen wheat that, really, nobody wanted—it was the most disgusting looking wheat I have ever seen. I was ashamed of having to take it to the elevator. I lost \$64.18 per acre. If you want these figures, I can actually put them down in writing. I have them with me, I think, and I can give them to you. That was why I said we went out and tried. It would have been better not to have tried and taken the \$50 which then maybe was—I think I worked it out that I made \$16 out of that \$50; \$16 to live off of that year, because even with the unseeded acres on our land, you would still

have to work that ground to keep the weeds down, and fuel and the cost of machinery. In my area, it took more than one coverage.

To change the crop insurance, that is my idea. You are asking for suggestions. The program is in place. Let us use it, but we have to up our coverage and make it pay, make it worthwhile. I am not smart enough at knowing how to do that, but I would like to be there when you have suggestions on how you are going to do it. But make sure it covers everybody.

Ms. Wowchuk: Thank you, Mrs. Paterson, for your presentation and for outlining the challenges that you and your family have faced, and, certainly, they have been difficult challenges.

You talked about the difficulty with the extension of the seeding date and the problems that created for you. One of the changes that we have made is that we now have unseeded acreage insurance for when there is excess moisture. Would a program like that have been more helpful to you than having the deadline for seeding extended?

Mrs. Paterson: Yeah, well, you now have put it in place. My point is: Who was the gentleman that made that choice? I know I spoke to Glen. I have asked a lot of people who made that decision to extend it by five days. It was too late. If you do not have your crop in in my area by the 15th of June, you really should just be parking your tractor. But we did not. We trusted the government, or I did, and we went out there and we brought in two custom seeders to put our acres in, in these short days. That is my point. That was a wrong mistake, and we got no compensation from that. I would like to see the people like myself that have hurt from that, that did seed after the 15th of June, receive the \$50 an acre, too, which, by the way, is not enough either.

Ms. Wowchuk: I just want to follow up on your other comment where you say that you need another \$500 million. I am pleased that we have all parties here at the table, and we have a commitment that we are going to continue to pursue this issue with the federal government to have short-term support and work towards long-

term solutions and address the issues that you have raised here.

Mr. Larry Maguire (Arthur-Virden): Thanks very much for your presentation, Kathleen, coming all the way in tonight to give it, as well. I commend your daughter for the presentation she made in Brandon, again, as well. You have brought a lot of points up here. The \$500 million, you are asking for that again. Our committee will be, from our resolutions, looking at that, and we will be looking to see if that, in fact, is the basis of a solid number or whether or not we should be looking at more here in Manitoba and across Canada, as well.

You have made, eloquently, the point that I have tried to make for a year and a half in regard to the issue of western Manitoba and the flood of 1999 tonight. I think you have put it in terms that are very succinct and understandable. You talked about the \$10 program for seeding, the \$50 that was paid out, the crop insurance dollars that might have come into some people's hands, the CMAP program that has been put in place, and you have also pointed out how you did not receive any kind of compensation. In some terms, I would say in some of those programs, such as AIDA, that you were not eligible for, not only did you receive no compensation because of the overlapping effect of those programs, and AIDA, being eligible as income instead of just being disaster income, I would say that you were actually penalized. Farmers like yourselves were actually penalized.

* (19:10)

Mrs. Paterson: Yes, I agree with you there, Mr. Maguire. We were just discussing that on the way up today. All your small programs sometimes have knocked out the chance. If I had not taken my \$3,400 for unseeded acres and marked that on my AIDA form, I perhaps would have got a larger cheque from AIDA. I did not get any cheque at all. I have had to sell land. I have sold three quarters of land. I have no money, and yet I still do not get an AIDA payment. Who does? That is an unfair system.

Mr. Chairperson: Just before we go on, we have only got a couple of minutes left, and I have four speakers. I want to make sure everyone has a chance to ask questions, so we have to keep our speeches, as politicians here,

down so that we can squeeze everybody in. Mr. Ashton is next.

Hon. Steve Ashton (Minister of Transportation and Government Services): I appreciate and I realize it must be difficult for you, running through all the personal details. I hope, when I ask the question, it does not go too far into all the financial details. One of the issues we have been raising with the southwest is that, essentially, the Red River, most of the damage there was the property, and it was covered. It was \$260 million. I know that a lot of people in this room know what happened.

In southwest, there was \$16 million that was covered under the Disaster Financial Assistance Program, but that was for damaged property. The real problem was with damage to land, bringing land back to productive capability. In fact, in the Red River, a lot of farms actually had a crop in '97, not '99. One of the issues we have raised is with fertilizer and weed control, because people were actually trying, as you did, to get a crop in with all the input costs. Thus far, the federal government has refused to recognize those costs. I am wondering if you can give us on the committee some idea of what that meant to you in terms of those kind of input costs: fertilizer, weed control in trying to put a crop in. As you said and perhaps it was not, in retrospect, the thing that should have been advised by the government, but what kind of costs did you face on input costs?

Mrs. Paterson: Just as I said, Mr. Ashton, I actually worked it out. On the later crop that we did go seeding on the 16th to 20th of June, I lost \$68. No, sorry, that is not true, Kathleen. I lost \$74.68 per acre. I have sat down and worked that out. I did not get a chance to grow a crop. The Red River farmers did. They got compensated and still went out and grew a crop. It is unfair to us in southwest Manitoba. Why are we different? Why am I different? I do not think I should be.

I think you really have to deal with this, especially for lots of people like me. I am standing here today, trying not to cry because I am going to lose it.

Mr. Leonard Derkach (Russell): First of all, Mr. Chairman, I want to thank Mrs. Paterson for her presentation. I know that in '99 there were errors made. As a matter of fact, I found myself

in the same dilemma you were in, even though I was part of government then. We seeded right until the 20th of June only to find out that was a mistake. Sometimes we who are in government have to accept mistakes.

However, back in 1989, when we had the same kind of situation with flooding in the Swan River Valley, the provincial government did pay its share of money to the people who were flooded. Then, as a provincial government, we went to Ottawa and fought for our share. We did not get it paid until 1993.

We have been pressing our government to do the same, to pay the provincial portion to the farmers in southwestern Manitoba, so that, at least, they can either get a crop in this year or perhaps look after some of those debts that have to be looked after. Then we can fight between governments to get our share of the federal portion back. That is the approach we took when we gave the \$50 an acre.

I would like to ask what your position is and whether or not you would see that as a favourable, at least, attempt to try to resolve the issue of '99.

Mrs. Paterson: Yes, I certainly would. If I had received the \$50—I think you were saying, Len, I would receive \$50 for the acres I did go out and try to seed. Is that what you were saying?—yes, that would be a big help. The reason I was finding it hard to speak there, that it actually is too late for me today. Apart from selling some land, today I loaded my machinery onto the truck and sold it to pay off debt from 1999, and I still do not qualify for an AIDA payment. So this is a plea from the heart. I hope that there are not too many people who have to stand here next year and feel the same way as I do.

My last three words, as I said: debt, stress and unhappiness. I did not imagine this when I emigrated from Scotland. I know that farming is hard work and I am prepared to do that. Just as I said, I do not want two holidays a year. I do not need a picture-book home, but I would like to be able to make a living off the land that I thought I did own.

Mr. Chairperson: We still have two more speakers. Mr. Pitura and Mr. Murray, if you are quick, we can do that.

Mr. Frank Pitura (Morris): Kathleen, thank you very much for that very moving presentation. It has really affected me.

Kathleen, a question. Many producers stood in front of that podium over the last number of days and said that for the long-term sustainable support of agriculture we need a cost-of-production insurance program similar to the one that Mr. Downing has put out. Do you support that kind of program?

Mrs. Paterson: Yes, I do. Yes, I certainly do.

Mr. Stuart Murray (Leader of the Official Opposition): Kathleen, thank you very much for your presentation. I was just noting in some of your comments when you talked a little bit about diversification and you talked about building ethanol plants and looking at other opportunities, understanding that there would have to be some capital, that you are not in a position, but I just wondered if you have had discussions with others in your area about that specific project.

Mrs. Paterson: Yes, I have actually. I am also a member of KAP, on the district board. I know through some people there we have discussed it. We are talking about diversification. I think there is an opportunity that southwest Manitoba can use, by putting that diversification money in the farmers' hands who would like to be involved in building our own plants. These plants employ people and we need people to stay in southwest Manitoba to have a community, to have everything, to have a hospital, to have schools. Otherwise, it is not going to be there.

Mr. Chairperson: Thank you very much, Mrs. Paterson. I would like to call Linda Downing forward, to be followed by Mr. Ken Schellenberg.

I also want to point out to the committee that the Manitoba Chamber of Commerce has left with us a written submission, and it will be added to the transcript of this committee hearing.

Mrs. Downing, you have a report to be distributed? Thank you. Mrs. Downing, we are all yours.

Mrs. Linda Downing (Private Citizen): Good evening, Mr. Chairman, members of the committee and fellow presenters. For those of you who do not know who I am, my name is Linda Downing, wife of Murray Downing for almost 23 years.

They say behind every good man there is a good woman. I feel that is where I fit in. In our wedding vows there was a term "for better or worse." No one had truly explained the term "worse" to me, but the past 23 years had to have been the worst of the worst in regard to farming.

My first three attempts at writing this speech were complete and concise accounts of the past 23 years, but after timing myself the length was over three-quarters of an hour. I wanted to fully explain all our trials and tribulations, but will be willing to discuss in more detail at a later date, if so requested.

I am here today to explain to you what has been our motivation in doing what we have been doing, and will continue to do, to get what is needed for every farmer in Manitoba, and hopefully in Canada.

An additional cash injection is needed to set us back on our feet, and a cost-of-production formula that we feel will provide a level playing field overall. We feel this will stabilize agriculture and we will not have to again return for more aid from the government.

* (19:20)

The excessive moisture of 1999 had a huge impact on crop production, by producing very little, if any, crop. What was produced was of poor quality and diseased. This rendered our marketable crop for 1999 year worthless. With commodity prices being the lowest in history, input and machinery costs being extremely high, this resulted in no one being able to use the inputs. But yet we cannot afford not to use them to sustain yields to cover production expenses.

We are all finding ourselves in precarious situations and, for some of us, in a crisis mode.

We have heard a number of solutions put forth by the governments of the day—diversification, meaning growing a variety of different crops; livestock, meaning cattle and hogs. Diversification has a cost to it as well, like purchasing animals, setting up buildings, et cetera. There is a time frame before profits are seen in these ventures. Value-added industries, strawboard plants, hemp processing, trailer manufacturing, to name a few, that have been tried in our province have fallen way short of their expected outcomes.

Crop insurance takes us below cost of production if there are failures. NISA, not everyone can participate in this program, and AIDA, few, if any, qualify for a payment. All these programs may be working for some, but not for all producers, as you have heard time and time again.

I guess with this in mind, I have to step back and tell you about our life farming through the '80s. In our area, 20 miles southwest of Virden, we experienced many years of adverse weather. Dry to extreme drought conditions prevailed. I have photos of ditches filled with blown topsoil. We have experienced dust storms similar to a winter blizzard, where nothing could be seen right in front of you except the dust in the air. Early frosts, meaning -10 degrees Fahrenheit on the 10th of August that crippled the crops that year. We had half and half, corn and sunflowers on a total of 2250 acres seeded. The corn was salvaged for cattle feed, and sunflowers that we harvested were one third of the anticipated production.

With all these weather problems, you can see our crop insurance had been used to the point with claims that we have little or no coverage left. As you claim, your coverage drops. Our NISA accounts never were built to any extent, for what we put in one year, we had to withdraw the next.

GRIP worked, but the program was phased out because farmers farmed the program, some probably to benefit financially, others to keep

their heads above the water. Nonetheless, it was cancelled.

We have had to take additional loans, consolidate loans, and when the interest rates rose to 24 percent, we faced foreclosure.

We have, in total, refinanced three times. We have paid for our 550 acre farm and a line of machinery three times, but we still have some outstanding debt on these properties due to shortfalls.

We have been told that we were poor managers, poor bookkeepers, and we were not using good farming practices, and that we should not have been farming at all. We were also told by our lending institutions, and I quote: We will not lend you people money, even to buy coffee.

After our foreclosure 17 years ago, we have not been able to obtain operating credit at any other financial institution. We have been forced to develop good working relations with our trade credit people, and have had to negotiate and work through a lot of tough situations.

I have to ask you what dictates a poor manager. We have to know where every dollar comes from and where every dollar is spent. We know what has to be produced to cover costs. We do not have control, however, on what we sell our product for.

It has not been easy, and probably you, along with many others, would say: Sell and try something else. Selling is not that simple. Two years ago we entertained that very idea, but by the time the realtor was paid, the creditors dealt with, and Revenue Canada took their slice, we had \$30,000 to start over. \$30,000 is a lot of money but not nearly enough to start over totally at today's costs. So we continue to farm, and that is to hopefully increase that spread to a more realistic number in a ratio to today's cost of living.

After many conversations with the federal and provincial agricultural finance and policy people, their comments to us were: We have heard farmers complain that farming is in a crisis, but we have not heard many solutions to

the problems. You tell us that our programs are flawed or have failed. What is your solution?

After some time, a dream which Murray, my husband, had, IAP, which is what we call the Income Assurance Program, was born. It was fashioned after the best of the old GRIP program and the best points in the Crop Insurance Program. Many, many hours were spent fool-proofing the program, how to make it work for farmers in times of need, and how to stop farmers from abusing the system.

Once this was satisfactory to Murray and his colleagues, they went out into the public with town hall meetings, for who better to know what will work for farmers than the average farmer himself? They held over 40 town hall meetings in 1999, with halls holding up to 400 people at the maximum and no less than 50 at the minimum.

We were looking for criticism, anything missed that would improve it or anything negative that should be taken out. We never found much criticism, and the overall consensus was, finally a plan that could work. It is not a whole farm plan yet, but I am sure, with a bit more time spent, that could be corrected.

In December of 2000, Murray was invited to present his program to the federal Standing Ag Committee, who recognized the farming problems and had heard about the IAP program and wanted to hear more about it. Nerves were tense, and speeches were written over and over again to get them just right.

From that presentation, Murray was invited to present the IAP program in Ottawa before ag policy and trade bureaucrats. There he was told by these policy people that, if they wanted this program green, it would be green. When I say green, I mean meeting trade rules criteria. So that told us that, if the political will was there, there would be a way.

By now, we had a good number of people supporting and telling us we had to keep pushing our ideas. Our expenses were out of our own pockets, but people have and are making donations for us to continue. To date, the amount of \$9,000 has been donated, and we are trying to use it effectively in our lobbying efforts.

The only other alternative we felt was necessary was to get the message out loud and clear. There are problems in agriculture, not just in our area, but across our province and all across our country. Our communities are suffering, losing elevators, losing doctors, stores closing. Next will be our schools and our post offices.

Tractor rallies first started here and then in Ottawa and then back here, for we were not sure where we should be targeting our lobbying efforts. Provincial government would blame federal government, and the federal would then pass it back to provincial.

I now have to thank you for finally recognizing the crisis and agreeing to work together. All provincial parties, existing farm groups, and the grassroot farmers will unite and return to Ottawa as a unified voice. We now know our focal point.

We have put far too much time and effort into this not to see it through. We have everything to gain and a lot to lose. Thank you.

Mr. Chairperson: Thank you, Mrs. Downing.

Ms. Wowchuk: Thank you, Mrs. Downing, for your presentation and for outlining the situation that you have been facing, and the amount of work that you and your family have put into your efforts to design a program. That is important, because it is through efforts of people that new programs are designed.

One of the questions I want to ask is that you said in your comment that the policy said to people that, if they want this program green, it would be green. I am not quite sure who said that, because when this program was presented to us and we had discussions with the federal government on it, the concern with it is that it is not green and that it would be countervailable. I wonder who the people are who have indicated to you that the program could be green. That is a very important issue to be addressed in all of this because our discussion with the federal government is that it cannot be green.

Mrs. Downing: Can I ask my husband to—Murray?

Mr. Chairperson: Mr. Downing has presented before, but if there is leave of the committee—

Mrs. Downing: I just want to know the name of a person—

Some Honourable Members: Leave.

* (19:30)

Mr. Chairperson: There does seem to be leave of the committee. I have to follow the rules, so if, Mr. Downing, you would like to respond, you are welcome.

Mr. Murray Downing (Private Citizen): How I would like to respond to that is, under the GATT rules or NAFTA or whatever we call it, Canada has \$5 billion before countervailing rules apply. We are spending \$1 billion now, we have room for \$4 billion left. The point is if there is a will, there is a way. That is what that meant by if we want it green, it will be green. Thanks.

Mr. Chairperson: Thank you, Mr. Downing.

Mr. Gerrard: Thank you. You and Murray have put a tremendous effort into this and have come through a lot of experience and hard times.

Now you talk in your presentation a little bit about what happened in 1999. I do not know. Were you able to seed all of it? Was there a situation with crop insurance, as for instance, Kathleen had, that some had to be seeded after the deadline because of the changes? The program that you describe, the Income Assistance Program, would it have made a big difference if it had been present then?

Mrs. Downing: We sold 60 percent of our crop that year, but we might as well have stayed in the house because it was five bushels to the acre of Canola we harvested, and our oats went sixty bushels to the acre, at 21 pounds to the bushel. So, through disease, it was pretty well unmarketable. Nobody wants 21-pound oats. The program probably would have—which program are you referring to, the IAP program? Yes, it would have, because our production was not there, so it would have brought us back up to what it had cost us. We went to the extent of sowing the crop in a normal manner. Just

because of the excessive moisture the Canola spouted, but then it just lay there. If you overwater a plant, it does not thrive, and that is basically what happened. By the time it did dry up enough for the plant to start growing, it was late and it just crippled it.

Mr. Jack Penner: First of all, Linda, thank you very much for making the presentation. You could absolutely feel the heart in this presentation.

Secondly, I want to thank you and your husband and your neighbours for having put together a plan that you have presented, not only in Ottawa, but also presented to the Crop Insurance Corporation in this province, and I understand also have had discussions with the Premier (Mr. Doer) and the minister on this program. I think that is really what is needed is the involvement.

I would like to say to the minister of highways that if a minister or a group of ministers, as we did in 1988 during the Swan River flood, want to make a decision, they have the authority and the right to make that, like that. It does not take long. We made the decision in Swan River on-site to alleviate the flood problems right there. This Government has chosen not to do that yet, and they need to do it. They should have done it in '99 and they should have done it, like that, in the fall of the year, because that is when you have to do it. As we said later, three or four years later, we collected the money. But it can be done, if the will is there. You are right.

Now can I ask you how this program, in your view, could be implemented? Would it need federal participation, could it be a federal-provincial cost-shared program, or should the federal government initiate and institute a program in itself and deliver it in this manner?

Mrs. Downing: Sorry, you are referring to the IAP program?

Mr. Jack Penner: The program that you developed.

Mrs. Downing: Probably. Crop insurance is what, both federal and provincial? I do not see why it could not probably fall into that scheme. Plus we, ourselves, will pay a premium to help with costs as well.

Mr. Maguire: Thank you for your presentation Mrs. Downing. You and your husband have developed a model for a type of a longer-term program that would be somewhat, perhaps, more beneficial than what we have today in the description that we have of AIDA. In the work that you have done on that program, have you ever analyzed what kinds of dollars your farm would have had out of that program if it had been developed? Maybe I am putting you on the spot. I do not know if you have actually done that work or not, but just to show the difference in what you may have received on your own farm as opposed to the kind of support that would have been there from that kind of a program—and you have already indicated a cost-shared basis.

Mrs. Downing: Can I ask my better half again? He is the number cruncher. Can you answer or give me a guesstimate?

Mr. Downing: It would be 320 versus about 80.

Mrs. Downing: So 320 000 versus 80.

Mr. Derkach: First of all, thank you for your presentation, Linda. My question has to do with what happens from this point on, on your farm. I am sure your answer is, like so many others who will have a difficult time, if in fact nothing is done to alleviate the problems of 1999, whether it is done by the provincial level or the federal level and if we see no more money than what Ottawa and the province have agreed to, to this point, what does it say for your farm in this next year and beyond?

Mrs. Downing: I guess we will sow a crop this year though, I guess, we call it robbing Peter to pay Paul. We have used some of the programs that are out there. We have financing put in place right now to seed and chemical. As fertilizer, we have not nailed it down yet—we will go and sow a crop—but from that point on, whether we will be using fertilizer. If we can nail down a bit more financing, we will be using fertilizer, but there are just so many what ifs out there; like, is

it going to rain, is it not going to rain? What is the price going to be? Who knows. We will know come next fall, I guess, whether we will be able to continue or whether that is the end of the end. We have listed our farm for sale, as well. We lost \$60,000 last year. Like I said, we robbed Peter to pay Paul. A lot of that money that we borrowed to put in this year's crop had to go to pay last year's debt before we could start this year. So that is why we are still looking for additional financing to buy fertilizer.

There, again, what dictates a good farmer? Under crop insurance, you have to practise good farming practices, and fertilizery is one of those things. So do you use it, risk the chance, or do you not use it? There is risk on both sides of that ratio, but we will seed in some form.

Mr. Chairperson: Thank you very much, Mrs. Downing. I would like to invite Ken Schellenberg to the mike, and, Mr. Joe Dusik, you are on deck. Maybe Mr. Joe Dusik just got put into the batter's box. Mr. Dusik, would you come to the microphone, please. We will drop Mr. Ken Schellenberg to the bottom of the list to be called later.

Just before Mr. Dusik gets started, I forgot to ask for leave of the committee to accept the written submission of the Manitoba Chambers of Commerce. Do we have leave to do that? *[Agreed]*

Mr. Dusik, do you have copies of your presentation to be distributed? Mr. Dusik, we are all yours.

Mr. Joe Dusik (Private Citizen): Mr. Chairperson, Honourable Ms. Wowchuk, distinguished guests, fellow farmers and media types, I would like to thank you at this time for taking the time to hear what I have to say. I am here tonight to express my concerns about the farm crisis and let you all know there is a desperate need for cash injection and a cost-of-production program. I think you all know at this point we have been asking for \$64 an acre. This needs to be implemented as soon as possible.

I have farmed, together with my wife, Doreen, for 42 years. I began farming with my

dad at a very early age, born and raised on a farm. There have always been outside jobs to help support the farm—winter jobs, growing up north, are a must. They were a must and they are a must.

We tried to diversify into dairy for six years but had to quit on account of my wife's health problems. So I went straight grain with outside part-time jobs. We have grown cereal grains, oilseeds, specialty crops, and turf grasses, and also been involved with trucking. So I think I know a little about being diversified, and that is a word that I really hate.

We have three sons who are working away from home. The way agriculture has been, they do not see any future in farming. They just help when they can at home. I would not want my sons to go through what Doreen and I have all these years.

There are many problems with agriculture today, as you are all aware of, caused by big corporations and governments who are not listening to producers in all walks of agriculture. It is devastating that the family farm is going downhill on the road to destruction. If something is not done very quickly, we will surely lose it all. I think we are over the hill already. Our governments have to learn to listen and to act.

The Wheat Board was brought in as a war measures act many years ago. This was to ensure, during war, that Canada was guaranteed a supply of food. Well, the war has long been over and we still have the Wheat Board. I think there is a place for the Board, but not as it presently operates. It is accountable to no one. The records are sealed under lock and key. Their excuse is they do not want anyone to know how they operate or do business.

* (19:40)

When Ralph Goodale was elected as Agricultural Minister, he said he would make changes to the Wheat Board and make the Board more accountable to producers. Boy, did he ever. They would trim the fat and streamline the whole system. Well, now we have Mr. Ralph Goodale as a Wheat Board Minister as well as his other duties. Lyle Vanclief is now the Agriculture Minister. So tell me how we streamlined that part.

The Wheat Board is a huge cash cow for the federal government. They do whatever they like. Meanwhile the farmers are paying the bills as well as the cost of the Wheat Board's operation. Why can we not have a dual marketing system where there is competition in the business? The federal government always says that competition is good for everyone. I guess that means everyone but them. We are seeing bigger companies and less and less competition. Our bargaining is going to hell very quickly.

In the late 1990s, the federal government said that the Crow had to go. Other countries saw it as a subsidy. Well, they could not get rid of it fast enough. The federal government has taken over \$1.5 billion per year out of the west and literally raped agriculture in every possible way over the years. That was the last straw. Elimination of the Crow has made the federal government prosper at the expense of the farmers. There is no way in hell that farmers can survive under the present conditions. Farmers pay for everything. We pay for freight on everything we buy and, guess what, we also pay for freight on everything we sell. That is a hell of a deal for our customers and everyone, except us.

This article was in the newspaper lately. It read: Federal surplus grows to \$20.4 billion. The federal government posted a \$4-billion budget surplus in February, its coffers bursting with record corporate income tax revenues, the finance department reported yesterday. Over the first 11 months of the fiscal year, the surplus was estimated at \$20.4 billion, up \$5.5 billion from the same period in 2000. In the 11 months from April through February, the government took in revenues of \$161.9 billion and had a spending program of \$141.5 billion.

Are we being treated fairly? Just think, all we are asking for is \$5.4 billion across Canada to fix the problems in agriculture that have been created by our government.

Now, onto another topic of chemicals and fertilizers. I would like to know why they are so expensive. Why do we need so much of it? Why are we using so much of it, and why are we trying to produce so much grain in this country if there is such a glut of grain in the world, like our

governments are trying to tell us? Well, I do not believe there is. Why do we not change our farming practices? No fertilizer at all, seed half the farm and summer fallow the other half. The land would get a rest, be revitalized, as well as be cleaned up. All the professors at the universities teach that we will lose too many nutrients in the soil. Yea, bull. If I keep farming the same way for another one to two years, I will be broke. Professors teach what the governments want, and who is going to care what you lose if you are broke?

Chemicals—we have become dependent on them. A lot of the chemicals today are engineered for the companies' benefit, meaning Roundup used to be very effective. When used, it would eliminate the undesirable grasses, et cetera. Dead. All we have now are chemicals that seem to just stunt everything for the season and are back next year. Believe me, I am talking from experience. I have been trying to kill quack grass for many years and the same stuff keeps coming back every year. We have had Monsanto out and they keep saying, well, you know, there are 18 types of quack grass. Okay. So you tell us what to do. We have done everything they have said; it is still growing. So there is a message there somewhere.

Why would you make a product that would totally do what it is supposed to? If it only partially kills the weed, they know you will be back next year for more Roundup or more chemicals. Chemicals are a huge business for the companies. They think we cannot farm without them. Well, just listen to all the ads on radio and TV all year round and they are sickening. It is all you hear. The chemical companies must really think farmers are stupid. A lot less spent on advertising would make their product cheaper to the producers, because, you see, the farmers are actually paying for the advertising through the cost of it.

I think it is time for all levels of government to step in and put a stop to GMO products. The way they are going, in a couple of years farmers will not be able to use their own grain for seed. The chemical companies have found a very lucrative market. This is what has been going on in Germany for many years, and you cannot seed your own seed. No matter what it is, you have to buy every bushel of seed every year. That is what is coming here.

Now they are trying to do GMO on wheat. This practice has been going on in Germany for many years. It is against the law to use your own grain for seed. Just imagine how expensive this could be for every producer in Canada. Why would you pay \$15 an acre plus the cost of the seed to Monsanto or any other company every year for the rest of your life? This has to stop. What is the point of growing huge crops if it is not worth anything to anybody? Under pressure of globalization and corporate lobbying, plant breeders' rights were legislated by the Brian Mulroney government in 1991. This patent not only took the ball away from the farmers but also fixed the game in favour of the multinational biotech giants such as Monsanto.

There is something inherently wrong when farmers lose their freedom to save their grain seed either to grow it for themselves or sell it to their neighbours. Legislating PBR laid the groundwork and opened the door to development of GMO such as Monsanto's Roundup-ready gene in Canola. Even though I found growing some GMO crops practical on my farm, I realize this rapidly advancing technology is a Pandora's box.

Huge ethical questions are arising, such as biodiversity of species. We have lost the European market because of the GMOs. Farmers are losing their ability to stand together. The time to be proactive and civilly disobedient is now. Plant breeders' rights law is not our friend; it is only for the big corporations.

The federal government has decided that it did want to study this problem in agriculture for 18 months by appointing a task force. Mr. Harvard said that this is what the task force is all about, to take a long-term view. Well, guess what? If they still do not have all the know-how after all the farmers that went to Ottawa, myself included, all the meetings and all the rallies across Canada, and then discussions with anyone in the agriculture business—if they still have to study this problem, then I think we are in big, big trouble. This is an excuse to put the issue off again.

Thank you for your patience, and I hope you understand our problems.

Mr. Chairperson: Thank you, Mr. Dusik.

Ms. Wowchuk: Thank you, Mr. Dusik. I think it is very important that we have the opportunity to hear what you have to say, and I thank you for your presentation.

You mentioned the Crow, and I want to point out that that was a serious blow to Manitobans. Because of that change to the Crow, we are losing \$300 million a year just in this province. That is equivalent to what all of the other non-Prairie provinces are losing. So Manitoba's loss with the elimination of the Crow was very serious and one that I believe has had a serious impact on our industry.

I want to focus on one area that you talked about where you said maybe we should not use any fertilizer at all and maybe we should seed half of our farms. Others have talked about a land-set-aside program to take some of the land out of production. I wonder if you were in support of a set-aside program and what kind of support you think we would need for that kind of program.

The other question is, given that the federal government is the one that has saved all of this money with the elimination of the Crow, do you think the federal government should take a larger role and more responsibility in addressing this farm crisis?

Mr. Dusik: Yes, definitely. I think the federal government is 99 percent to blame because they are the ones that pulled that stunt on us and they are the ones that have taken everything away. I think there is a lot that our provincial governments could be doing, and there are a lot of things I left out of this because I know everybody is going into figures and all that, but there is the issue of taxes that should be changed. We are being taxed to death, school-taxed to death. There are many things, but if we have to set aside some land, if there is a glut of grain in this world—I do not believe, for one minute, there is. I do not see any piles of grain sitting anywhere, so I do not believe there is.

* (19:50)

My point with that remark was if our costs are so high and the only other way we can do

this, why are we spending \$150, \$180, \$200 an acre to put a crop in that is not worth anything? You know before it is ever six inches high you are not going to get anything for it because the federal government said, hey, Russia has got a good crop, Australia has got a good crop. So, in other words, do not expect anything because you are not going to get it.

So why are we growing all this grain? Why do we not cut back on our costs, seed half the farm, summer fallow the other half? We would not need all this fertilizer. We do not need all these expensive chemicals. I will tell you one thing; you are going to be hearing from Monsanto very, very quickly. We do not need all these bins that we have to pay \$60 taxes every year on every bin in the yard. There are so many things you people could be doing to address the problem in agriculture and none of it is being done. I think everything has been swept under the table and just disregard the farmer. What the hell. Who is he?

I think everybody has to sit down and really, really take a long look because there is no point in growing all these crops if we do not get anything for them. This is what the whole thing is all about, I think.

We can grow the best crops in Canada right here in the West. We have got the soil for it. We have got the best protein because of our soil. How do we get compensated or rewarded? We do not. It just gets taken from us and they say, well, you know, come back again next year. I feel the same as all these other speakers. To me, right now, I am really battling with this, and I love farming. I have been doing it since I was knee-high to a grasshopper, believe me. But my wife, it is really starting to affect her, and she said what are you doing this for?

We used to love spring. It is still my favourite time of the year. Not hers anymore. I said to her one day a few years ago, why is that? She said, what for? All I see is bills and nothing in the future, and it is true. It just is not working anymore. Nothing is working and it does not matter how you diversify, what you do, it is just not going to work. We have to have a fair price for our product. That is what it is all about if you really, really sit and think.

Look at the States, look at Europe, look at everywhere in this world. Why is agriculture such a problem in every country? The only difference the European Union is not having so many problems; they are putting money back into it. They are supporting their agriculture. But, in the West here, our government takes everything for granted. We should all just say to hell with it. Throw up our hands and say, here, take the land back. Give it to whomever, wherever it came from and let us go on welfare. None of this makes sense anymore.

I have no desire to go out in the field next week or the week after. I could care less right now the way I feel if I go out tomorrow or a week from now. I do not really care because I know I am going to spend a hell of a lot of money and what am I going to get back besides a lot of headaches? We have to do something. Our country is being run by big corporations, the grain companies, the federal government, the Wheat Board. We do not have a hope in hell of anything. It is sickening.

Mr. Ashton: I appreciate your comments on the Crow because there is \$800 million that used to come into western Canada that now goes out. I am just wondering what your view is on fuel taxes for farm use. The one thing that has come in other areas is that while every Prairie province exempts fuel from taxation, the federal government actually collects the excise tax plus GST. Ironically, a lot of that fuel is consumed right on the farm itself. So, even if they were to put money into the roads, which they do not, it basically goes straight to Ottawa and is coming straight from agriculture. I am just wondering what your view is on the fairness of taxing farm fuels.

Mr. Dusik: Well, I think right now the price of fuel and taxes and all that, you do not really want to go there because I look at it this way, and this is just getting off the topic for just a second. With all the technology we have today, we have people walking around up on the moon or wherever, on these planets. They are doing all kinds of wonderful things. We can do anything we want today, but is it not kind of funny that we cannot get these vehicles to run any more than 10 miles to the gallon? Do you not find there is a message there somewhere? Somebody is pulling somebody's strings.

I have talked to guys that are buying these new Tahoes, 10 miles to the gallon, 8 miles to the gallon. Come on, this is baloney. I do not believe for one minute there is a gas shortage or fuel shortage. It is being created by our federal government. That is basically all I have got to say on that one.

As far as the taxes go on fuels, yes, we should get rid of them. I do not see why we have got to keep paying taxes on everything. When you talk about taxes on fuels, for gas, diesel, whatever, when that originally was put on many, many years ago, that was to look after our highways. Well, where has it been going over the years? It sure as hell has not been to the highways. It has been up north and everywhere else, but it has not been to our highways, and our highways are a bloody mess. I am a trucker and I can tell you right now, you do not want to sit in a truck, because they are horrible.

This goes back to one of the things I said that we could do in this province is eliminate a lot of these things. It does not make sense.

Mr. Derkach: Mr. Dusik, your presentation, I think, is an expression of frustration of what governments have not been able to do in terms of support of farmers, and I am confident you subscribe to the partial solution or the step towards a solution that Murray Downing has proposed. Would that make a difference if, in fact, a program like that were adopted in this country and in this province? Would that make a difference to your family or to your family's attitude in terms of staying and making a living on the farm?

Mr. Dusik: This is the program that Mr. Downing has come up with?

Mr. Derkach: Yes.

Mr. Dusik: Well, it definitely would make a big difference. It is like saying well, okay now, if it would be adopted and we get a cost of production and everything. We have enough elements to fight out there. We have got the weather, Mother Nature, everybody else, and that is fine. If you have a goal at the end of the road where you know that if you lose the whole works you are not going to be broke, debt or whatever. But we have to have something. We

cannot keep going the way we are going. Nobody has got any money left on the farms anymore. We have been subsidizing everybody over the years.

I have equipment that is 15, 20 years old and it is still going like hell because it has to, but you do not want to see my repair bill every year because I cannot afford to buy new. That is not the way things should be. It is like in the trucking industry, you get a big trucking company, every second or third year they buy new trucks. They buy new trailers a couple of years after. We cannot do anything. We are just lucky if we can keep fixing this stuff. When you say frustration, that is just the tip of the iceberg, sir.

Mr. Chairperson: Thank you, Mr. Dusik. I call Mr. Harvey Westfall to the microphone please, and Mr. Tom Kieper, you are on deck. Just before Mr. Westfall gets started, we can distribute his materials. Just before he starts, just to show how well we are listening here in this committee, we actually submitted twice the Manitoba Chamber of Commerce's submission. So, if anybody sees the Manitoba Chamber, tell them they had more than enough to say at the meeting tonight, please. So we accepted it last night in Beausejour and tonight, so they are on our record twice, just for the information of people.

Floor Comment: Might get the message.

Mr. Chairperson: We may just get the message, that is right.

Mr. Westfall, you can begin.

Mr. Harvey Westfall (Private Citizen): Thank you. My name is Harvey Westfall. I farm southwest of Morden, close to the U.S. border.

We are going to get on the topic of crop production costs. I have a guide here from the Department of Agriculture, their 2001 guide, but the figures in here were not right. I got back to the ag rep; they used last year's fertilizer prices, last year's insecticide prices. I think we have straightened them out on that, so I have used the updated ones.

Mr. Chair, ladies and gentlemen. I will start with the cost-of-production guidelines from my ag office in Morden. To grow a crop of an acre of wheat, this is an average for Manitoba, what they have brought up is \$210 an acre. At a farm gate price of \$4.50, which they are figuring No. 1, the highest protein you can raise today, break-even yield is 46.6 bushels per acre. My crop insurance coverage at 80 percent is only 33.7 or \$156, a net loss of \$53.19. An average yield on my farm over the years—some years it is poor, some years it is better—is about 40. You take the 6.6 from a break-even to this, I am still losing just about \$30 an acre, if you can grow a No. 1 high protein. Last year, with the weather, we had some at feed wheat at \$2 a bushel.

Barley is \$207 an acre at a farm price of \$2.15 on the feed market. Break-even, 96 bushels an acre. Crop insurance level at 80 percent is 57 bushels an acre, a loss of \$113 an acre. At an average yield of 80, I am still losing just about \$35 an acre.

* (20:00)

Canola—cost of production, \$248.60; farm gate price today in the elevator, \$5.70; break-even, 43.6 bushels an acre—almost impossible. My crop insurance level at 80 percent is 27.9 bushels or \$139; net loss, \$109 an acre. Average yield of 35 in our area, sometimes more, sometimes a lot less. I am losing \$49 an acre.

On a crop rotation, I am going to lose \$38 an acre. On a good yield Mother Nature provides, top quality, everything else, on my 1300 acres will be \$49,400.

Fertilizer price was lower than last year, but the weather did not allow for quality. Sprouted wheat, \$2 a bushel; sunflowers, rain, got head rot, 8 cents a pound.

U.S. farmers in North Dakota, Canola price two weeks ago—I listen to the North Dakota radio station—was US\$7.75 a bushel times \$1.50 exchange is C\$11.60. At 35 bushels an acre times \$8, if we were getting \$8, that would be \$280 an acre. At our cost of \$248, we would make a profit of \$32. If we had \$8 or \$9 for Canola, we would not be here.

Wheat—if we were getting \$6, at \$240, cost of production, \$210, we would have \$30 an acre profit.

Barley—80 bushels an acre times \$3 is \$240. Cost of production is \$210. We would have a \$33 profit. Thirteen hundred acres times a \$32 average, we would have a \$41,600 profit. That is where a cost-of-production program would come in. Why can we not be paid these prices? Very easy to market. Place price top with cost of production or similar to that, just an example.

A question that was asked at Brandon: Is \$500 million enough? Only for Manitoba. Eleven million six hundred acres seeded in Manitoba at \$60 an acre is \$696 million, as simple as that. Ontario farms are getting \$51, why should we be treated any differently?

As you already know, we have the highest freight rates in Canada. Livestock production did not help our feed grain prices as barley or feed wheat. Our elevator cement giants are not moving our grain the way they used to. The Canadian Wheat Board could pay us 75 percent of our total price up front, full market value after final payments and all, plus storage like the U.S. farmers are getting. Why not something like that example? At least we could pay our bills and not have to sit in lineups like in the elevator last winter. I sat in lineups three to four hours. I wasted more fuel sitting in the lineup than it cost me to haul it to town.

Freight on wheat—77 cents a bushel, at 40 bushels an acre, \$30.80 freight. Barley, at 80 bushels an acre at 77 cents, \$62 an acre freight is what we are paying. Impossible. Maybe we should go back to farming like our dads, no fertilizer or chemical. This would push our prices up, but consumers would pay \$3 for bread instead of \$1, and it would be safe food, not full of chemical.

There was an article in the paper that the environment is going to regulate how and where we can spray. They are talking in two years' time. A new hospital was built between Morden and Winkler, a population of 20 000 people, in the middle of potato country. Those fields are sprayed by air 12 times in the growing season. I have watched those spray planes and only half

the chemical hits those fields; the other half is in the air.

Did you know southern Manitoba has the highest cancer rate in Canada? This must stop. We are pushed to grow more so there is a cheap food surplus at the expense of everyone's health. This must stop also.

Honourable Premier, Honourable Minister of Agriculture, Standing Committee, please take this message to Ottawa. Something needs to be done now to save agriculture and everyone's health. We, the farmers, need a cash injection now and a cost-of-production program by harvest or there will be nobody left to farm. If we get paid a cost of production, it saves many jobs that are involved in agriculture and low unemployment and more tax dollars for you, the government. Thank you.

Mr. Chairperson: Thank you, Mr. Westfall.

Ms. Wowchuk: Thank you for your presentation, Mr. Westfall. You have raised a lot of points, and I am certainly going to go back and check with the department on the numbers, but I looked at it and they are guidelines. They may have been printed earlier, but I will get back to you with that answer.

There is an area that you talked about here. Maybe we should go back to farming like our dads with no fertilizer, no chemical, and this would push up the price of our food, and then you talked further about the amount of chemical, and that leans towards organic production. Is that something that you consider, or the other option that people have talked about is alternate agriculture where people work towards reducing the amount of fertilizer and chemical that they are using in order to reduce their input costs? Because you have raised this, I want to know whether you consider that to be an option and whether you think organic production is a viable option for producers of Manitoba to consider.

Mr. Westfall: Organic farming, I do not know, they have their problems too, but it would not all go organic. I know that, when I was growing up when my dad farmed and the neighbours, everybody had summer fallow, took two crops off. We got a better price than we are getting

today, but when you look at these costs of production, we cannot keep putting this money in and not getting anything out. Impossible. It just is not going to work. But if everybody did it—whether there is a surplus or not, that we do not know; I do not think there is—at least everybody would be getting a better price, but the consumer is going to pay more money, definitely going to pay more.

Mr. Gerrard: Two questions for you. In talking with people in the Morden, Winkler, Altona areas, many have switched, as you pointed out, either to potatoes or to corn or beans. So the first question is when you do the numbers, do they come out better than grains and oilseeds that you have given us? My second question is there has been a fair bit of discussion on crop insurance and I wonder if you could make any suggestions as to how we could change or improve it.

Mr. Westfall: Where I farm is southwest of Morden on top of the hill. We have got rocks, sloughs and potholes. We cannot grow corn; we cannot grow beans; we cannot grow potatoes. We cannot grow any of that stuff. We are just on top of the escarpment.

Crop insurance? My land is spread out. I farm with my son, but our land is spread out 15 miles. You get a good crop here, a drowned out one here, a dried out one. You average it out, you get nothing. Over the 12 years I have been in crop insurance, I have paid in over \$60,000—gone.

Mr. Gerrard: One of the things that seems critical is being able to do this by quarter section or by region in some fashion so that you can better compensate or better adjust if part of your land is affected by floods or dry weather. Is that right?

Mr. Westfall: That would be a start, because if your land is spread that far apart it will not help. It just does not do any good because they average it out. Here, well, from what I understand, it was developed in the 1960s. The costs have not kept up, at least to cover something, but when it averages out, you do not get anything. Even if the premiums are low, like it was indicated earlier, it just does not help us.

Mr. Jack Penner: Thank you very much for your presentation, sir. On the crop insurance

side, what in your view would need to happen in order to make Crop Insurance a more effective program? Have you taken a look at some of the other crop insurance programs in North America? Could we utilize a program such as Mr. Downing has put forward? Would that suit your farm, and would that satisfy the needs on an average year?

Mr. Westfall: Yes, I have had the opportunity to review his program last winter. I just have not had it lately. Yes, but it would have to be on areas, I imagine, in our area the land is higher priced than in his area. If that was adjusted, yes, it would work.

* (20:10)

Mr. Jack Penner: One other area, you indicated environment was playing a fairly significant role and would play a greater role in the decision making on the farm. Are you aware that the Winnipeg Humane Society has just come out with a certification program, and do you think the Government of Manitoba should license them to be the licensee for the certification of certain products that could be marketed and/or the way animals are raised on the farm?

Mr. Westfall: I do not have animals, so not to that question.

Ms. Wowchuk: You talked about crop insurance and how it was not serving you because you have one field over here and one 15 miles away. What you are talking about are separate kinds of insurance, and to make those kinds of changes or even the changes that others have talked about would be very expensive in comparison to the kinds of premiums that are being paid right now.

Do you think producers would pay the additional coverage that would be required in order to have that kind of individual coverage in their crop insurance?

Mr. Westfall: If it was set on each quarter section, the cost would be higher, but also the coverage would have to come up. The coverage is too low, just to start with, just far too low. It just does not come near. Even if you went on a

section over here and a section over there, the coverage is too low. It just does not come close.

Mr. Chairperson: Thank you very much, Mr. Westfall.

I would like to invite Mr. Tom Kieper to the microphone and Mr. Marcel Hacault on deck. Mr. Kieper, if I have mispronounced your name, you straighten me out, okay?

Mr. Tom Kieper (Private Citizen): Yes.

Mr. Chairperson: Is that close?

Mr. Kieper: That is right. It is Kieper.

Mr. Chairperson: Kieper. Thank you.

Mr. Kieper: I am enclosing with my presentation another section of ratios just to emphasize what has been going on on our farm in the last—well, it says five, but the first two years do not have anything there. I did not have time to go back that far, but the '98, '99 and 2000 actual are on these ratios so you can see the trends as to what is going on.

Mr. Chairperson: Thank you very much. That will be distributed, and the floor is yours.

Mr. Kieper: Thank you. Mr. Chairman, honourable members of the committee, thanks for listening to me.

Hello, my name is Tom Kieper, and I, along with my wife Cindy, own and operate Kieper Farms Limited. We are located in and around the Russell, Manitoba, area. We run a mixed farm consisting of 3000 cultivated acres and another 2500 acres of pasture. We also run a herd of purebred horned Hereford cattle consisting of approximately 180 females. We grow wheat, barley, oats, Linola flax, Canola, peas, sometime lentils and borage. We also grow alfalfa and timothy hay. So, you can see that we have also tried to become more diversified.

Now a bit of history if you will indulge me. My ancestors came to this country in 1884 and began farming in 1886. Because the government of the time wanted to open up the west so that a travel link or corridor could be established that

would connect British Columbia with the rest of Canada, they thought if they could populate the vast expanses of the Prairies with farming, then trade and travel would help pull the country together into one united entity. They introduced the Crow rate which would help farmers deliver their products to market at less expense to those farmers, an incentive to keep them there.

Well, we have stuck it out here through thick and thin for the last 115 years and have been farming the same ground for 103. Through all the ups and downs in farming over the years, the down that has caused my wife and I the most consternation is the crisis in which we find ourselves today. We are under severe financial stress, and things have been progressively getting worse over the last three to five years. The worst part of this crisis for my wife and me is that we seem to be falling through the cracks as far as safety nets are concerned.

My accountant, upon completing my AIDA application last spring, stated that we would be getting a cheque in the amount of \$40,000. I received nothing. The program does not work properly or is perceived to not work properly. People have been getting cheques who do not need the money. For example, a seed grower decides to retire and get out of the seed business but still farms. He receives a payment based on the fact that he is no longer growing higher value commodity. I am not arguing the fact that a payment was triggered. What I am having trouble with is the fact that he did this voluntarily and is now being rewarded for it. Not only has he received a payment from AIDA, his income tax has also gone down due to his decrease in sales, and that in turn brought his income down to a triggered level because of his three-year rolling average.

Mr. Vice-Chairperson in the Chair

In my case, we have just finished a large expansion in both the grain and livestock sides including a buyout and other stuff of our business. They say that it can take as long as seven years before your expansion will start to pay dividends. I do not know if this is true or not, but I do know that the money borrowed to pay for the expansion is hurting our cash flow. To make things work out and to cover our

payments, my inventory has been drawn down faster than I can produce it and bring it back up, so accrual losses and compound losses were beginning to show up.

On the cash side, however, I was showing small profits because principal payments are not tax deductible and I have a hefty amount of principal payments to make each year. I was ending up with a large tax bill. Because this showed up on AIDA as an increase in margin, it rendered me ineligible for benefits. So I ended up with no AIDA, no inventory, a very large accrued loss and a large tax bill to pay.

I have enclosed some of my farm ratios over the last several years, which I have already mentioned. My NISA, on the other hand, has performed flawlessly. I have triggered a payment of my NISA account every year for the last three years. The only problem is there is no money left in that account.

So now let us take a look at the world picture and how it has helped us get to the inequities that I have just been talking about. I have streamlined this crisis into one main problem, a narrowing of profit margins.

These narrowing margins have been caused by a large increase in input costs. Fuel was the first of the necessary inputs to go up just over a year ago. This was followed by fertilizer, nitrogen for the most part but all fertilizer, due to large increases in the price of natural gas. So here we have the scenario for this spring where fuel is up by at least a third to half and fertilizer has nearly doubled from the fall of 1999. Chemical prices have remained relatively flat, but one could argue that they are already too expensive.

For the most part, our inputs are bought based on the American market, due to the large amount of movement between the borders of said products. Fertilizer, chemicals move across fairly freely. The Americans have been subsidizing their farmers in larger amounts in terms of real dollars per acre than has Canada. This is not lost on the input companies who are producing these products and price their products based on a perception of what the market can bear. Now if they perceive that with

government subsidies a farmer's margin will increase by 5 percent, then that company will increase the price of its product to the point at which they think the farmer will spend the new windfall. The only winner in this scenario is the input companies themselves. This problem is compounded in this country because the products are priced based on the American subsidies which are a lot higher than Canadian subsidies.

A further illustration of this would be to compare prices for inputs in Brazil, a country that gives out very little subsidy money to their farmers. The inputs for some of the same crops grown in the U.S., mainly soybeans and corn, are a lot lower mainly because the manufacturer knows that he will not be able to get that increase that he can in the North American market.

Input companies have been merging for the last few years which has created a warped sense of competition which has sped up the increases in prices. There is also a certain amount of parity between these companies so that one will not try to undercut another in order to win market share. One could almost say it is an oligopoly, and if it is not now, it certainly will be in a few years.

Now the farmer is not totally blameless in this game. When farmers receive a subsidy, be it whatever means, they tend to capital invest it in either land, machinery or rent or higher input costs, not every farmer, but lots of them. This creates an atmosphere of artificial competition between farmers which raises the price of land and rental.

The policy of the government is to have cheap and abundant food; at least that is what it used to be. I am not sure—I think it still is. How can I, as a businessman trying to earn my living from farming, expect to make a profit on the production of food when the very government that is sticking to its policy of cheap and abundant food, on the one hand, cannot or will not reimburse the farmers for being hurt by that very same policy?

* (20:20)

Tom Brodbeck said in his column in the *Winnipeg Sun* a few weeks back that the

taxpayers should not be subsidizing an industry that always seems to be in trouble. I would like to make the argument that it is the farmer, by its very existence on the prairies, producing that cheap food that is subsidizing the consumer.

Farmers' actual return on their raw product is very low. However, once the actual farmer has been paid for that raw product, it can increase in price by a very large amount. For example, a loaf of bread at the store costs roughly \$1.15 per loaf, but the farmer's share only equates to about three cents.

Consumers will spend money on three things without really thinking about it. They will spend money on housing; they will spend money on entertainment; and they will spend money on fuel. They may not like it if it goes up, but they will spend it. If the price of gas goes up, people will still travel; the gate price at Disney goes up, they will still go; the price of housing goes up, they still buy a house. A box of Wheaties returns 5 cents to the ag economy per box. If you stick Tiger Woods' face on the cover, he gets 10 cents per box to endorse it. He gets twice as much out of it as the farmers who made it possible for the raw product to make the Wheaties in the first place. Arguably, he does not need the money. He is subsidized by the people who watch him in pursuit of recreation. Those same people will cry foul and say it is unfair if the price of their favourite cereal goes up by 2 cents per box.

A sharp reduction in export commodity prices. Weather has played a pivotal role in world grain production in the last three to four years in that there has not been any. No significant poor weather in the key crop growing regions of the world has increased our stocks and made import nations complacent with what is out there. In a way, we, as farmers, have followed this law of supply and demand on the wheat front. As world production increased, world plantings decreased so much so that predictions are that any stocks could fall to their lowest levels in 30 years or more. Has this equated into higher returns?

An increase in new technology has also advanced the rate of production of food products, both in machinery and biotechnology, and by biotechnology, I mean hybridization, gene modification and manipulation,

mutagenics, to make higher yielding varieties. These are very useful technologies to the producer to farm in today's world; however, they are expensive and are usually priced so that there is no increase in margin to the producer. I also think that these new technologies were developed to feed the increasing numbers of people on the planet, but it has somewhat backfired in that the rate of production increases occurred more rapidly than the world's capacity to consume that increase in production.

The continuation of an increase to subsidies in the U.S. and the E.U. have distorted world prices by their very existence. By artificially raising the prices farmers receive for a particular commodity, the old law of supply and demand begins to break down. Instead of reducing production in these products, the farmers may actually increase production, which, in effect, distorts prices worse and creates a snowball effect.

For example, the amount of soybeans going into the ground in the U.S. this year is ridiculous. There is no signal coming from the markets saying that this number of soybeans should be going into the ground, but because of the high amount of money being paid to the U.S. grower through loan deficiency payments, it is in the farmers best interests to grow soybeans regardless of the strong market signals telling them otherwise.

When the U.S government sets up its ag subsidies for the year, deciding if it is trade green or trade amber is not even considered. The programs are put in place for one reason, and one reason only, to protect their market, domestic or export.

Now let us take a look at our own situation on the Prairies. We have an ag economy that is returning fewer dollars per acre in net profit; therefore, we need more acres to live off. At the same time, the value of ag and the export of raw products are going up. We have a standard of living that is going up in urban areas but is going down in rural areas that are agriculturally dependent.

When banks first appeared in this country back before the turn of the century, they were

considered a service industry. Today they are a for-profit industry. Right now agriculture is in a very significant downturn. Agriculture has become very risky for banks, and they are definitely backing away in a significant way. For example, last October, my bank manager and I, along with our accountant, came up with a restructuring proposal for my farm enterprise. The proposal worked and worked well in fact. To the chagrin of my manager, it was rejected from his higher-ups. The reason for it, I asked at the time, by these people was that it was a bad time to be asking for money in agriculture. Well, when is a good time, when we have a lot of money?

Mr. Chairperson in the Chair

Anyway, when this sort of thing starts to happen in an industry, the banks are no longer a part of the solution but in fact are part of the problem. We are losing our rural infrastructure, i.e., rail line abandonment, elevator abandonment, deteriorating roads, loss of communities, et cetera.

Most farmers have to travel further to deliver product to an elevator. This means more and heavier road traffic. Farmers do this because their local elevator is shut down or their rail line has been abandoned, or sometimes both.

There are fewer people working for the elevator companies; there are fewer people working for the railways, service sector, fewer people working for chemical companies, fewer people in the ag equipment sector, and fewer people working on the farm. These areas in agriculture are all decreasing because the entire ag sector is losing profitability.

The loss of the Crow rate benefit was another nail in the coffin of prairie ag producers. It took \$750 million per year out of agriculture. There were problems with this benefit which was paid to the railway companies to offset the cost of getting our raw grain into export position. This problem was that there was no incentive for the railway to run efficiently because the federal government would pay for the inefficiencies through the Crow benefit. Some argued that, with the Crow rate out of the way, the railways would have to become more efficient. Now to

keep the railway from running away with charges for hauling freight a price cap was put in place. This cap is a problem in that the railway is now using this cap as a standard amount that they can charge regardless of how much your actual costs rise. They have also worked a 20% profit into the formula ahead of time, virtually ensuring that they will always make money.

Now this is not the only industry in the world trying to make a profit. Everywhere you go, everything you do, everything you buy or consume, there are some kinds of mechanisms in place to ensure at least the chance of a profit. Now there are many factors that go into pricing a product so that there is some profit to be made by the sale. However, costs are always going up, and so, to ensure profitability, companies have to pass on these costs to the next level. That level in turn passes it on to the next level and so on until that product reaches the consumer.

As primary producers in agriculture, as in just about any form of primary production, be it mining, oil exploration, or forestry, we have no one that we can pass our costs on to. Each link in the chain beyond primary production can pass its costs onto the next level. We cannot. If we were allowed to factor in our costs of production to ensure ourselves even a small profit, the price of food would go up perhaps dramatically. I say to you: Is it the taxpayer who is subsidizing the farmer to keep him on the land and produce cheap and abundant food or is it the farmer who is subsidizing the consumer by absorbing all the losses in agriculture so they can keep buying cheap food?

Subsidies paid out to farmers in Europe are not considered farm subsidies but rather consumer subsidies. These extra monies are used to keep the rural population rural. They do not want any more people coming into their cities. Another purpose is to keep the countryside looking clean, productive and neat for urban people to travel in.

Mr. Chairperson: One minute.

Mr. Kieper: In this country, we as farmers are paid in wholesale dollars but buy in retail dollars and pay the freight both ways. Why as a farmer do I have to pay shrinkage to an elevator

company? Shrinkage is what an elevator may or may not lose in material that falls through cracks in the floor, spillage that may occur, and so on. No one pays for my shrinkage which would include harvest losses such as spills while filling trucks and bins.

Why as a farmer am I charged with things happening to my grain after I have already sold it? I have to pay for the freight to get that grain to port, which I have no control in. If the grain is late getting to the ship, then I have to pay demurrage charges. These things are out of my control, yet I have to pay for it anyway.

This financial crisis is very real. I am afraid that it can either get worse or better. That is up to the powers that be. By doing nothing or at the most doing very little to address this problem, it will go away on its own. All problems, big and small, correct themselves in the end, but it is what we do as individuals and governments that will determine whether the outcome will be productive for everyone or if it will collapse on itself. It really is up to us.

There is a real problem with some media reports out there that state we are receiving approximately 67 percent of our net income through government programs. Just tell me if I go over, okay.

Mr. Chairperson: Okay.

Mr. Kieper: Went over?

Mr. Chairperson: You should not give me that kind of rein.

Mr. Kieper: Well, then, we will leave it there. I think we are pretty well finished anyway.

Mr. Chairperson: If you are just about finished, I do not mind a little bit.

Mr. Kieper: Well, okay.

Mr. Chairperson: We do not have many people lining up for questions so that we can continue a little, quickly.

Mr. Kieper: The only way to arrive at this figure is to deduct gross expenses from gross income and then add on the programs. If, however, you were to add these programs to the

gross income and then deduct the gross expenses, you would find that we receive approximately 9 percent of our net income through these programs. These misleading stories by the media can hurt us as much or more in the public eye than the crisis itself.

So, in conclusion, I would like to say that, firstly, the policy of cheap and abundant food is not working; it is turning some grains and oilseeds producers into second-class citizens. Secondly, the price of food must rise or we are going to have to stop producing it. If we stop, we will lose our market share. Once lost, market share is very difficult to regain. Food will keep coming into this country; however, at what price?

What will happen to the farmers that were once on the land? We have always been a resourceful group so I am guessing that some would adapt and stay but the rest would move to the city where they would have to find jobs or be subsidized to live. This is happening throughout the world. When rural depopulation occurs, the first place these people go is to the cities where they find little or no work. They set up shantytowns on the edge of the city. Is this what we want to see happen here? It probably will not, not to that extent anyway, but this is a warning to heed. It may be more costly to the taxpayer in this latter scenario than it would be to keep us out of the cities and on our farms doing what we do best, producing food.

Thank you. Sorry for running over.

* (20:30)

Mr. Chairperson: Thank you so much for talking so fast.

Ms. Wowchuk: Mr. Chairman, Mr. Kieper rushed through his presentation and left a couple of parts of it out. I would ask that it be printed for the record completely as presented.

Mr. Chairperson: Is there agreement among the committee? *[Agreed]*

Ms. Wowchuk: Mr. Kieper, you have certainly outlined many of the issues that I think are really important and issues about how we are going to

keep our rural communities and the concern about people leaving and then ending up in the cities and what happens to our land base and who is going to manage it.

The resolution that was debated, which was brought forward before the standing committee, was put in place, calls on the federal government to put in additional funds to help with the short-term crisis and then move towards long-term solutions and certainly a review of the programs. Do you support the concept of lobbying the federal government for additional funds in the range of \$500 million to be distributed amongst farmers and then look at reviewing the programs that we have, and if so, which of the programs do you think have to be reviewed the most urgently?

Mr. Kieper: Thank you, Honourable Minister. In one part that I left out I did go into what I thought could be a workable long-term solution in that we could develop—what we need in North America is a structured ag policy for all of North America. I mean it would level the playing field totally, at least in North America anyway, and we would have a bigger clout, a bigger hammer, if you will, to work on other subsidizing nations. I do not know why we cannot work together on that. It may cost us more; it may cost us less. I do not know how it would end up, but I think that is something that should be looked at.

However, that is very long term. So, in the short term, yes, I think we should look at maybe changing crop insurance into dressing it up for the '90s rather than '60s glasses thing. I mean it was developed in the '60s when farms were half, three-quarter sections all located around the home yard, so, if you had a failure, you would probably have it on the whole farm, and so you would get paid. My farm is spread out 25 miles. So like the last guy that was here, I may have too much rain on this side and too little on this side, and they balance each other out and you do not get anything. An extra \$500 million, yes, would be quite nicely anticipated at my place, right. I had an accrual loss last year of about \$124 000, and that was after the cattle sales.

Mr. Gerrard: Thank you for your presentation which covered a lot of ground. On the issue, you obviously not only put a lot of thought into this but you have put a fair amount of analysis into

your own farm, and you have got, from the looks of it, some ideas for turning things around.

Mr. Kieper: The 2001 projections, those were based on the restructuring proposal that I had placed before the bank which has now fallen through. So those graphs are not true anymore. I do not know exactly where it is going to end up for this coming year, but as you can see by the graphs, the proposal would work.

Mr. Gerrard: You are basically in a situation where you are going to need some assistance in order to get through this year from the looks of it. Is that right?

Mr. Kieper: Yes, some assistance is needed. My wife and I had a big long talk about this the other night and everywhere we turn we are getting turned down, so we have decided that we are going to run this thing, just the two us, and see if we can—I mean we have enough capital to put a crop in this year and hopefully prices come up a little bit. With a little good weather and that, we may float around the break-even mark for the next couple of years, but after that we should be on our own anyway. This restructuring was just based on a 15- to 20-year pay down rather than 5.

Mr. Chairperson: We are overtime now. I have Mr. Smith, Mr. Pitura and Mr. Penner, so if I could ask those gentlemen to speak as quickly as Mr. Kieper.

Mr. Smith: I am kind of stuck here. Thanks very much, Mr. Chair. I would like to thank Mr. Kieper for a great presentation. It covered a large area. Just in your closing conclusion, a lot of folks who have presented beforehand have talked about a set-aside program or the possibility of a set-aside program. You mention that we are going to have to stop producing the food or we are going to lose our market share. Would you see a set-aside program being a detriment, then, with that comment?

Mr. Kieper: It does not have to be a detriment, I do not think, as long we can maintain the markets that we have at the moment. As I stated earlier, if we grow less, we sell less. As we lose that market share, it will be absorbed by the

U.S., Brazil, Argentina or other exporting nations. Once lost, it cannot really be regained.

Mr. Pitura: Mr. Kieper, part of the mandate of this standing committee is to provide or look at a meaningful long-term sustainable approach to agricultural programming. I would like to get your thoughts on whether a cost-of-production type of insurance program or an income assurance program would be a program that you feel could fit into your operation, along with the NISA program.

Mr. Kieper: Yes, it would work, a cost-of-production program, or what was the second one? I am sorry?

Mr. Pitura: Income assurance program.

Mr. Kieper: Right. Income assurance, something to address the cost-of-production problem. However, I think that cost is going to be exorbitant to put into place unless we can figure out a way. I realize we are dealing with the net number of dollars here, so whether the program works or not we have to deal within the box, correct?

Mr. Chairperson: Thank you very much, Mr. Kieper.

Mr. Kieper: Thank you.

Mr. Chairperson: I would like to call Mr. Marcel Hacault, Chairman of the Manitoba Pork Council, forward. On deck is Mr. Don Dewar, President of Keystone Agricultural Producers. Mr. Hacault, your presentation is being circulated; the floor is yours.

Mr. Marcel Hacault (Chairman, Manitoba Pork Council): Thank you very much for allowing me to speak tonight. I do farm in the Niverville area. I run a small family farm, and because livestock is part of agriculture I felt it would be important to present some thoughts here.

In the essence of time, I will skip through some of my presentation but I would appreciate it if it were included as part of the record.

Mr. Chairperson: That is agreed? *[Agreed]*

Mr. Hacault: Pork Council understands and views with regret the suffering of the current crisis in grain prices inflicting on farm families. The hurt is obvious. Many farmers are saying that 2001 is really a make-it or break-it year, and it seems to be a statement of fact that as an agricultural community we must heed.

The growth in the livestock sector in Manitoba has been substantial. We talk about a 6% increase in the beef cowherd through most of the 1990s, but there remains significant opportunities for added production in this province. Less than 30 percent of the calves produced in Manitoba are fed to slaughter. Approximately 1.4 million weanlings were exported from Manitoba to the U.S. last year. We have 2.9 million hogs slaughtered in Manitoba where capacity is over 5 million. Approximately 900 000 Manitoba-origin hogs were slaughtered outside of the province, and we continue to import large numbers of sheep and lambs into Manitoba.

The vision for agriculture that we wish to propose to the standing committee is one of sustainability. Ad hoc payments cannot continue year after year. A diverse agricultural industry that fully benefits from the partnership that can and should exist between crop and livestock production is sustainable, and the Pork Council believes that that is the goal that we as an agricultural community must pursue. Partnerships between crop and livestock sectors can be on a micro scale or at a macro level where specialized units share in each other's risks and benefits. Either way there are numerous ways in which the partnership can be beneficial. We have opposing profit cycles, we have nutrient cycling, cost efficiencies where we lower the transportation costs for feed, prevention of environmental degradation by the inclusion of forages and through rotations, opportunities for asset transition and entry of young farmers into the profession. By including a livestock operation, this can provide employment and equity building opportunities and protect the retiring farmer against loss of equity.

* (20:40)

I do want to note, just as an ad lib, that in my area—I moved to Niverville about 16 years ago—within a one-mile radius I have three new farmers, two of them in livestock and one is doing custom crop spraying. That is one example right at home of what livestock can do to help more farmers be part of agriculture. The mixed agricultural model is neither new nor unproven. Producers have long known the benefits and have recently found ways to adapt to the challenges of today's highly specialized and competitive marketplace.

I would like to highlight one of the success stories. South of Steinbach, cattle producers have entered into arrangements with several hog producers whereby manure from hog barns is spread on grazed pastures. The cattle are backgrounded at high stocking rates and sold as short-keep feeders in the fall. The partnership is profitable, environmentally sound, as attested to by numerous provincial officials, and socially acceptable from the point of view of its impact on the surrounding area.

Livestock, grass and annual feed crops—these elements can be configured into a model whose adoption we need to disseminate and encourage throughout the province. I guess the Pork Council would like to use this opportunity to call on the provincial government to lobby the Government of Canada for additional support for the farming sector, but whatever measures are being considered, it must not raise eyebrows south of the border. Manitoba's expanding livestock industry depends on free trade with many countries including the U.S. Any form of support must not jeopardize that relationship or lead to costly investigations. In the short term, we understand that the support may have to take the form of ad hoc payments, but to ensure that these dollars send the right message to Manitoba farmers, we call on the Province to include farm fed grains in the calculation of payout formulas. We believe that this will enable farmers to make decisions in the best interests of their families and the sustainability of the industry.

However, we also wish to urge the province to devote substantial resources both from within its own treasury as well as any monies received from Ottawa to work towards a vision of sustainable agriculture based on partnerships between grain and livestock. Policy initiatives

that Pork Council believes should be undertaken in this sense include the following: incentives through MACC both along the lines of the Young Farmers' Rebate for operations diversifying into livestock; increased research into fusarium-related issues to allow for the feeding of Manitoba raised crops to Manitoba livestock; interest-free cash advances for beginning livestock producers similar to spring cash advance initiative available to crop producers; streamlining of the approval process for family farms wishing to diversify into livestock; clarification and standardization of zoning and conditional use issues.

Again I would just like to point out one personal example. There is one young farmer that I know who was wishing to continue into farming but because of the uncertainty and the climate he has decided not to even try to build a barn. This is one family farm we could have kept around with a clear Manitoba initiative.

Streamlining of the tech review committee process, as well as the approval process to ensure that all applications are dealt with in a prompt and fair manner.

Incentives for new and expanding livestock operations to assist farm families in complying with environmental regulations and the removal of 7% PST on agricultural buildings.

We trust that the Province in its pursuit of policies will allow us to avoid being in the same place next year debating the same issues and will give consideration to some of the alternatives we advanced today. Our industry can only be successful if grain farmers are. A healthy agriculture includes all sectors. Thank you very much.

Mr. Chairperson: Thank you, Mr. Hacault.

Ms. Wowchuk: Thank you, Marcel, for your presentation. In particular, I am pleased that you included the section on the area where hog producers and cattle producers are working together and that there is a way that both of these industries can work together and benefit from it.

You talked about the need to review safety net programs and that whatever measures are

taken that consideration must not raise eyebrows south of the border. That was one of the issues that we were concerned about with any program. The CMAP 2 program is decoupled. We wanted assurance that it was trade green, that it would not cause any problems for anybody, and that was an issue that was raised by producers.

We have had many suggestions about different safety net programs and reviews that we should be doing. The suggestion has been made by many that we should have a cost-of-production formula, and just given your comments about the need to be trade neutral, what is your view? If we brought in a cost-of-production formula to guarantee prices, in your opinion would that raise eyebrows and give concern for trade across the border?

Mr. Hacault: It really depends probably how that cost-of-production model is implemented. As you are probably aware, the packer in Brandon, Maple Leaf, offers a cost-of-production model. No government money is included. They have a contract, and it is based on the cost-of-production model. I do not see why Agricore or the Wheat Board or any of those companies would not be able to do something similar. Maybe it is not a role for government. I do not know. I am not a crop producer, unfortunately or fortunately, depending on the years.

Ms. Wowchuk: Just following up on that, when you talk about those costs of production, that does not involve government money, and I am not trying to look at either way. I am just looking at your comment here about trade and how a program like that could be brought in that would not cause concern for our trading partners because we are always having to keep in mind that we are an exporting country.

Mr. Hacault: My understanding of trade, supply management, in a sense, works on the costs of production only applicable to the supply being consumed in the country. Québec in hogs has an ASRA program, a similar type of model. Again, the strength there is it technically only applies on the hogs being consumed.

Maybe the surest way to make sure that a cost of production is not seen as impacting trade is that it would only apply to the amount of crop

being consumed in the country. I assume that if we were to extend it to cost of production on crops being exported in the market, it would be seen as trade distorting.

Mr. Gerrard: I have questions on two of your recommendations where you have suggested that there be incentives, just to seek a little bit of clarification. The first is the incentives through the Manitoba Agricultural Credit Corporation along the lines of the young farmer rebate for operations diversifying into livestock. Now, this would be for any, I mean, not restricted to young farmers, any farmer, and so you would essentially be providing easier access to credit for those who are looking at that area? The second has to do with the incentives for new and expanding livestock operations to assist farm families in complying with environmental regulations. I am just wondering what kind of incentives you are talking about.

Mr. Hacault: To be fair to the current Government, I think they have made some changes, or there are some changes happening at MACC. To reiterate what a previous speaker said, they often do not recognize the scale and the realities of today's farming. So maybe it is only a matter of tinkering around with some of the ways it is structured. Some of the details right now, I excuse myself, I am not familiar with all the details. I have not applied for this since I started farming. But right now the people I have talked to, to get any benefit from any of the young farmer provisions is very difficult just because of the way they are starting into agriculture.

On the environmental regulations, our industry, I guess, is at the forefront of a lot of new environmental measures and environmental sensitivities, almost like the canary in the coal mine. I guess from my perspective it might be wise to help us through that transition. When I talk about the existing farms, those are the ones that seem to have the most difficult time to adjust to those new environmental regulations.

I believe, probably their first reaction is just to say: I have had enough with the red tape, I am getting out. I do not believe that is good for Manitoba agriculture. So that is really why I was

suggesting that is to prevent the I have it, let me out.

Mr. Jack Penner: Thank you very much, Mr. Hacault, for your presentation, as usual, a good one. Can you tell this committee what would happen in your industry if your feed costs would double tomorrow?

Mr. Hacault: It is all relative to what else would happen with our competitors. As you know, pork flows freely between a lot of countries, and we compete with those countries at the end source. If the subsidies, if they were to impact our costs of production on feed here and not impact cost of production in other areas, then it would put us at a competitive disadvantage.

* (20:50)

Mr. Jack Penner: Well, thank you, Mr. Hacault. If the Americans would tomorrow do away with all subsidies and if they would keep their prices of grains to their farmers at the current levels, the prices to the farmer—they get half of their income now from Uncle Sam and half from the marketplace, roughly—if they would keep the prices to the farmer that they receive now, that would mean that your prices of your feed costs would double. Would the American livestock prices change much, in your view, and how would that impact your industry? In Canada would we remain relatively where we are today or do you think we would follow suit?

Mr. Hacault: If I understand the question, and, forgive me, but if the hog farmer in the States all of a sudden has to pay twice as much for feed as he used to and we had to pay twice as much as we used to, would we still remain competitive? I believe we would. Yes. Both would have to move at the same time.

Mr. Jack Penner: I think that is the reason I asked the question, Mr. Hacault. I hear grain farmers say that they cannot produce in Canada at half the price that the Americans receive for their product, and that is why we are here. If last year when the corn producers applied for a countervail and got it, some of the livestock industry objected to the countervail. Personally I do not agree with countervails either. I think they have no place and should not even be allowed, but I think it clearly demonstrated how

much more the American farmer received for his corn, for his feed stuffs, than our farmers did. Would it be feasible then to utilize a system that Tom just indicated before you that we try and develop a system that would equalize the supports on a North American basis based on the fact that we run under a free trade agreement and based on the fact that we also operate under NAFTA? Do you think that would be a fair assumption?

Mr. Hacault: That would be a grand goal.

Mr. Maguire: Mr. Hacault, you mentioned the cost-of-production kind of formula that is available to people in your industry through Maple Leaf. Would you describe that as a type of a hedging mechanism that Maple Leaf would use to protect themselves in that marketplace, and would you believe that, if that was available to grain farmers, they would be better off as well?

Mr. Hacault: It is probably improper for me to speak of the Maple Leaf program, but I understand the reason they got into it was to ensure supply and to have stability at the selling end to their customers, and they saw that as being an advantage in their area. Sorry, the second part of the question?

Mr. Maguire: If that is a true hedging mechanism that they are using there, even if they are using it as an attraction to buy product, would you confirm or would you believe that, if a similar program was available to grain farmers, they would be not in as bad a situation as is being portrayed today if they had that opportunity?

Mr. Hacault: I am speaking a bit out of my area of expertise, but it would seem to me, if a company had developed a long-term relationship with a premium market and they wanted to keep that market and keep their suppliers, if they would develop a cost of production, it would benefit, but, again, I do not think all crops could fit under it. It probably would only be a certain percentage, 10 percent or 15 percent.

Mr. David Faurichou (Portage la Prairie): I was wondering about the supports. To change over from grains and oilseeds, you need a certain amount of schooling and understanding of

livestock. Do you feel that this changeover or diversification of the livestock industry, are there programs enough to school funds to do that successfully?

Mr. Hacault: This will probably show up in my next presentation when we meet with Rosann, but I think there is a role for the Province to play in the whole area of the production skills necessary. A lot of producers have specialized into their area and to ask them to go from straight grains into livestock of which they have had no experience without any type of support in either production loops or technology disadvantages them and discourages them from even looking towards that as an option. So that would be probably a good thing.

Mr. Chairperson: Mr. Faurshou, with a quick question.

Mr. Faurshou: Being a professional organization as yourself, this question in regard to overall taxation. How much money is run through the Government bureaucracy and Government Treasury essentially causing you overhead? Have you ever done that study as to the amount of money that your industry pays to the Treasury for the cost component?

Mr. Hacault: Well, in good years we pay income tax. I think everybody has to pay that, but there is the whole taxation on production buildings, the school tax issue, the fuel. We are impacted by fuel tax, natural gas. We are a high user of energy. As we get more and more employees in the system, there is that whole area. I know we have not done a study. I think, if there were any measures to reduce the tax load, that everyone would probably benefit in the food production sector. It would go right across the board.

Mr. Chairperson: Thank you, Mr. Hacault. I would like to invite Mr. Don Dewar to the microphone. Mr. Dewar will be followed by Mr. Ian Wishart, if Mr. Wishart could be ready to go as soon as we are finished with Mr. Dewar.

Mr. Dewar, your submission is being distributed to the MLAs. The floor is yours.

Mr. Don Dewar (President, Keystone Agricultural Producers): Thank you very

much, Mr. Chairman, Minister Wowchuk and members of the committee. I want to thank you for the opportunity to present to you. I am pleased that the committee is hearing producers from across the province and in different locations to really hear their stories. We are hearing more of them tonight in the last night.

As you know, we as an organization have been talking to you. Keystone Agriculture Producers is Manitoba's general farm policy organization representing individual farmers and the commodity groups in twelve districts in the province. The strength of our organization is the structure in which all our policy is developed by the membership, and they give it to me.

Our mission statement is to be Manitoba's most effective democratic policy voice while promoting the social, economic, physical and cultural well-being of all agricultural producers. So that being said, we have been telling the story of what is happening in agriculture in Manitoba, but you are hearing it, as you would say, from the horse's mouth these last few days. I thank you for that, because I think it is really important.

We have seen a steady decline in the last few years, particularly grains and oilseeds. I think that is the area that is struggling the most. It is the area that other countries target their subsidies towards. The United States has met all the WTO commitments, if we are going to get into that jargon, whereas Canada is only at 20 percent of their commitment. So we have a lot of room to increase our funding and meet the commitments that we have made with the rest of the world.

The commodity prices then have been artificially depressed because of all these subsidies in other countries. We, as a result, are seeing the particular hurt in Manitoba, corn dropping by 46 percent; wheat by 34 percent; and Canola by 34 percent. It is just unfathomable to imagine that a farmer can continue on in the industry to invest and be sustainable. It is just not.

Some livestock industries have seen an increase. Their prices have been reasonable. Other countries do not subsidize their livestock production. The commodities that feed the

livestock receive the subsidies. Therefore they have the low-cost commodities to add value too. I would submit that that is not sustainable, what we are seeing in Manitoba and in Canada. We cannot continue to produce below the cost of production to feed other value-added industries, whether it is livestock or a pasta plant or anything else. There has to be a margin at the farm gate.

* (21:00)

To compound that in the year 2001, and I know you have heard it many times over, the cost of energy, the cost of fuel, fertilizer in particular, are on the steady increase. We cannot do the business without using these inputs.

Since 1995 Manitoba farmers have lost \$1 billion in equity, and that is our infrastructure, that is our depreciation, that is how we have been funding the industry. Again I submit it is not sustainable. We do not have the working capital to reinvest.

The basic safety net programs, the basic safety net package comprised of NISA, the Net Income Stabilization, Crop Insurance and companion programs. Since this package of programs was put together about 10 years ago, there was talk of a need and an expectation that there would be a suitable disaster program put in place. That program, AIDA and then CFIP, were developed to become that program. They do address the issue of disaster, but they do not address the issue of disaster particularly in the grains and oilseeds sectors. And while governments have tried to massage the programs, and we have seen numerous changes and causes for complaints from all sides, it has driven the cost of administration through the roof. They have massaged it with the perception of trying to be beneficial to producers, but they failed to do so by inadequately funding the program. All the changes were made tied to the budget, not to what the impact would be on the farmer, whether it was good or bad.

Committees of producers at both provincial and federal levels have been created and consulted and ultimately ignored as the process goes forward in trying to find a program and design a program that will address the needs of agriculture in Canada and in Manitoba. The

existing disaster programs do not address the current situation because they do little to target the need, and even in situations where they do target the need they are not properly funded to address the need.

What is the definition of a safety net? In our opinion safety net programs are to help producers manage uncontrollable price and production risks. We ask then why the powers that be across this country use an allocation formula that does not target risks but targets farm-cash receipts. I point to the recent \$500 million that was recently announced and CMAP 2 in Manitoba. Had we allocated a grains and oilseeds program to address a grains and oilseeds problem, Manitoba would have received 5 percent more of the pot of funding and our producers' cheques in Manitoba would have been 50 percent bigger than they were this year. When that money was approved, it was stated that it was for grains and oilseeds. In fact, talking to a Cabinet minister, he believed and the Cabinet believed that it was going to help the grains and oilseeds sector in Canada, and we know what happened after that.

I think we have an excellent opportunity when this week the assistant deputy ministers are getting together to develop and talk about the policies in agriculture, that they be instructed to fix some of these problems particularly with this funding of a safety net or of the problem with grains and oilseeds. The allocation across this country has to be based on where the need is or the sector that is in need.

Our industry and organization, municipal governments now and the provincial government, have all been trying to highlight to the federal government the distress situation in our industry, and we are having no effect on Ottawa. We have to move it to the No. 1 item on the agenda of the federal government. We were asking the premiers across the country to work together with the farm organizations in their provinces and reach an agreement, formulate a plan, an approach, and get this problem addressed and onto the desk of the Prime Minister of Canada. Keystone Agricultural Producers would be pleased to work with the Manitoba Government towards that end.

In a speech by Mr. Vanclief in February, he stated: From coast to coast, our farming families are a bedrock of our rural communities, and we want to find ways to ensure this sector continues to play this vital role for decades to come.

Well, we agree farm families are the foundation of rural Manitoba but without the federal government's assistance or assurance of commitment, including financial commitment, this landscape will rapidly change.

When we talk about parity, the percentage of producer support is less than half of the average OECD payments. In 1999, if Manitoba farmers were to receive what the American farmers received, it would require \$300 million. With the year 2000 being an election year, we know that the federal government in the United States almost doubled those payments. Canada has a smaller population, we are told, we cannot do that, but even on a per capita basis, we are only at 50 percent. Our government is only spending 50 percent of what the American government is spending per capita, so we again are not receiving parity.

The federal government has told us that our problem is caused by subsidization of the industry in other countries, and I think we can all agree. They have also said that they are asking the other countries to reduce their subsidies and their support, but they have been saying that since 1995 when they slashed our support programs to the bone. We have seen no decrease, in fact we see increases in the foreign subsidies. We know it cannot happen overnight, but we need assistance now so that we can keep pace with the other producers if we are and as we move to a unsubsidized international environment.

The provincial government has an opportunity to play an immediate role. We have been asking for several years, in fact, to eliminate the burden of the special education levy on farmland and production buildings. This tax to fund education is totally unfair in today's environment. At the time when it was put in place, there was a family or a person on every quarter section, and a farm holding was about equal to a residence, and we know that today most enterprises require a significant land base

and production buildings for grain and livestock. But the tax is not based on the ability to pay, and the producer then, it is determined, has no way of passing that on. Again, with the recent report that was tabled last week, the provincial government has an immediate opportunity to act and relieve the burden on agriculture in Manitoba.

A second one, and I know you have heard this one before, even this evening, is the provincial sales tax on materials for new farm production buildings and soaps and disinfectants that are used in those buildings. At a time when producers have limited capital investment, we ask that the Manitoba Government remove that tax to allow us the opportunity to be competitive with producers in other provinces in Canada.

The last area we would ask the provincial government to help is with the awareness. We need, at a time when we are only 2 percent of the population, to develop an understanding of the urban communities and the people that do not have a connection to the farm so that they realize what is happening on the farms and what is happening to the families. Again, we are willing to work with the government and its resources to achieve some level of understanding.

We also wish to thank the provincial government for the commitment of extra dollars should there be further federal funding, and I certainly hope that you can continue that opportunity and you have an opportunity to realize on it.

I think, in summary, I can say we are disadvantaged competitively in three ways. We have low commodity prices due to world overproduction, driven by subsidy programs. We are forced to pay the higher input costs from the marketplace and from demand from the competing countries who are able to buy those inputs with subsidized dollars, and we do not have the subsidy dollars. Over and above the need for the immediate assistance, there is a need for a long-term vision and a plan to realize that vision, one that is developed in consultation with the industry. We need assurance from governments, both provincial and federal, that our farmers will not, they cannot, have to face the current income situation again in the future.

The government must act now. It is time for the federal government to show a commitment for the survival of agriculture. Will the federal government ensure that agriculture not only continues but prospers in this country, or does the government want us to become dependent on our neighbouring countries for the necessities of life?

I leave you then with two very important questions. Will this provincial government effectively carry the message forward that the federal government must commit financially to ensure the future viability of the agricultural industry in this country? Can you guarantee that family farms will no longer have to supplement their income in order to produce food as they are currently doing in order to feed other Canadians?

Again, I thank you for the opportunity to be here this evening.

* (21:10)

Mr. Chairperson: Thank you, Mr. Dewar. Mr. Dewar, your presentation has sparked quite a number of questions, beginning with Ms. Wowchuk.

Ms. Wowchuk: Thank you, Mr. Chairperson, and thank you, Mr. Dewar, for your presentation. Also, I would like to express my appreciation to KAP for the amount of work that your organization has done on a variety of issues and has always been prepared to work with us when an issue comes forward. You talked about the allocation formula should be based on risk, and that has certainly been a subject of a lot of discussion and one that you know that we worked on very hard. I want you to know that, because of the efforts of our Government, although we could not win on the formula, we do have a review coming, and, hopefully, that review will change the way we are funded in our safety net programs.

You talked about a variety of programs, and we have heard from a lot of producers on safety net programs and how they are working and not working. So I guess my question to you would be which of the safety net programs do you see as working for producers and which safety net programs would have to be changed?

Mr. Don Dewar: I think the one program that I hear the most about is NISA, that people are

happy with it. Some have the enviable position, perhaps, because of changes they have made on their farm that when they actually need the money they can access it. There may be some small changes, but I think in general there is the most satisfaction expressed with NISA. Crop insurance, when you look at the dollar value, people complain, and we all I think recognize that the dollar values are low because the market prices are low. It is production insurance and as that insures the production, I believe most people are satisfied that it does that job. Unfortunately, it does not replace the income when there is a shortfall like there is.

Of course, and I think your office and everyone's office has probably heard the AIDA program and the CFIP program are the programs that everyone has a suggestion on how they should change it. I think that very clearly, and I referred to it, the biggest problem is not designing the program; it is in funding the program.

Mr. Derkach: Mr. Dewar, thank you for your thoughtful and well-written presentation. I have a comment and a couple of questions, I guess. My comment is that maybe this situation in Canada and Manitoba has finally sparked the coming together of people who have ideas on how to fix some of agriculture's problems; I will not say all of them. Indeed, I think the events of the last few months have brought together people who have, perhaps, differing views but who have the same goal in mind, and that is to get agriculture on a stable footing.

I think your organization is positioned very well to do that. I would like to ask whether or not your organization, through the professionals who are hired by your organization, has been consulted or are consulting with the Department of Agriculture to develop a long-term strategy for stabilization in the agriculture industry at this time and if you are prepared to work with the different organizations who have come forward with ideas perhaps, not solutions at this point but indeed plausible solutions to the crisis.

Mr. Don Dewar: We are prepared to work with anyone who wants to try and design a program that will address the situation, and, as you said, it would be hard to find a perfect program.

But the program is not the problem. It is the funding. We could have designed AIDA to serve producers a lot better, but there was only so much money in the pot. We could not spend a dollar more, and it would look bad if we spent a dollar less. So we played with the rules until the exact amount of dollars was spent, and then we saw them revert with the CFIP program to some old rules that we fought for two years to change.

So it is not designing a program that is the problem. We could have any program that has been suggested here, but the governments, and I say governments, are not committed to changing to fund a program. We have talked for years to design a program with the commitment from government that if we can sit down and agree that this is what agriculture needs, the money will be there. That discussion is not allowed to happen. It has not been allowed to happen for 10 years.

Mr. Jack Penner: Mr. Dewar, certainly, again, an excellent presentation, and I think you have covered a wide range of issues. The one area that I would like to ask your views on is—first of all, a comment: In 1991, the provincial government removed the provincial portion of the education tax from farmland which amounted to some \$20 million in round numbers, and applied through the new assessment process an education levy on farm buildings, including production buildings. That was done in large part by the advice of UMM and others that indicated they used the infrastructure, livestock producers used infrastructure, and there were many farms that were on smaller acreages that were not paying taxes. So the municipal organizations lobbied for this.

Are you saying now that we should consider removing the education portion entirely from farm buildings or just the production buildings and the land? If so, how would you fund, then, the cost of education in the province of Manitoba? What advice would you have for government?

Mr. Don Dewar: I think that we could agree wholeheartedly that the government's general funding of education should be increased back to the 80% level that it was 15 years ago, or thereabouts. The \$20 million that was shifted in 1990 is now \$40 million that we pay on our

agricultural land in the province and buildings. I do not think we have solved anything. We have given the government another way over the last 10 years to shift, because it had to be made up in the local levels. That is the special levy by each school board. But it has nothing to do with the ability to pay. Education is a service that we like to have available for everybody on an equal basis, and it should therefore be funded in that way. Give us a chance to earn a profit and pay the taxes, and then that will fund education that way.

Mr. Chairperson: Mr. Penner, we are overtime, and we still have a couple more.

Mr. Gerrard: Thank you for your presentation, which you have obviously put quite a bit of work into. There have been quite a number of presenters who have commented about crop insurance. One of the issues is the application of crop insurance by quarter-section or by section because of the large size of farms and the change of agriculture. What is your view in changing Crop Insurance so that you could, for example, either change the pattern or allow some flexibility so that if farmers wanted to have it on the quarter-section or section it would be possible.

Mr. Don Dewar: I believe that Crop Insurance is working on some of those features, because there are two sides to that. There is the small, localized farm that would like to separate each field. It does get substantially more expensive, but if a producer is willing to pay that, perhaps he should have that option, because the risk is concentrated.

There is also, I am trying to think how many years ago, a number of years ago there was a distant unit. If you had a field or a part of your farm was 15 miles distant, it was insured separately. They removed that option sometime in the recent years, 10 years ago or something, I am not sure. But now we have more of those farms that are spread out and larger farms. Is there some self-insuring aspect there? Some people are asking for those options. I am not part of the Crop Insurance board, but I know that they have been looking at some of these things.

I think over the years we have had a good working relationship with Crop Insurance. They have responded to requests from producers and in specific groups, with options, and said: What does your group want? Crop insurance is an insurance program that has to be actuarially sound on the crop insurance side. As long as they can stay within those parameters and producers are prepared to pay their share of the premium, then I think they have worked very well with them.

* (21:20)

Mr. Chairperson: Time for one quick question from Mr. Ashton.

Mr. Ashton: I certainly appreciate KAP's input. I know we had an announcement on Friday that KAP certainly had a great deal of input on. I want to thank you for that. I appreciate the information on the taxation side, actually a couple of ones that I was not aware of on the provincial side. I am just curious what KAP's position is with farm fuels. That is one area where the province does exempt, actually all Prairie Provinces, with the fact that the federal government not only taxes farm use of fuels, but essentially with the exception of the Grain Roads Program will be the first time we have had federal money on our road system in five years. So, essentially farmers are paying a fuel tax and getting absolutely nothing back in terms of services on our roads.

Mr. Don Dewar: I think that ever since, I think it was, 1990 or 1991 that the excise tax ceased to be a rebate for producers, since that time, we have been asking for it to be reinstated for agriculture. It was always seen as a road tax. On our farm, it was called road tax, so giving it back to the farmers made sense. There is no sequestered taxes, we are told. They choose to keep that money and not pay it out. It is has been part of our policy that the money they collect should be returned to roads from this road tax. We are very much in agreement, I think, with every provincial government in this country that has been or will be in the fact that the federal government is underfunding their roads infrastructure.

Mr. Chairperson: Thank you very much, Mr. Dewar, for your time tonight.

I would like to invite Mr. Ian Wishart to the microphone, followed by Mr. Greg Arason, President and CEO of the Canadian Wheat Board.

Mr. Wishart, the floor is yours.

Mr. Ian Wishart (Private Citizen): Thank you very much, committee members. It is a pleasure to be here today. I am addressing you today as a producer from the Portage la Prairie area, but I am also involved in the Keystone Agricultural Producers Rural Development Committee. As such, we have developed a position paper that I would like to share with you and ask that it become part of the record. It is called Alternative Land Use Services. Will it become part of the record?

Mr. Chairperson: Is there leave for the committee to accept the document? *[Agreed]*

Mr. Wishart: Thank you very much. I cannot cover it in great detail. As you can see, it is a fairly lengthy paper. What it really amounts to is a method for producers to be compensated for the things that they produce on their farms, other than food and fibre. I will go into that in some bit of detail later in terms of the mechanics of it. Many of the environmental aspects that producers have not been recognized for in the past, including water and soil quality issues, wildlife issues, carbon credits, some of the societal aspects are all incorporated in part of this discussion.

I think most of us are in agreement that there is a lot of short-term need in the farm community for a cash inflow. There is a lot of short-term pain out there right now that has to be addressed, and some of it is generated by commodity markets. Some of it is generated by specific disasters in specific areas and should be addressed, but there is also a great need for a long-term plan in agriculture. The federal government, for many years, have worked on a target of gross sales export from Canada, and every time they achieve a new high, they seem to think that they have done something wonderful.

I would like to change their focus to a net farm income issue. That is really what matters to

most of us out here on the land. Gross sales maybe do the economy a lot of good, but they do not do individual agricultural producers a great deal of good. They do have a plan in place, they tell us, as to where we are going to be in the future, and it involves the life sciences concept. I have seen some details on that, but there is absolutely no method, and something like this is very far in the future, from my point of view. I would think this could be something we were looking at 20 years from now. We have to get from here to there, and you certainly need a method to do that. The same thing applies, to some degree, to the province. They have a view of the future, but we do need to work with them on some methods to get us there.

If I could turn to the document, and I will not go into a great deal of detail in terms of the rationale, though I would very much encourage you to read through it. A lot of it was covered in some of the previous proposals or discussions, particularly with what Don Dewar has discussed from Keystone Agricultural Producers.

If I could encourage you to turn to the details on the program itself, Program Concept, section I11, the general operating principles so that you will understand the nature of this type of program, it is a set-aside-based program. It is completely voluntary, based on incentives that encourage individual producers to set aside some of their land base, up to a 20% level. It is capped at 20 percent so that the total liability to governments is somewhat controllable in that regard. It could be integrated into existing delivery systems. It is structured such that it could be piggybacked on top of any crop insurance program in Canada and delivered with some additional costs, though relatively small, compared to designing or implementing a whole new program such as AIDA was, AIDA or CFIP. It is targeted to encourage stewardship of environmentally sensitive sites and marginal farming areas. It is flexible. It is a nine-year program in three-year blocks so that producers would be allowed to respond to changing markets, circumstances and changing individual circumstances to a high degree. Such a program should be trade neutral as it favours no particular commodity. In fact, many of our trading partners already have programs similar to this in place, though it does incorporate some new aspects. In terms of qualifying practices, they fall into three

general categories as they would be delivered, those being annual, multiyear and permanent.

Under annual, things like grazing management would be eligible under a program like this. That has to be included so that it becomes not just a grains and oilseeds program but for all of agriculture and becomes neutral and industry-wide. Green manure crops is a major portion of that. This is something that used to be a very common practice and has fallen by the wayside. It has a lot of positive environmental benefits as well wildlife benefits and water quality benefits. Things like residue management, of which farmers have actually done an awful lot on their own right now but should be rewarded for having done so and encouraged to do more in the future.

In the area of multiyear programs, things like the conservation cover program, which is land converted to forage or pasture for longer than one year whether or not it is used. There would be some level of compensation based on whether or not it was used in individual years. Things like a forage reserve. I think you are probably all familiar with the CRP program in the United States, which you have seen, sort of falls into this category. It creates an area of forage that is not necessarily part of the producers' annual harvest pattern, but it is there for surge capacity in terms of dry years. The CRP program is used for that very often in the United States. There is also the issue of deferred harvesting of forage areas to accommodate waterfowl or wildlife, should also be recognized and compensated.

In the areas of permanent riparian areas, which have been an area of a great deal of discussion of late, particularly with the Department of Fisheries and Oceans focussing on them and a lot of good environmental reasons to look at them. Changes in management of land adjacent to or in a waterway, intermittent or permanent, would be compensated to the producer for taking them out of production either for short-term or long-term periods. Wildlife management and endangered species zones, of course, we are all aware that the endangered species legislation has been reintroduced, and there are certainly concerns about whether or not producers are adequately compensated under the existing legislation. A program like this would

make it possible to compensate producers to the point where they would actually be looking forward to having endangered species locate on their land. It would be worth more to them that way than it is in current issues.

The issue of carbon sinks, that is a tough one to deal with. We know that agriculture could be a major player in carbon sequestration. We are not yet sure whether it is going to be recognized under the Kyoto accords as an issue that we can bank on and how we might be compensated for that, but it is certainly something that could be built into a program like this.

Water storage areas, that is a multiple issue. As an irrigator on my own farm, I found that water storage can be a very valuable asset if you can catch the spring runoff and certainly be put to use for growing crops that have increased value. Water storage also has the additional benefit of taking pressure off the drainage system downstream, which contributes to the whole issue of flood control, which we certainly seem to have our share of in this province every year.

* (21:30)

In terms of the design, it is designed to work with the individual landowner and operator, not necessarily the landowner, I should say, but the operator of that land, so that it will not flow through the hands of someone who rents but actually stays in their hands. In terms of enrolment, it is 20% price payment, and that is, of course, a big issue for the producers. What we are really doing is suggesting a methodology-based soil productivity ratings that would be followed up with a compensated or a negotiated price for each individual area.

This is actually how the CRP program was originally set out in the United States. It became a set price to start with, and then they went through an offer and an acceptance process in each individual county until they arrived at a mutually agreeable price between producers and government in that particular county. What it effectively became was an opportunity cost, and you can arrive at that by a number of methods, but that is the one that seemed to work the best down there. Once it was established, it was not questioned an awful lot, and it has actually rolled ahead from year to year without a long, extended

negotiation, because certainly the first year it did take a little bit of time.

I mentioned earlier the duration and administration. You may think that it would be quite an additional administration. This is a fairly detailed program in terms of delivery on an acreage base. Because most producers are already involved in crop insurance in this province, about 83 percent, three times a year they come into the Crop Insurance office and report their intentions for the year. Again after seeding they report what they actually did in terms of seeded acreage. Then again in the fall they come in and report their production. Without too many changes you could piggyback a program like this on that type of information that is actually already collected. It would just be a relatively minor increase.

In terms of some of the implications of a program like this, as I said earlier, it should be considered trade neutral. We have looked at some of the trade rules under WTO. Certainly they have similar programs in Europe and the United States. They are considered green. It does not necessarily guarantee that our program would be considered green, but under the rules, environmental rules in particular, they do allow for set-asides. We should fit into this particular program.

In terms of market, there is concern, I guess, that 20 percent might have an impact on the marketplace. I sure hope it would drive prices up. I guess there is some doubt about that, because certainly 20 percent, even if it was done western Canada-wide, or Canada-wide, would not be an awful lot of product. In fact, if you follow the example of the CRP program in the United States, where they had a 20% set-aside, and it varied county by county in the United States, they actually only had a 5% to 8% drop in production.

That is kind of critical, because you do not want a major drop in production in any particular area, because there is infrastructure in that area that is built around supporting and dealing with that. There were counties in North Dakota where they had 40% participation in CRP. The first thing that disappeared after the

farmers was the elevators. The next thing was the farm supplies. So you cannot go to that kind of level in terms of a set-aside program. That is hence how we kind of arrived at this 20% level. A 5% to 8% drop may have an impact on markets in the long term, but it is certainly not going to have an awful lot of immediate impact in the community in terms of infrastructure.

In terms of the transition issue, farm demographics in Canada right now suggest that we have an aging farm population somewhere in the 57- or 58-year range. In the next 10 years a lot of those people are going to want to retire, leave the farm or whatever, and we have to find somebody to replace this. Based on CRP's example, at the time that they introduced their program their farm demographics were actually a bit younger than ours. What tended to happen down there is the older farmers jumped into this program in a big way, enrolled their poorer acres in a program like this, got compensated by whatever level of government for this, and then turned around and rented their better lands to their neighbours, who were, in many cases, younger farmers or new farmers. Now, they could either be expanding, but many of these same farmers had also enrolled 20 percent or whatever of their own land in this program. So they had surplus capacity sitting there idle. So what we effectively got was a shift in the valuable assets, land assets in particular and also an improvement in the average quality of the assets that was being used.

Those who wanted to stay in the industry, those people were effectively more viable in the long term. They had a better land base to work from than they did before. What you take out is the marginal and sensitive lands. Most producers know which ones those are, the ones that do not produce well for them, and yet you still get a massive environmental benefit in terms of soil and water quality, because in many cases these are susceptible soils to flooding, watered areas. You also get a major wildlife benefit. Certainly that has been well documented in the United States.

In terms of other impacts, it should not have a major negative impact. Value added in terms of the resource will still be there to draw on, only a small drop in production. In fact, it is a very livestock-friendly program, because it does

create an awful lot of green space that we do not completely restrict access to. If you read the program you will find that we do allow limited grazing use, managed grazing use, managed forage harvest depending on the circumstances for the year, often leaving strips for the wildlife benefit or the waterfowl benefit along the riparian zones. It also has a benefit in terms of recreation and tourism. I mean, we have created more green space and we will make the farm community a little more attractive.

It also includes existing practices. The farmers that have read the writing on the wall and have made shifts already will be recognized and compensated for what they do. It is not a question of paying producers not to farm in this circumstance. It is recognizing what they do with that land other than produce a food and fibre asset, which is not farming in the true sense but it is still a service to the environment.

I guess in terms of where does the money come from always becomes a major issue. Certainly I cannot address that completely, but we have done some rough numbers on this and I have not included them in here but—one minute, okay—we can throw a few numbers out. For Manitoba alone, it looks like it would cost somewhere in the neighbourhood of \$45 million to \$60 million a year. To do western Canada would still be in the neighbourhood of about \$500 million to \$600 million. Now we are not suggesting that this would come out of Ag safety net budgets in any way because the benefit, though there is some to agriculture certainly in terms of farm income, is so widespread to other areas. Environment, Conservation, Department of Fisheries and Oceans, the Endangered Species Act all fall into this and could all be incorporated into this, and as I mentioned earlier the issue of carbon credits. So I think to call this an Ag policy or an Ag program would be unfair. It is far broader than that in scope. Thank you.

Mr. Chairperson: Thank you, Mr. Wishart.

Ms. Wowchuk: Thank you, Mr. Wishart, for your presentation. Certainly there has been a lot of discussion on the proposal that has been developed here.

You talked about the federal vision for safety nets, for long term being based on life

sciences and that being a long term, but there is a review of safety nets and talking about what the long-term vision is. I want to indicate to you that there are other issues besides the life science that are being discussed, and those will be discussed, there is work being done on it, at the ministers' meeting in June.

On the proposal that you have forward here, you referenced a previous program, the permanent cover program, that was in place earlier. I have not read it all, but I want to talk just about the costs. You are saying that this would not come out of safety net money. I believe that program was funded by the federal government. Do you see this program as being a federal program or something that is federal-provincial? Then I have another question after that.

Mr. Wishart: This program, if it was put in place, would have to be funded by a number of agencies, not just government levels too. I mean, we have talked to some of the wildlife organizations such as Ducks Unlimited and the North-American Waterfowl Management Plan. They are very interested in a program like this and to the point where they would participate, if the circumstances were right, with some of their own money. They would get a far bigger bang for their buck than they ever hoped to get working privately like they are right now.

For instance the North-American Waterfowl Management Plan spends \$25 million a year in western Canada, and they deal with 1 percent to 2 percent of land in any particular area if they are lucky. We are talking about a 20% impact. So certainly it is a very attractive program to them.

Not just Agriculture is involved in this. If you were talking federally, you would probably be talking Conservation, Department of Fisheries and Oceans, Department of Environment, rural secretariat all should be interested in a program like this because we have something to offer to them all.

* (21:40)

Ms. Wowchuk: Would you agree though that with this kind of program we would be reducing the draw on the safety nets because if farmers

are going from getting \$30 an acre, they would be having a loss of farm cash receipts in Manitoba somewhere in the range of \$150 million so that would reduce the amount of draw on safety net programs.

Mr. Wishart: Yes, there is no question there would be savings particularly to Crop Insurance and probably, depending on how the income was calculated, either to the NISA program or the CFIP program. There would be savings. We have not actually had an opportunity to calculate the potential savings yet. I might comment that the Americans consider the CRP program to be a net benefit to them down there. It actually saves them money compared to their other farm subsidy programs.

Mr. Gerrard: Ian, thank you for a very thorough piece of work here. Just two points. One, you mentioned piggybacking it on Crop Insurance. Would you integrate it with Crop Insurance and make the payment through Crop Insurance? Second, you talked briefly about the issue of the extent to which one might be allowed to harvest by grazing the forage or I suppose harvest the woodlot where you are talking about carbon sinks. Maybe you want to comment on that because that seems to be an issue which would be important in how this would operate.

Mr. Wishart: Certainly in terms of integrating it with Crop Insurance, in terms of the financial cash flow, yes, you could probably do it through that method. We have contact through Crop Insurance right now with almost every producer in the province. What we do have is a very good track of all the land base in the province, and this is a land base program. So using the technology that is in there right now and the Ortho photos that are available on basically every quarter-section in agri-Manitoba, yes, you could flow it through there with very little difficulty.

In terms of limited harvest or allowing harvest, that is one of the criticisms actually of some of the programs both in Europe and the United States, that they allow no harvest. I have worked quite a bit with different wildlife groups over the years. They have come around in their opinion that they were often mutually exclusive. It was a wildlife piece of land or it was

agriculture, and nobody dared cross the line in between. Many of the wildlife groups have come around to the point now where they are actually encouraging limited use because it is better from the wildlife point of view. If you think environmentally, western Canada developed in a rangeland situation not with no buffalo here, there was lots of buffalo here, and the wildlife actually adapted to that type of environment. So I do not really see a problem there. In fact, I think that we could both mutually benefit from this type of management.

Mr. Glen Cummings (Ste. Rose): Thank you for your presentation. I certainly support the general principles that you are talking about. Have you had an opportunity or do you know of anything of this nature that has been discussed outside of circles within Manitoba?

Mr. Wishart: Yes, through Keystone we circulated this document very widely. We sent it to the three western Ag ministers, had a reply from them all. Saskatchewan has a forage program that they just announced that is somewhat similar in some aspects. I know that they have done some policy work on this. They have contacted me personally to ask for additional information. Alberta has contacted me in the last month and is discussing something along this line, though they never tell you exactly what they are doing.

We made sure that it has been to Ottawa and as many different departments as we can get it to. Now, I understand also that the Saskatchewan producers group is looking at something like this as well.

Mr. Cummings: Just one supplement to that, I certainly would encourage you and agree with the concept that some sort of limited usage would extend a more friendly face for the program to farmers who like to think that when they own the land they should have some opportunity to continue to have some management over it and the concepts of a sustainable community. We have talked in this country and in this province for a long time about the definition of sustainability and sustainable communities. This is probably a pretty good extension, except I would only caution for the large percentage of the people who are concerned about the current state that

there needs to be a recognition of the short-term problem at the same time as we deal with this.

Mr. Wishart: You are certainly right. This is not a short-term fix. This is part of the long-term solutions. I could not agree with you more in terms of allowing limited or partial use. I think the mutual exclusive nature of land use in the past, particularly when it comes to wildlife or environment and agriculture, has been at a detriment to us both.

Mr. Chairperson: I have Mr. Penner and Mr. Maguire. We are two and a half minutes overtime. When we have presentations that go the full fifteen minutes, committee members, we must remember we have only got five minutes to work with. I am trying to be flexible so that everybody can be worked into this. I will allow Mr. Penner and Mr. Maguire, but I think in the future we have to make sure our questions are much shorter and more to the point so that we do not waste all the—not waste, that was not the word I wanted to say. Sorry, everyone. I will retract that one really quick. I am worried that if we keep going at this rate the people in the audience will not get a chance to present. So I want us to really stick a lot closer to our five minutes that we have left.

Mr. Jack Penner: Very briefly, Ian, I just wanted to commend you for the work that you have done on this. Obviously it has taken a great deal of time. I wanted to say to the Minister of Agriculture (Ms. Wowchuk) and to the Deputy Minister of Agriculture, who is sitting in the back of the room, to pay close attention to this kind of presentation and the work that has been done. I think we can learn a lot from this and I think we can utilize some of the work that Ian has done in this regard. I think we have others in the crowd today who are willing to work very closely with the department on these matters. Thanks again.

Mr. Wishart: Thank you very much, Jack.

Mr. Maguire: Ian, I just wanted to congratulate you as well. You referred to the endangered species, and I would only say that I appreciate the approach, having worked on this one as a farm leader, to think that we could use a carrot rather than a stick in regard to getting farmers to

be more on-side with us. It goes a long way further to compliance of accepting these programs, I think, than having them basically, I should use the terms "forced down our throats."

You have done a good job, I think, of outlining the CRP work. I would confer with everything you have said, from the work that I had to do in that area with the Americans. If you can elaborate on either of those, I would appreciate it, but I know you are tight as well.

Mr. Wishart: Thank you. In terms of making it work for endangered species, actually I think there is huge potential for this to work in regard to that. If an area is identified as critical for our endangered species, and limited or no use or a change in usage is required to protect that species, you should make that worthwhile to the individual producer. He is the landowner. Most producers are actually fairly flexible on these kinds of issues. Land is a limited resource, but it is a resource that right now we seem to have a lot of, especially when we are not making any money at it.

Probably this is a good time to talk about a program like this. Will this still fly if we ever have \$8 wheat and huge demand? I do not know. You might find some pressure for that to erode this type of program. We did build that type of flexibility in here.

I guess I am of the opinion, in most cases, if proper compensation was established and producers had done something, for whatever reason, either riparian or endangered species, there is a real resistance to pulling it back out, just because of energy that is required to make the change. I think you will find that producers are reluctant to go back into a straight grain or whatever situation when they have made another type of choice.

Mr. Chairperson: Thank you, Mr. Wishart. I would like to invite Mr. Greg Arason to come forward, and Mr. Gilbert Lussier is on deck.

Mr. Arason is the President and CEO of the Canadian Wheat Board. Mr. Arason's presentation is being distributed to committee members.

As soon as you are ready, Mr. Arason, the floor is yours.

Mr. Greg Arason (President and CEO, Canadian Wheat Board): Thank you, Mr. Chairman, Minister, and members of the standing committee. I do wish to extend my thanks for providing the opportunity for the Canadian Wheat Board to appear before the Standing Committee on Agriculture to discuss the key issue we see facing farmers and the western Canadian grain industry. In simple terms, it is short-term and long-term viability.

As an organization, the Wheat Board and its farmer-elected board of directors recently completed a series of some 40 meetings across the Prairies. While this committee is focussing on the situation in Manitoba, to a large extent the message we heard from farmers was similar among the provinces. Some of the key issues raised by farmers at these meetings and through our ongoing research at the Wheat Board include the following:

First, farmers generally feel that they are in a desperate situation. Rising input costs, including fertilizer, fuel, and freight rates, have combined with historically low world grain prices to produce a situation that is untenable over any length of time for many farmers.

* (21:50)

Secondly, farmers feel abandoned by their governments, particularly the federal government. They feel they are victims of an international subsidy war in which Canada has declined to participate on their behalf. Therefore they feel as though they are in danger of going out of business, through no fault of their own, but because they are inadequately aided by government, at least compared to farmers in some major competitor countries.

Thirdly, the dreary outlook for business has meant that all other issues take a back seat to the need of finding profits.

There appears to be little patience right now for ideological positions or programs that are slow in delivering assistance. They are interested in ideas that will lower their costs or raise their revenues and not that interested in anything else.

As seeding begins on the Prairies, the world wheat market shows signs of recovering from the depressed prices of the past two years. For the fourth consecutive year, world wheat consumption will exceed production and stock levels will be drawn down. Particularly important is the fact that this reduction in stock levels will occur in the major wheat-exporting nations. However, we are well aware of the fact that while there can be a recovery of prices in the short term, the industry's capacity to respond can quickly reverse a buoyant outlook.

This year farmers are reacting to the tight margins by increasing summer fallow and turning to lower input crops such as peas and oats to turn a profit. With continued strong demand and production problems in any key region outside Canada, prices may improve enough to produce a reasonably good year. However, what is needed is an environment where market reality guides farmers' decisions in all nations to adjust production to actual demand.

As a voice and a vehicle for expressing farmers' interests in marketing wheat and barley, the Wheat Board sees part of the solution in international agricultural trade policies. While the domestic market remains one of the largest and best markets, we continue to export the bulk of our wheat production to some 70 countries around the world. As well, exports of malting barley and barley malt offshore are critical to farmers in the malting industry in western Canada.

We see the World Trade Organization as the primary avenue to negotiate and administer trading agreements and rules that lead both to freer and fairer trade. While WTO negotiations have established the rules for trade, we must continually work to improve the rules and to ensure that all players follow both the spirit and the letter of the agreements. Enforcement and implementation of trade regulations are key to success in improving the world trading environment for everyone.

We were involved in the Cairns Group Farm Leaders meeting last fall in Banff where we participated in discussions on world agricultural trade issues. We are also making our case for the

new round of trade talks to liberalize trade that will be launched this November in Doha, Qatar.

While there are a number of issues on the trade front, I would like to focus on the issue directly affecting farmers. Fundamental to fairer trade is a level international playing field. Export and domestic subsidies continue to distort world grain production and therefore serve to depress world prices. The issue is the level of difference in support for farmers between Canada and its two major export competitors, the United States and the European Union.

I am sure you are aware that Canada's agricultural industry is facing ever-increasing challenges in production and trade. Recent farmer rallies across the country show the financial pressure being felt by Canadian farmers. Much of this pressure arises from the economic policies of other countries that continue to subsidize their farmers. While many perceive the current situation facing Canadian farmers as being a crisis, I want to emphasize that the economic hardships stemming from agricultural subsidies in the U.S. and the EU is not a new phenomenon but rather a long-term condition for Canadian farmers. In fact, as the implementation period for the General Agreement on Tariffs and Trade subsidy reductions winds down, the subsidy levels to U.S. and European farmers have, according to the generally accepted analysis of the Organization for Economic Co-operation and Development, increased dramatically. Any reductions in subsidization by these two competitors as a result of the current WTO round of discussions will not have any effect on the current market reality for at least five to seven years.

Total support and protection for farmers in developed countries now exceed \$360 billion U.S. In 1999 American wheat producers received 46 percent of their gross revenue from subsidies, and subsidies accounted for 58 percent of European Union wheat farmers' revenue. By contrast, Canadian wheat farmers only received 11 percent of their gross revenue from subsidies. We have included these numbers in an appendix to this document, and I will leave it for your perusal. The appendix has compiled these producer support estimate values under the

OECD, and clearly this level of subsidization in Europe and the United States, no matter how it is delivered, distorts production and trade. We must strive to rein in these subsidies to fair and sane levels.

Looking ahead to the year 2000 estimates to be provided by the OECD, we do anticipate that the level of support afforded farmers in the U.S. and the EU will show even a wider gap when compared to Canada. The Wheat Board as a state trading enterprise continues to be publicized by U.S. interests as some form of government-subsidized entity operating behind a cloak of secrecy. The United States has tried to link this discussion to the issue of export subsidies and allegations of unfair trading practices, because Canada exports wheat and barley through a single desk.

Let me reiterate that Canada has no export-subsidy programs through the Wheat Board or otherwise. The Wheat Board operates like a co-operative, marketing for farmers. While we are a fair trader, we are regularly challenged by nebulous U.S. claims that we do not trade fairly and that we distort markets. Over the past 10 years, the U.S. has challenged or investigated the Wheat Board eight times and each time the Wheat Board has been shown to be trading fairly and in compliance with our agreements.

In summary, I would just like to say that this is a very difficult period for grain and oilseed producers across western Canada. Their concerns have been voiced repeatedly. Farming and rural communities are important pillars in the social and economic makeup for Manitoba and the Prairies. While consolidation and specialization will continue to reshape the agricultural sector, there is a need for support to allow this transition to take place on a rational basis, as opposed to drastic, forced exits as a result of policies in competitor countries. This is the challenge facing our industry as we plan capital investments and make marketing decisions that set our direction into the future.

Thank you for your attention, and I look forward to your questions and discussion.

Mr. Chairperson: Thank you, Mr. Arason.

Ms. Wowchuk: Thank you, Mr. Arason, for your presentation and for putting on the record

the level of subsidies that other countries are providing for their producers, as compared to Canada. You indicate in your discussion that we must rein in the subsidies and bring them to a fair level, but you also say that it will take at least five to seven years before we see the impact of this. Given that situation, is it your view that there should be additional support from the federal government for our producers, or what would be your view on how we should, as governments, address the situation that is facing our grains and oilseeds producers?

Mr. Arason: Well, certainly our board, being made up of farmers, the majority of them—I really believe that we see the need for additional funding for producers very clearly and that that should be done on a basis that is more forward looking and not on an ad hoc basis that reacts year to year. I think there needs to be some continuity, some planning go into this so that farmers as well can see the path forward to bridge those five to seven years until, hopefully, the WTO will address some of these major competitive disadvantages.

Mr. Ashton: Mr. Chairperson, earlier tonight KAP had a very good point about the importance of making sure the public is aware of what is happening, and I appreciate in this room many people know the answer to this question. I wonder if you would give a quick picture of where we are at now in terms of the price of wheat, for example, how that compares over the last four or five years, ten years, some sort of historic context and what the outlook is for the next couple of years and what the outlook is this season. I understand reports of \$3 being the predicted range, but I am wondering if you would give us a little bit of historic context as to why grain and oilseeds is in such a difficult situation right now.

Mr. Arason: I do not have the historic numbers going back, but we can certainly provide those to the committee. I do have numbers looking forward for next year. Our most recent *Pool Outlook* came out within the last week, and we are actually looking at prices year-over-year of an increase in the range of \$15 to \$20 on wheat, which is roughly 10 percent. We are still looking at a decline in the durum market because of overproduction and a surplus in that area, and

barley prices, right now we are looking at the E.U. and we see barley prices holding, maybe declining slightly, but it is very early.

* (22:00)

I just attended our most recent weather meeting today, and I will say that there is a lot of uncertainty about the crop in the U.S., and there is a lot of uncertainty about the crop in Europe right now due to heavy moisture conditions and adverse planting. So we are at a period when prices could move substantially, depending on how this weather pattern sorts out. But putting that aside, we are still at a level that is historically, if you compare today's dollars to historic numbers, at very low levels.

Mr. Gerrard: I want to follow up on some comments that were made by producers at a couple of the other committee meetings. They were pointing out that when they were marketing their grain locally, they were getting statements from the Canadian Wheat Board, which indicated that the Canadian Wheat Board was still charging them for the transportation cost to, for instance, Vancouver.

I wonder if you could comment on this and how the Canadian Wheat Board is operating in terms of facilitating development of value-added opportunities and the use of wheat and other crops locally.

Mr. Arason: Mr. Gerrard, this is an issue that is historically one of the most difficult to explain to farmers, and it is not only wheat and barley that is processed on the Prairies, it is Canola, et cetera. What really happens here is the price is competitive with what the price would be at export position. This, in fact, encourages value added on the Prairies by having a lower competitive advantage price on the Prairies.

I think the other thing they have to recognize is that when a value-added production does take place, the majority of that product has to move from that plant to some other customer. So there is a transportation cost that is going to be incurred eventually. If all the malt around Biggar, Saskatchewan, is consumed as beer right there, that probably would not be the case, but that is not really how it works. So this is

something that is built in to the market. It is part of the basis. It is difficult to explain to farmers when they do not see the product move, but it really encourages value-added production and keeps local plants on a competitive footing with other competitors around the world. It is the fundamental to our domestic pricing policy.

Mr. Maguire: Mr. Chairman, Mr. Arason, you indicated there is about \$40 a tonne, approximately, on some of the top grades of wheat left in the pool.

Mr. Arason: Left in the pool, Larry.

Mr. Maguire: Yes.

Mr. Arason: I think that, with the payment that is about to come out now, there is probably—the cheques are in the mail, so to speak—I think the number will be substantially reduced. Our commitment is to get that money out to producers as quickly as possible, so when we look at our sales at the end of May and June we will again see whether there is money available to put out another adjustment payment. The practice has been that the final payment in effect represents probably less than 5 percent in most cases and sometimes 2 percent or 3 percent of the value.

Mr. Maguire: Well, I guess that was my question. I talked to some not that long ago in regards to the timing of a payout. I am glad to see that it is coming. A \$15 payout on this magnitude is about \$350 million for the Prairie economy and it certainly would go a long way here this spring. I know your board has recommended that and thank you for it.

The U.S. farm bill, the fair bill was tentatively a seven-year farm bill that is up in 2002, technically, and they have taken away, I guess, technically as well, Export Enhancement programs. Would you concur that all they had done really is redirected those into producer-direct production payments in the area of farming in the U.S.?

Mr. Arason: I would agree that the money is still flowing to U.S. producers in a different form. I would say, however, that an EEP program, or Export Enhancement Program, is

one of the most destructive types of subsidy and has a dramatic impact on farm gate prices almost immediately, so while the U.S. farmers do have a competitive advantage with their support programs, they are, I think, the lesser of the evils as compared to an EEP-type program.

Mr. Faurichou: I appreciate the input this evening. Having gone through the rigorous eight-time evaluation by the U.S., you have a unique perspective on things. Do you have any suggestions as to what program with important numerous suggestions here that you would suggest would work and yet stand the test of time and the scrutiny of the U.S.?

Mr. Arason: Well, I would say that, given our experience, there is virtually nothing that the U.S. will not attack whether it is valid or not, and so I think we need to be clear about that. From our point of view the Wheat Board has been attacked basically on a couple of fronts: One, that we somehow subsidize producers and flow monies from the government, and that is certainly not correct; and the other is that we discount and cut prices into the market and that is certainly not in farmers' interest or in our interest. But we continually have to prove that. So I guess what I would say is that you cannot protect yourself from these insinuations and attacks. What we have to do is make sure that we operate in the way we are mandated to operate and ensure that whatever policies and programs we put in place are compliant.

Mr. Faurichou: In regard to that unique position on behalf of farmers, have you made representation to your federal minister, giving them any advice as to how he may address the crisis we are experiencing in agriculture?

Mr. Arason: Yes, our board has had numerous sessions with our minister regarding the farm income situation and prices in general. We continue to put those issues in front of the government. We recently had representatives from our board of directors in Ottawa appearing before the House Standing Committee raising the same concerns that I raised here today, so yes, we are continuing to put that forward and I would say that is part of our mandate as a new organization with a different government

structure is to be more open and forthright about issues that affect farmers.

Mr. Chairperson: Thank you very much, Mr. Arason. I would invite Mr. Gilbert Lussier to come forward to the mike, please. Following Mr. Lussier is Mr. Mark Raffard. Mr. Lussier, I understand you were so committed to be here you came part way by boat tonight?

Mr. Gilbert Lussier (Spokesperson, Delegation of Farmers): Yes, it is true.

Mr. Chairperson: Mr. Lussier, the floor is all yours.

Mr. Lussier: Okay, I am Gilbert Lussier from Morris, Manitoba. I am actually 10 miles east of Morris but we have the Marsh River going by. It has been since 1950 that we have had trouble with water. It has been improved but not enough yet. We still have to use the boat.

I would like to make a recommendation here. On this paper on the Standing Committee on Agriculture, there are the names, the organizations. I would like to have the address of where the people were from, because there were some farmers that were in dire straits. We would like to know from which area of the province those people come from. It would be very nice to know.

* (22:10)

Mr. Chairman, ladies and gentlemen, we would prefer to earn our living from the marketplace instead of coming here to ask for help. Farmers are proud when they can support themselves without financial help. When you pretty near have to beg to earn a living, it takes a person's dignity away.

Land or agriculture is the basis for all foods produced. It is the farmer that cultivates the land to produce grain which is processed into food for humans and livestock. Farming requires big capital investments, and it is the only profession that you have to gamble with nature and markets. Last year, especially, both nature and markets worked totally against us. Market prices have been low for the last three years, and now

in the spring of 2001 things do not look much better.

Why is it the farmer buys his inputs at full retail price, especially fertilizer, chemicals and fuel. Even roundup-ready Canola at \$3 a pound equals \$150 a bushel. When we sell Canola, it is at approximately \$5 to \$6 a bushel. In other words, we are selling below wholesale or below cost of production.

It used to be the more land you have, the more assets you had. Now the more land you have, the more liabilities you have. No wonder there are no companies investing into land. It is not a good place to invest to get a decent return. Lately there were 25 quarters of land in western Manitoba that were offered for rent at \$20 an acre and they could not find a renter.

Even machinery, which is something you need to cultivate the land and produce grain, for example, for a 4-wheel drive tractor with 425 horsepower the cost was \$275,000 cash deal, if you please. The largest cat combine, they were asking \$384,000, and from that figure there is \$120,000 U.S. exchange, and the combine is manufactured in Germany. Last fall in December I tried to get a quotation. That is how I got the price for the combine. I wanted to trade two combines, one an eight-year-old and another one a ten-year-old, and I was asking them how much difference I needed. Well, the two combines and 20 000 bushels of Canola were not enough for the difference.

AIDA: Cash injection from that program was a complete failure. Bureaucracy cost just as much to administer the program as the producers that qualified received.

Crop Insurance: We need more coverage instead of reduced premiums. Two years ago for No. 2 CW R.S. Wheat, it was valued at \$5.80 and last year it was valued at \$3.80 for crop insurance. We need enough coverage to cover cost of production.

Value-added industries: If you go into hogs, you have to join large corporations as an investor. We thought with more hog operations, we would have a good market for our barley but because of vomitoxin in our grain, they import barley from Saskatchewan.

School tax: School tax on land is half of our municipal taxes. Farmers have the heaviest school tax burden, and when a farmer retires he is taxed to death.

I want to thank you for listening to me.

Mr. Chairperson: Thank you, Mr. Lussier.

Ms. Wowchuk: Thank you, Mr. Lussier, for making the effort to come here this evening. I think that it is very important that we hear these things, and I cannot agree with you more that farmers would much rather earn their income from the marketplace and get a fair return for their product rather than have to ask governments for support. I agree wholeheartedly with you, and it is a message I have received from many producers. But we are in a situation where farmers are facing difficulties.

One of the issues we addressed in this all-party resolution that we have put forward is that we need additional support from the federal government. There has been \$500 million, and we have asked that the federal government put an additional \$500 million into a short-term program, and then we also have to review long-term programs. Are you in support of the idea of asking the federal government for an additional \$500 million to help us through this short-term crisis?

Mr. Lussier: Certainly. Any type of extra income is very welcome especially from the federal government. It has been mentioned here many times tonight that the federal government has forgotten farmers in the west here, and I think it shows from all the comments that we have had from the producers here, we are all in the same boat. We are all affected the same way.

Ms. Wowchuk: I just want to ask you one other question, and that is on the issue of crop insurance. You said that we need more coverage instead of reduced premiums. Do you believe if the program was changed that farmers would be able to get a higher coverage? That is something that would have to be negotiated with the federal government. Do you believe farmers would be prepared to pay a higher premium if they had more protection?

Mr. Lussier: Okay, I will refer to when we had the GRIP program. That was very costly I found for the premium, but at least you were well covered. I am thinking crop insurance on a similar basis. A better coverage, we would be willing to pay a bigger premium, because at least we would qualify if we have low yield. We would more or less be assured of some compensation. This way now it is so low that even at 80% coverage the premium is fairly high and the coverage is fairly low. I even thought of changing my percentage to 70 percent in order to reduce my premium. This year we are trying to cut all the costs possible. I thought that one would have been a logical one to use, because there was not a big difference between 70 and 80% coverage, and yet there was a big reduction in premium. So instead of having the reduction in premium I would have liked to have had better coverage.

Mr. Pitura: Thank you for your presentation, Gilbert. When you are talking about crop insurance and needing more coverage, I will put the question to you as well, as I have done for a few others, in terms of the cost-of-production insurance program or an income assurance program that has been talked about earlier this evening. Would you be in favour of having that kind of a program pursued for a long-term sustainable coverage for farmers?

Mr. Lussier: I would tend to agree with that program, but I have not studied it well enough to be able to comment. I looked at it last year in December and I have not looked at it again, but the concept seemed to be favourable. I would kind of tend to agree with that type of a program.

Mr. Jack Penner: Mr. Lussier, thank you for your presentation. It is good to see you here making a presentation. Is the water going down?

Mr. Lussier: It is starting to today, a little bit. I was in North Dakota today and it is down a foot there, so we are looking forward to a decrease.

Mr. Jack Penner: Good, so are we. I wonder, Mr. Lussier, whether you have taken a look at the ASRA program that Québec uses for its income support program. It has last year I believe paid out over \$100 an acre to its producers and I think this year will again pay out

substantially above \$100 an acre, somewhere in the neighbourhood of \$125 an acre. It needs some work, I think, but I wonder whether you are familiar with that program.

Mr. Lussier: No, to tell you the truth, I am not familiar. I just had heard from the grapevine that it was similar to a GRIP program, but it was a much-improved GRIP program. I cannot give you any information on details because I think you are better aware of the program than I am, and I am not quite qualified to answer that one.

Mr. Gerrard: I want to follow up the discussion on crop insurance. You are suggesting that the coverage be improved, and it would seem to be that you could improve it in one of two ways. One is by going up from 80 percent to allow 85% or 90% coverage, or by breaking it down to smaller units so that you could get coverage on quarter-section basis.

* (22:20)

Mr. Lussier: Okay, on a quarter-section basis, that would work fairly well too, but I think it would be much more costly. What I would have liked to see is just bigger figures for the 70 percent and bigger figures for the 80 percent, not change anything else, not go 85 percent or 90 percent, use the same percentage, but use bigger figures, and that would solve the problem, in my books anyway.

Mr. Maguire: I am going to pass, Mr. Chairman.

Mr. Chairperson: Okay, thank you very much, Mr. Lussier.

Mr. Lussier: Thank you very much for hearing me.

Mr. Chairperson: I would like to invite Mr. Marc Raffard to the microphone, please, followed by Mr. Robert Friesen of the Canadian Federation of Agriculture.

Mr. Raffard, the floor is yours.

Mr. Marc Raffard (Private Citizen): Thank you. Mr. Chairman, Minister Wowchuk and

committee members, my name is Marc Raffard, and I live in Otterburne with my wife, Ellie.

Mr. Chairperson: Excuse me, Mr. Raffard, my mistake. Do you have a document to be delivered?

Mr. Raffard: I am sorry, yes, I do.

Mr. Chairperson: You were so anxious to speak, and I was so anxious to hear you, we forgot. My apologies.

Mr. Raffard: Just my lack of public speaking experience that attributes to that. I am sorry.

Mr. Chairperson: And maybe I have had too much experience. Mr. Raffard.

Mr. Raffard: Now for sure everybody knows who I am, so I do not have to start that part again. However, I live in Otterburne with my wife, Ellie, and a family of four children, two of whom are in their second year of, we will call it, farming. All like farm work but at present find it very difficult to see a possibility for a future, a secure future, without some confidence emanating from our governments in our ability to farm.

Our input costs have escalated to unaffordable prices out of our control. Our commodities prices have dwindled to unprecedented lows out of our control as to price. We operate 2700 acres of grain and oilseeds, and we do custom work as much as possible from seeding to baling to fall tillage until the snow flies. We also have a dairy with excellent production, all of these contributing to our bottom line, and, ladies and gentlemen, we are not going to make it. There are just not any more hours in a day.

I believe that the current farm crisis is being caused by high U.S. and European farm programs. I do not refer to these as subsidies because I believe those countries have decided to support their farm families in order to secure a long-term food supply. They have made a conscious decision that nothing is as important as a safe and secure food source, which is essential to growth and prosperity for the consumer, and are willing to invest in their farm families. They consider their families to be in a

dignified and enviable profession as food producers.

Our federal Agriculture Minister has taken it upon himself to try to convince those governments to remove subsidies to farm families in their countries. That would only serve to lower their lifestyle to that of a Canadian farmer. Those countries recognize the value of their producers. Would we begrudge their farmers a living even though we as Canadian farmers cannot derive one from farming?

Very often a farm spouse in Canada must work a full-time off-farm job to pay the grocery bill and then returns home to produce food for processors that will not pay the true cost of producing that commodity. Is that fair?

Do our teachers have to go out and work evenings to support their families? Do our doctors have to beg governments for money to keep their practices open? Is food production less important than education or health? We speak often of bargaining power. The Cargills and Canagras have bottom lines four times that of all Canadian farmers combined. Almost all farm receipts are spent in inputs each year, but agribusiness firms are not returning a fair share to the people who by farming have created their wealth. We have to question whether we want very large conglomerate land holdings or family farms in Canada.

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Our provincial government could take steps to lessen the burden on farmers by removing education tax on land and production buildings as it is a fixed tax and completely out of proportion to farm income.

Our federal government could go to the next round of trade talks with a far more aggressive posture. One has to question the rationale of lowering farm support in Canada to less than 50 percent in the last 10 years to the detriment of farmers when no other countries have given up their programs. We have been reduced to the status of beggars and cannot survive much longer.

Let us hope that our governments choose to invest in a future for us as farmers and for our

children as future food producers. On behalf of my wife, Ellie, and our family, I thank you for listening.

Mr. Chairperson: Thank you very much, Mr. Raffard.

Ms. Wowchuk: Thank you, Mr. Raffard, for your presentation. When you outline what your family is doing and all that you are doing trying to survive, it certainly outlines for us the challenges that other families are facing as well.

You talk about the federal government taking a stronger position at the next round of trade talks, but in a previous presentation we heard that even if there is an aggressive move at the next round of trade talks, it is going to take five to seven years before we see an impact of all of that. What would your suggestion be as to how the government, and I focus on the federal government, can help?

When we look at the programs that we have in place now, do you see being able to build on those programs or do you see something new having to be designed to help farmers through this difficult time?

Mr. Raffard: It has pretty much all been said tonight and explained with far more detail than I know as to how we have taken our subsidies down to very low levels, levels that were not required, and in such a rush that we forgot that the farmer really existed. I think if we enhance the programs we have and just show some courage as a federal government; 80 percent of consumers are in favour of supporting farms. I really do not see what the problem is. I think we could easily justify it. I do not think there would be countervailing penalties to pay. Why do we not try it? That has not be tried. It cannot be said that it has failed or that it is going to fail until it has been tried. Our federal government has to come up with the wherewithal to just say: We are doing this and let us do it.

Mr. Pitura: Thank your for your presentation, Marc. You make an interesting observation in your presentation where you talk about other countries having made the conscious decision that nothing is as important as a safe and secure food source. It is interesting from the standpoint that—do you see that if the involvement is going to take place in agriculture in Canada, should the

federal government choose not to support agriculture, that the actual production of food in this country could become an issue of a national security issue?

Mr. Raffard: I think I do, and I think all farmers now perceive the federal government to be believing themselves and have convinced themselves that if a Canadian farmer does not produce it, we will bring it in from somewhere that does. I am involved in dairy, and I know that cheese has been coming in here that could be produced here. There is just a reluctance on the part of our governments to approve that cheese being made here. That is one product only, and there are many products like it. Really, what the federal government is interested in is their own bottom line to enhance their chances of getting re-elected in another election. The more dollars you can keep for tax rebates to consumers that are already being subsidized by farmers, the more votes they will garner for their next re-election.

Mr. Pitura: I would like to also ask you, Marc, the question about either the cost-of-production program or income assurance program. Do you see that those programs could fit into your farm operation to help you as a long-term sustainable program?

Mr. Raffard: That is a difficult one. In the supply managed industry that I am in, the domestic demand is about equal to the production except for a few pounds of exports or litres of exports, and that is manageable. It is just the opposite with grains and oilseeds where we export 80 percent and consume only 20 in this country here. So I am not sure. I should not comment; I will not comment on that; I will let people who would know more about that. Perhaps there is a plan that could be made workable. If there is, I would encourage it to go forth and at least be looked at. If I stand here and say no, I do not think it will work, or, yes, I will, the challenge would be up to me to come up with a plan or start talking against some sort of plan. That is the best I can do on that one, Frank. I am sorry.

Mr. Cummings: Thank you for your presentation. You obviously have an excellent

appreciation for some of the problems that are coming to visit on our grains and oilseeds sector from an international perspective, but I was curious if you would share your feelings with us or the reality of your operation with us in your commodity, the one commodity that is market controlled and the one that is not, as you just stated. Do you believe that a cost-of-production formula, which I believe is where Mr. Pitura was heading, might work? If that were at a level that was acceptable on your farm, would you be interested in paying what might lead to significant premiums, not perhaps something less than the GRIP program? But, again, without being specific, would the principles of that appeal to you and your sons?

* (22:30)

Mr. Raffard: Yes, they would. I was around for the GRIP program from 1990 and I believe it ran until 1995. It was just getting into full bloom, and already it was seen to be a program that had a potential burden to the taxpayer in forthcoming years. Unbeknownst to them, the prices of grain did recover in '96. They probably would have had two years of really good premiums in their pockets and been starting to pay out, in three years, pardon me, and only had paid out in '98, '99 and 2000, and only to a degree at that point.

Mr. Cummings: Just briefly, we have heard a number of people who appreciate the possibilities of an enhanced NISA program which would be another approach as well. Do you have any thoughts on the NISA program, per se, or whether it might be a vehicle that could be enhanced that would help an operation like yours?

Mr. Raffard: In its present form—

Mr. Chairperson: Mr. Raffard.

Mr. Raffard: I am sorry, Mr. Chairman, I am not used to such a formal part. We just sit around and bang the table and argue at home.

Mr. Chairperson: I hate to break your bubble—I hate to disappoint you, Mr. Raffard, but we are used to that here, too.

Mr. Raffard: Now I almost forgot the question.

Mr. Cummings: NISA.

Mr. Raffard: A NISA program, I think, is good. It is alright for established farmers. I am just not sure it is doing what it is supposed to for the younger farmers, and we have two of them. They did borrow the money to get it in. They have used their line of credit to do this, which is not really what a line of credit is—you farm, you must know that. You can do lots of things with a farming line of credit. You should not be buying a combine or putting money in your NISA from it, but the banker said go ahead because it is going to be matched, but next year they will not be able to. It is the end now. We will put this crop in and we see 40-cent nitrogen now, and they will have to pay that for a little bit of it but fortunately they bought in the fall. They will make it this year. This will be our last crop if we do not see some common sense return to markets, and I mean both ways. We have to have a bit of a price for our product and we have to see reasonably priced inputs. This is just beyond comprehension how the inputs can be so far out of reach. They are a rich man's inputs in a poor man's land, and that is where we are at. That is really all there is involved. It is a survivor's game right now, and I am not sure the whole country is not watching this and seeing how many can fall apart. As far as our governments go, they seem to have no—the federal government has no pulse on this tremendous issue. If they do, they are keeping it a very good secret.

Mr. Maguire: Marc, you indicated earlier, in reply to the Member for Ste. Rose's (Mr. Cummings) comment, about paying a premium for an enhanced style of program to get the coverage level that was required for the grain side of your operation. One of the shortfalls of GRIP was that some felt it could be farmed. I wondered if you would be willing to support the idea that you would have to put forth your invoices for things like inputs just to make sure that you were actually spending the money that you said you were.

Mr. Raffard: If I understand the question, Larry, are you asking if I think GRIP can be farmed or could have been farmed at the time?

Mr. Maguire: No, I am saying that is one of the things we heard about the program at that time, and I was a farmer and still am, I guess, in that

regard. In the changes of putting a new program together such as the member from Ste. Rose talked about, an enhanced forum, whether it is the present crop insurance enhanced, whether it is the IAP program, you know, to buy different levels of premium is what the member was talking about, and you indicated you would support that. There would be some who would say that there needs to be some kind of credibility attached to the level of support that you are getting. In other words, you cannot spend the premium, buy the top-dollar value and not put any inputs in. Would you be in favour then of showing some kinds of invoices participation in that?

Mr. Raffard: You are speaking of an auditing system, and I do not have any problem with that at all. The dollars are spent. We are missing about \$80,000 or \$90,000 of them this year. We generally had money for our inputs to this day, and we have not had since December 1 already, and all those inputs have been.

Mr. Maguire: Would you agree that most of the recording that would be needed for that kind of a program is already in your seeded acres report and harvested report? All you would have to do is put the dollar values to the kinds of products being used there, reported there.

Mr. Raffard: I think you are right there.

Mr. Chairperson: Mr. Maguire, you are on a roll.

Mr. Maguire: One last one, Mr. Chairman, to get off of that. In your first couple of sentences there I noted the same sentence that the Member for Morris (Mr. Pitura) did except I looked at it from a completely different point of view. "They have made a conscious decision that nothing is as important as a safe and secure food source," and you refer to it as programs and not subsidies.

Do you see any kind of correlation to the fact that the U.S. began its farm bill in 1985 and had the Gulf War in 1991?

Mr. Raffard: I am not sure I understand that question. You may have come to the well once too many.

Mr. Chairperson: And you were doing so well, Mr. Maguire.

Mr. Maguire: With the indulgence of the Chair, then, Mr. Raffard, I will clarify that for those who are not following the history. You talked about food security. If you are in a war, the first thing you want to have is food security. Do you believe that the U.S. was aware of some kinds of issues that were going to take place down the road, and could still be doing that today, in relation to the fair bill being in place in 1996 as the predecessor of the—I guess not the predecessor, it is the bill that follows after the farm bill. Now maybe we are fishing for dead worms here, but I am wondering if you have any—I only ask. You put it in your presentation, and I wondered if there was a tie between food security and national interference.

Mr. Raffard: What I really meant there by safe and secure food supply was that it is always there. There is not a single consumer that goes to a Safeway or any other store that wonders when will bread be back on the counter, when will meat be back in the counters. It is all safe. It is all secure. In that sense I meant secure. I was not talking about any type of biological warfare, anything subliminal in that context. Ironically, Gilbert and I live only 10 miles apart. We farm together sometimes. We talked on the phone. We came here together tonight. I did not read his speech; he never read mine, and we started with almost the same sentence. I think the concern is out there, and I think it will be reflected in probably 22 000 farmers' minds in Manitoba today.

Mr. Chairperson: Mr. Penner says he has a quick question.

Mr. Jack Penner: Marc, I think what you have articulated is very similar to some of the things that we have heard across the province in hearings, and that is the dramatic increase in costs of inputs. I relate to what Larry was saying, although I think he was using glow-worms to go fishing.

Marc, have you had any discussions with your neighbours or a farm organization as to how you would put in place a mechanism that would stem some of the increases in input costs, be they fuels, fertilizers, and/or other commodities that use inputs?

Let me clarify one area of concern that I have had continually. We as farmers put a very significant amount of money into research in one form or another. That research money is used by universities and others to develop new products, and we all support that. Yet, when those new products are developed, there are patents given to companies and corporations, and we pay large, large levies, up to \$15 an acre, just to be able to plant the crop. I give you Monsanto. Then we pay another \$3 a pound just for the product to put in the ground. Those people then receive a 17-year patent protection on those products. How can we change the legislation? How would you suggest legislation could be changed to ensure that we as farmers get our proper due for the inputs that we provide into that research?

* (22:40)

Mr. Raffard: You are absolutely right, Jack. The biggest stick of all in marketing or purchasing is buyer resistance. If farmers would move away from the market at times, then the fertilizer prices would come down, but that does not happen, and fuel, the same. You need fuel to farm.

Where it is all heading and where it would go if there were some kind of a cost-of-production formula, perhaps up, perhaps not. Competition, you must remember there is money to be made. These conglomerates are making scads of money supplying us. The minute that they would try to increase yet and take more from us, competition would come in and replace that company or buy it out or compete with it.

Similar things were said when supply management was started in 1974, that straw costs, for instance, rather than 80 cents or a dollar a bale, would be \$3 a bale simply because it could now be called a cost of production. It could command any price. We are in the straw business and we produce small square bales. We move them six miles down the road and we get \$1.20. We got a dollar for them in 1980, 20 or more years ago.

How we could get more benefit to the farmer, short of starting our own research company, I do not have the answer to that. All I

can answer is the situation I and my family and other farmers are in is that we just cannot harbour any more costs. We are overburdened as it is. We stand there like whipped mules after work. I am sorry, Mr. Chair.

Mr. Chairperson: Thank you very much, Mr. Raffard. We wish you calm waters on the way home tonight.

Mr. Raffard: Thank you.

Mr. Chairperson: I would like to invite Mr. Robert Friesen of the Canadian Federation of Agriculture to come forward and present to the committee. On deck, from the Manitoba Pulse Growers Association, is Mr. Dan Penner.

Mr. Friesen, welcome. Do you have copies to be distributed to the members?

Mr. Robert Friesen (Canadian Federation of Agriculture): No, I am sorry. My apologies, I do not. You will just have to take notes very quickly, I guess.

Mr. Chairperson: That is fine. The floor is yours.

Mr. Friesen: Thank you very much. Mr. Chair, Minister Wowchuk and to the rest of the committee, thank you for your invitation.

I would like to applaud, of course, all of those in the House that were responsible for the resolution that is before us. I believe it is very timely; I believe it is very important, and I believe we need all the help of all the provincial governments across Canada to put pressure on the federal government to ante up more money and to increase their investment. I would also like to applaud this committee for tackling what I believe is a very, very complex issue. It is much more than just about short-term funding. It is much more than about long-term funding. It is about many other challenges that agriculture has already faced and many challenges that will continue to loom larger in the future, and so I applaud you for that as well.

The issues are very complex. The issues of safety net programming are complex. Just as an example, the \$500 million that was announced,

most of you may know by now that the \$500 million that is being paid outside the safety net package will, of course, result in farmers receiving a cheque, only to have those farmers who qualify for income disaster in the year that they get the money will have to be calculated as income. Chances are that about half of the \$500 million will in fact be new spending; the rest will just be an income disaster offset. Of course, farmers that do not qualify for income disaster get to keep the money anyway, so yet again we have a situation where those that need it the most may in fact not be treated as well as they should be treated.

Let me begin very quickly, and I will try to be brief because a lot of the comments that I could be making have already been made. I believe some of the points, of course, bear repetition, but I will try to be very brief. Let me start out by painting a positive picture about agriculture across Canada. You may know that Canadian agriculture and agrifood generate somewhere around \$95 billion of revenue every year. We are responsible for 1.9 million employees, about 14 percent of employment in Canada; \$22 billion in export sales, and, of course, we comprise 26 percent of the trade surplus that Canada has.

Farmers in Canada and in Manitoba are part of a food chain that produces the lowest grocery basket in the world; 10.1 percent of disposable income in Canada is spent on groceries. That compares to about 10.4 percent in the U.S. and as high as 14.1 percent in Australia, but that is part of the problem. On average, only about 6 percent of the market dollar accrues back to the farm gate. Clearly, somehow we have to figure out how we can have more of the market dollar accrue back to the farm gate. Of course, what that has resulted in is, on average for the year 2000, a total net income of \$10,000 per farmer across Canada. Of course when the Prime Minister sees the new income figures and he sees that in some areas they may be going up 10 percent—10 percent of \$10,000 is not a lot and in fact does not save farmers from the incredible hardships that they have been going through.

What are some of the other factors that have created the crippling situation? Well, of course, they have been mentioned: accelerating input costs, a 37% increase in input costs in the 10

years leading up to 1997. That does not include the most recent fuel price increases, the fertilizer price increase. By our calculation, for every 10% increase in fuel prices, it results in a potential 6% decrease in net farm income. Of course we have seen historically low grain prices. Someone asked the question earlier, from 1988 to 1999, as high as 45 percent less for some of our grains than what farmers used to be getting. The decrease in price and the increase in input costs, ladies and gentlemen, that collision happened quite some time ago.

Then, of course, we have the incredibly high subsidies being paid in other countries and especially the U.S. You have heard some of the measurements. About 0.76 percent of Canada's GDP is transferred to agricultural investment. That is the lowest in the OECD and compares to an average at the OECD of 1.42 percent. Of course, the U.S. has increased their farm support by 283 percent in the last five years. They increased by \$73 per capita between 1988 and 1999; Canada decreased theirs by \$105 per capita, and, of course, someone mentioned before that export subsidies are the most debilitating subsidies that we have, and that is correct. But, after a while, even if you get rid of export subsidies and pay huge amounts of dollars into farmers' pockets across the line and they can afford to sell their grain cheaper in Canada, that in itself is also an export subsidy. And so while we have to make sure that we target certain subsidies that are worse than others, we have to make sure that we attack all the high levels of subsidies so that we can achieve some form of equity.

Just as a little segue, what adds insult to injury, while farmers in the U.S. are getting much higher levels of subsidy, they continue to challenge us on the trade front, and you talked about it earlier. They continue to challenge the Canadian Wheat Board, and of course the most blatant non-tariff trade barrier I believe in the recent past is the potato problem that we had in PEI. That had nothing to do with potato war. It had everything to do with the fact that they wanted to save their table market in the U.S., but these challenges have nothing to do with the fact that Canada is in contravention of any trade agreement. It has everything to do that we out-compete them on many fronts.

I would like to use the analogy of the American Express Golf Tournament that happened last November when Mike Weir managed the course and won a million bucks, won the tournament. Mike Woods screwed up and he lost. When he walked off the golf course, they interviewed him and he said, well, there must be something wrong with the golf course design. And that, ladies and gentlemen, is the American international agricultural policy right there. If other countries out-compete us, there must be something wrong with the course design.

* (22:50)

Of course, as I already mentioned, we have incredible trade distorting subsidies still being paid in the U.S. while they are being notified green. The U.S. is well within compliance at the WTO. They are not overspending their commitments, and yet we have identified some of their programs to be incredibly trade distorting, and we will have to absolutely do something about them.

So all these factors that have created this crippling situation are all factors that farmers have no control over. That is why farmers are afraid and that is why farmers feel lost and helpless. They have no control over the factors that have created the debilitating situation they are in, not to speak of some of the agricultural policies that we have in Canada where one policy still undermines the utility of another policy, and that really bears a lot of scrutiny as well.

This also does not always have to do with surpluses. If you look at the example of wheat, and you look at wheat and the decrease in price we have experienced in wheat. You might be interested to know that the stocks-to-use ratio in wheat are lower than they have been since at least 1974. This has nothing to do with farm size either. Canada has twice the average farm size that the U.S. does. We are around 422 hectares; the U.S. is around 207. This has nothing to do with farm size. When a farmer cannot make a margin on a per unit basis, and I recall in the fall of 1998—I am a hog producer and turkey producer, but you know what happened in the fall of 1988 when you were selling pigs for \$30 a crack and of course we all know that at that

price you lose a lot of money. Expansion would not have helped. It would not have made me more efficient. I would have lost money anyway.

Farmers of course would prefer to get their money from the marketplace and the past speaker just mentioned that as well. They would prefer to get their money from the marketplace, but when that fails, they need a strong safety net, and I like to use the analogy of a trapeze artist. I got that analogy from KAP president, Don Dewar. A trapeze artist develops the tools that he needs to perform. He practises his timing and then we allow that trapeze artist to climb up and perform, but we still provide a safety net. The safety net is not a tool to help the artist perform. The safety net is there to help the artist when the tools that had been developed fail. That is exactly why we need strong safety nets for farmers, and we need to work much harder at improving the tools we have, identifying the tools that work, and I cite supply management as an example, and developing new tools to ensure that we create an environment within which farmers can be successful. That responsibility is yours. That responsibility is ours, and that responsibility also lies squarely in the lap of the federal government. So CFA's position is that we support the four safety net pillars. We support NISA. NISA is meant to mitigate slight revenue variations between 70 percent and 100 percent.

We also have some recommendations that, in fact, would address what was just discussed a little earlier as far as helping young farmers, as far as helping those farmers whose accounts are at zero, how they could perhaps accelerate contributions and speed up the growth in their account, help young farmers along a similar line, and so we have recommendations to improve NISA. Of course, we support a strong income disaster program. But all the safety net programs we have must accurately measure farm gate need.

Part of the problem is we can talk about improving safety net programs as long as we want, but if we continue to work within a constrained amount of money and we make program improvements, all we do is we move money from one farmer's pocket and put it in another farmer's pocket. So what we need to do is we need to develop programs that accurately measure farm gate need, and then we have to

provide the money to pay for the programs. Presumably, somewhere down the road, when agriculture turns around, there will be money left over, and we suggested that that money could roll over and eventually there would be a build-up account, and perhaps we would have some years where new money did not have to be provided.

Of course the biggest problem with the income disaster program is that it largely missed adequately compensating the grains and oilseeds sector. That has to do with the reference margins. We also lost negative margins. May I remind you yet again that all the factors that created a reduction in margin between 70 percent and zero are also the same factors that created reductions in margin below zero.

The calculation of the gross margin in the income disaster is such that we have taken out all the components that could be attributed to poor management. So the calculation of the gross margin is nothing but direct input costs and price. Price minus direct input costs gives a farmer the gross margin, and there is no reason other than that governments do not want to spend the money that negative margins have been pulled out of the income disaster. They must come back.

We have to improve the reference margin component. We have, of course, suggested that the reference margin should be changed in the development of a new green-box program in the next WTO round. One thing that really bears your attention, ladies and gentlemen, is what happened last July in the fed prog meeting when the ministers adopted a recommendation from the bureaucrats that if they do not come up with a better link between income disaster and NISA, they have a default link.

The default link is that if a farmer has three good years, and get this, three good years is meant to mean when a farmer does not trigger income disaster. Well you can drop 29 percent every year for three years without triggering income disaster. They identified that as three good years. When a farmer then qualifies for income disaster in the fourth year, they want to take 9 percent of his ENS off his cheque. That is the default link that is sitting in the books and

will be implemented if they do not come to an agreement.

Of course, I do not have to remind you that they now have an agreement that requires a hundred percent consensus to make changes. That default link, quite frankly, scares the hell out of me and, if it is applied, changes the income disaster program into a 45% program instead of a 70% program. That bears a lot of scrutiny. We support crop insurance and we would encourage the development—I am almost done. Well, yes, almost done—of equitable crop insurance programs across Canada, not only in each province but also in each commodity. We support companion programs because they allow provinces to address provincial specific needs, and of course it is absolutely imperative because we rely at least on—50 percent, if not more, of agriculture depends on export markets. These programs have to be green but green is not as big a challenge as some people think it is. We can spend a lot of money in green programs. There are many ways that that can be done.

Again, I say this is not just about money. This is about many other challenges that we face: environment programs, food safety programs, and the fact that the Canadian Food Inspection Agency are dragging their butts in approving and verifying the farm gate HACCP programs that many of our commodities have developed. They are ready for verification, and CFIA says they do not know if they have the mandate or the resources to do it. It is a shame when producers show leadership and the government yet again fails them.

Biosafety protocol, we are consulting on that. That one has serious implications for farmers if it is not done right. That agreement has already been signed, and the negotiations are continuing. That is a little bit like signing the WTO and then doing the negotiations in the seven ensuing years.

We have, of course, genetically modified products, and there is a private member's bill now in Ottawa that calls for the mandatory labelling. We have a KPMG study that shows that if we had to go to mandatory labelling, that pure segregation from farm gate to retail would add an additional cost of 42 percent of the value

of the farm gate product. We are cynical enough to believe that most of that cost would accrue directly back to the farm gate.

We have trade agreements and endangered species, which is now in front of committee in Ottawa. The endangered species has been improved to where it is almost acceptable, but they are tying a regulation to it that calls for only 50% compensation. That is, if a farmer has to leave his 100 acres alone because there is an endangered species on it, all they want to do is compensate him to the tune of 50 percent, which is totally unacceptable. We have to improve and develop new tools—and I am almost done, Mr. Chairman—and CFA, to that end, again, in scrutinizing all the policies that we have to ensure that they become stepping stones instead of obstacles, we have to build strong crosswalks between the ag policies.

* (23:00)

CFA is spearheading what we call a tripartite round table which, through encouragement from Minister Wowchuk, is meant to put farmers, provincial governments, provincial ag ministers, federal ministers, together around the table to talk about a long-term Canadian agricultural policy, to talk about short-term funding, long-term funding, and an overarching Canadian agricultural policy to ensure that we are proactive with all the challenges and the issues that are going to come up before us. Again, I would encourage your Government to be part of that so that we can ensure that we are the architects of a viable and stable environment where farmers can succeed.

Of course, in closing, I do not have to tell you that this is much more than just about \$95 billion. This is about rural infrastructure, job opportunities in small towns, small town businesses. I had breakfast with Mayor Denbow from Souris a few weeks ago. Of course, the town of Souris is totally dependent on the success of agriculture. A town of 1600 people lost 13 businesses in the last year. Thank you very much.

Mr. Chairperson: Thank you, Mr. Friesen. We do have a short amount of time for a couple of questions. I have Ms. Wowchuk, Mr. Gerrard, Mr. Penner, and then we will see where we are at for time there, but we are a little overtime.

Ms. Wowchuk: Thank you, Mr. Friesen, for making your presentation this evening, and you certainly covered a wide range of issues. I commend the CFA for the work you do, and also I thank you for your support in Québec City when we were lobbying the federal government for the additional \$500 million which we think is so important. You talked about NISA and all the safety net programs and the concerns you have with NISA. Of course, that review is going on, and some of those issues that you raise are also a big concern for us as a government. We are also evaluating all the other safety net programs, and that is a position that Manitoba took a lead on.

I would like to ask you a couple of questions, but I know I am only getting one. So rather than talk about the safety net programs, I want to ask you about—you said: How do we get more money to accrue back to our farmers? Another presenter said that the public would not be opposed to supporting farmers. In your view, do you think the public is willing to put more money into supporting agriculture, and how do you feel that we can get that money to accrue back to farmers from the sale of the products that farmers sell?

Mr. Friesen: That is an incredibly difficult and complex question. We do have some sectors, of course, that already do that, and I cite supply management as an example. Interestingly enough, the Aussies and the Kiwis always accuse us, No. 1, of accepting subsidies in Canada. They want us to actively lobby the government to eradicate all subsidies.

At the same time, they accuse us of supply management being an unfair money transfer from the consumer to the farmer. Our question is, well, who is supposed to pay the farmer if we are not supposed to get it, in fact, from the consumer or the marketplace? But supply management has successfully been able to do it, and if you look at the example of dairy, they have done a comparison of the retail price of milk in other countries and have found out that our retail price is no higher than in many other countries and yet farmers are getting a higher price than in those same countries.

How you would do that, because we are price takers in many of the other commodities, I

do not know. All I do know is that the consumer needs to appreciate the low grocery basket that farmers help produce and then should not resent or begrudge farmers receiving subsidies when they are in a crippling situation as they are today.

Mr. Gerrard: Just two quick points, one on there has been a fair bit of comment on crop insurance and your view on any improvements to crop insurance that might be desirable, and the second, the Québec ASRA program is a national farm leader. What is your view on the potential application of that to Manitoba and what is the sort of federal-provincial cost-sharing of that program?

Mr. Friesen: The federal-provincial cost-sharing in Québec is, well, for every 60 cents that the feds flow into Québec, the provincial government spends about \$1.50. The ASRA program is a very stable, very strong program; however, we would not support it to become a national program, especially not in provinces that rely on exports. There are many provinces that would not get away with having an ASRA program in the province because it would be countervailed.

Mr. Jack Penner: Thank you very much, Mr. Friesen. Having sat on the CFA board for a number of years, knowing the debate and discussion that goes on at the Federation of Agriculture and the wide range of issues that are brought to that board by their provincial members, can you give us some indication as to the willingness of the partners in CFA to consider a program that could be applied nationally, and is there support through the CFA membership to put in place a national program through the federal government, excluding the provinces, or should we exclude the provinces in this kind of a programming, similar to what the Americans do and to bring us to the same level of competitiveness as the Americans are?

Mr. Friesen: Our position has always been that any safety net program should be cost-shared. We do not suggest what that formula should be, but we feel that there is responsibility at both levels of government. As far as achieving equity with the U.S., you can imagine the amount of stability that grains and oilseeds producers in the

U.S. have had since that program was implemented. Those farmers knew exactly how big the cheque was going to be every year for the next seven years, regardless of whether they put in a crop. I think it affords a tremendous amount of stability for agriculture.

As I said earlier, while there are certain programs that we need to shy away from because they would jeopardize our export, our export trade, there are ways that our governments can spend a lot more money and still be green. Certainly we would encourage that. The CFA members would be willing to look at any program to see if we could improve the stability and the safety net package for farmers.

But, again, I have to say that the only way we will be able to come up with an effective program that accurately measures farm gate need is if we forget about money for a while, develop the program, and then we have to flow the money.

Mr. Chairperson: Thank you very much, Mr. Friesen.

Mr. Friesen: Thank you.

Mr. Chairperson: I would like to invite Mr. Dan Penner of the Manitoba Pulse Growers Association forward. Reeve Herm Martens, the Reeve of the R.M. of Morris, you are on deck.

Welcome, Mr. Penner. Do you have a presentation to be handed out?

Mr. Dan Penner (Manitoba Pulse Growers Association): No, I do not.

Mr. Chairperson: Okay. The floor is yours.

Mr. Dan Penner: Thank you, Mr. Chairman, and members of the Legislature. I will assure you I will be brief. Manitoba Pulse Growers is an organization made up of about 2500 members across the province, and it is our organization's position that we do support some of the safety nets that are there now, one of them being crop insurance. We believe Crop Insurance needs some changes to be made to it, and we have some good ideas on that level. We also support

NISA, and we were involved in the review that NISA just had.

I would like to tell you that we believe the problem in agriculture is competition. Today, our competition, be it the E.U. and the U.S., is subsidized to much greater levels than what Manitoba and Canadian farmers are. Competition throughout Canada is not fair and equitable. We need programs across Canada that match each other, and for sure we need programs in this country that match the American farm programs. If our governments of the day cannot come up with the money or the programs to match those farm programs, then we need to see those governments flow cash to the producers that will match those amounts of cash that our competition gets.

Believe me when I say I wish there were not a subsidized food dollar in the world, but that is not the case. Until we can decide to support Canadian farmers the way that other parts of the world and exporting countries support their farmers, we will be at a competitive disadvantage, and our consumers somehow, someday, will have to pay. Thank you.

Mr. Chairperson: Thank you very much, Mr. Penner.

Ms. Wowchuk: Thank you, Mr. Penner, for your presentation on behalf of the Pulse Growers and for your thoughts on the issues of subsidies. Certainly all of us would rather get our money from the marketplace. You talked about programs not being the same across the country. Now can you indicate in those programs are you talking about the level of support in crop insurance? I know that Manitoba's crop insurance is much different than Saskatchewan's, and is it your view that it should be across the country that all programs should be the same?

* (23:10)

Mr. Dan Penner: It is my view that across the country all programs should be the same. I understand that some provinces are net importers or some are net exporters of products, but we need parity, especially in crop insurance programs, throughout this country. In Manitoba we are allowed to insure up to 80 percent of what we produce as an average. In Ontario their

programs allow them to insure up to 100 percent. We feel that it is up to Manitoba to go after the federal government to open up the legislation in crop insurance to allow Manitoba to spend the dollars that it needs to insure the dollars that our producers are putting at risk in their crops.

Today, in Manitoba, 80 percent is the maximum we can insure. The Manitoba Crop Insurance Corporation has huge levels of reserves built up because technology and production practices have improved vastly ahead of what the Crop Insurance program has improved to. So I believe that is one area where crop insurance can be improved.

Mr. Gerrard: I was at your recent annual meeting of the Manitoba Pulse Growers Association. One of the presenters, Bob Church, who is a farmer from Alberta, talked about entertainment foods where there might be some real opportunities for getting increased income. I wonder if you have any thoughts about the validity of the approach and what the Government of Manitoba, for example, might do to improve potential in this area?

Mr. Dan Penner: I believe there are tremendous ways that governments can move dollars into agriculture without affecting values of commodities. Right now I understand that it is not GATT-green to just dump dollars that will affect products and their prices. If we take green space for example or the beautiful countryside that we see out there when we are driving from Winnipeg to Brandon, or pick a spot to drive to, this is all worth something when we drive through our province. These are areas that governments can move dollars into and call them entertainment dollars. We believe that these are areas governments can move dollars into and put dollars into farmers' pockets for doing the good job that they are doing in stewardship of the land.

Mr. Cummings: Actually, the point you just made is one that I was going to inquire about. You would have heard the presentation earlier of Mr. Wishart. Is that the type of concept that you would be supportive of?

Mr. Dan Penner: A concept to be paid to producers in such a way? Absolutely. If that is

something that is going to work for governments, no question. If it is something that is going to work for our taxpayers, no question. Right now we feel that the level of support is what matters. The level of support has to be similar to what our competition's level of support is, and how it is paid to the producer is something that experts need to decide how that must happen, but it is the level of support that is important.

Mr. Maguire: Thank you, Mr. Penner. Can you just give me a minute here?

Technology. In the U.S., there are a number of programs put in place so that the general public gains acceptance of the U.S. farm bill, one of those being school box-lunch programs in schools, and that sort of thing. My question is around the loan deficiency payment program in the U.S. Do you see that as compliant with trade rules in the manner that they have paid it out?

Mr. Dan Penner: I am not an expert on trade rules. I am not sure what will or what will not work. I just know that the competition factor—let me put it this way. We have got crops right now in Canada that are not affected so much by American farm policy. Those crops seem to be doing somewhat better than the crops that are affected by American farm policy. I feel that the crops that are affected by American farm policy are still extremely important to this country, and we need to support those crops to those levels that they are supporting theirs to.

I cannot tell you what is GATT-green and what is not GATT-green. I just know that in Europe a lot of people get paid for green space or fence lines. In the U.S., they get paid to set aside ground. Some of the things that Ian Wishart was talking about earlier, I think, would be acceptable. I am by far from an expert on GATT trade rules.

Mr. Maguire: You say that the loan deficiency program in the United States, and the manner that it is paid out does not impact the price of cereals to livestock operations?

Mr. Dan Penner: No, I would say it definitely affects the price of cereals to livestock in the United States. I believe it affects the price of cereals to livestock in the United States and Canada. I believe that in Canada right now our

livestock producers are somewhat subsidized by the American government. I wish all of our sectors could be subsidized by the American government but that has not worked so far.

Mr. Chairperson: Thank you, Mr. Penner.

Mr. Dan Penner: Thank you.

Mr. Chairperson: I would like to invite Reeve Herm Martens from Morris to the microphone.

I just want to remind people that at twelve o'clock midnight we will be assessing where we are at in terms of the numbers of presentations to be heard. I want to remind everyone, if you are interested in just leaving your written submission with us, it will be included in the transcript for this committee, and you would not need to then make your oral presentation. That is an option for you, if you prefer.

Reeve Martens, the floor is yours.

Mr. Herm Martens (Reeve, R.M. of Morris): Thank you, Mr. Chairman, members of the committee. I am very pleased to be allowed to make this presentation to you. My name is Herm Martens, and I am the Reeve of the Rural Municipality of Morris. Our area is predominantly agriculture and agriculture related. The fact that the agricultural industry is in serious trouble does impact many other areas of our economy. The impact of the farming industry on our economy is significant, and I would hope that all government officials realize this impact. All companies that manufacture and retail farm machineries, chemicals and many other products that our farmers purchase are important to the economy of this country, and the demise of the farmer would greatly adversely impact many of these other businesses.

Over the last few years, the farmers in this province have realized a significant increase in the input costs of fertilizer, fuel, seed, chemical which are some of the more obvious basic costs that farmers must contend with. These are input costs that must be maintained to attempt to sustain a reasonable crop production for that farming operation. The general farming

community is producing a significant increase in crop production; however, the amount that the farmers are realizing is decreasing on a continual basis. Therefore, production costs are continually increasing.

The income from the crop is decreasing, and the farmer in this province cannot continue such a deficit operation. The crop yields are not becoming less; it is the amount that is being paid for this product that is causing the greatest adverse impact.

When you look around and compare farming incomes from other areas of the world, it becomes even more apparent just how serious the situation actually is. For a farmer in the United States, 38 percent of his income, or 38 cents on a dollar, is from the U.S. government. For a European farmer, 56 percent of his farm income is from his federal government, and for the farmer in Canada there is only 9 percent of his income that is from our federal government. The governments in other countries realize the importance of their farming industry and are showing that support. The Government of Canada should also show their support for farmers and invest in the future of this great country.

* (23:20)

Every small benefit that a farmer can realize is a positive step taken. The Government of Canada collects GST from many products that farmers must purchase. We realize that this GST money charged can be claimed back; however, the question remains as to why our federal government is charging this money, keeping it for a period of time before it then returns it. Our Canadian government should be working proactively in many areas, and this is one area, that farmers' production costs could be exempt from the GST taxation.

In the same light, I do not believe that farm products should be charged a provincial sales tax, and farmers should have a method for being exempt from PST on farm products' input costs. Other provinces are doing this, and Manitoba needs to come on-line with a definite and sustainable program.

The major elevator companies are also playing a part in the demise of the farming

community. The closure of elevators only means that the farmers will have more costs in transporting their products to the elevators that are now considerably greater distances than before when elevators were in their local communities. This is an added cost to the farmer that never was before. Hauling this grain to the inland terminal does not mean that they will be receiving a better price for the grain. It only means that if they want to sell their product, it is their responsibility to get it to the market that is now further away.

These inland terminals are again a problem for the farmers because they do not seem to be able to process the farmers' trucks quickly. The inland terminals have long lineups and farmers have considerable waits for their turn to deliver their grains. A number of years ago, the federal government eliminated the Crow rate and farming communities in western Canada have seen nothing positive from the decision. Our rail line transportation is being greatly reduced and they are hauling less and less on our local level. The level of service from the rail line companies, whether it is CPR, CNR, or private companies, is continually an issue of uncertainty of what they will be able to provide in the future. With the rail line being used less, the farmer is faced with having to haul his product on the existing road system.

The Province of Manitoba has a great responsibility in this regard, and they are not maintaining their road systems to a proper standard. The PR roads in this province are not being looked after properly, and they are in a substandard condition. They have greatly fallen short of their responsibility in this regard, and it is now time to start providing a proper road network system.

The provincial government must look at its road infrastructure system and upgrade these roads. The Province of Manitoba must invest heavily in our road system and must do it in the immediate future.

The individual farmer is continually being pressured from many directions, and the stress level being put on to our farming people is beyond what it should be. The issues I have mentioned are only some of the stress issues that

are affecting these farmers and their families. We realize that the Province of Manitoba and the federal government have made an effort to help the farming industry with the AIDA program; however, this program actually did not provide assistance to most farmers. For all intents and purposes, the AIDA program was a disaster for the prairie farmers. The greatest benefit from this program was the employment that it generated for the bureaucrats that were processing the claims and the accountants of the farmers who charged them many hundreds of dollars to submit their claims, only to have most of these claims rejected.

The limited assistance that it did provide did not go to the farmers that are in financial difficulties and in need of assistance. It appeared that the benefits given by these programs were to those farmers who were in the process of downsizing and likely getting out of farming, while the farmers that were trying to grow and sustain themselves did not receive any or much help from the AIDA program. The farming industry must be greater involved in the establishing of criteria for any such future program.

The Province of Manitoba and the Government of Canada spent millions of dollars through the AIDA program, and it was spent very unwisely. The help from such programs must be channelled more quickly and directly to those in need and not create a complicated bureaucracy, and you must have a program that is clear, concise, and not changing its policy and interpretations on an almost daily basis.

The farming industry in the province of Manitoba is in serious jeopardy, and the Government of Manitoba and the federal government must take immediate steps to help this industry. Any help must be to maintain the farming industry and the family farm. Agriculture, from family farms and agriculture-related industries, is significant to the economy of this country, and our senior levels of government must become leaders in helping our farming society.

You have heard from many others who have said what I have just indicated, but the situation is there in front of us and requires immediate attention, and the entire Government of

Manitoba must be united in persuading the Government of Canada to help the farmers of this country. The need is now. The desperation is now, and the Government of Canada must act now.

There is no more time for studies; there is no more time for inquiries; there is no more time for committees. The urgency is now, and that point cannot be stated enough to you and all levels of government. Please carry this message to your colleagues and to the federal government and make something positive happen.

I thank you for hearing me this evening. On behalf of all those who are unable to make a presentation, we ask that this committee work in unison in your efforts to help our farmers. Thank you.

Mr. Chairperson: Thank you, Reeve Martens.

Mr. Gerrard: Thank you for your presentation. My question actually deals with an area that you did not touch on. Yesterday we had a lot of presentations about problems with provincial drains, and I think you have some experience with crop losses because provincial drains have not been properly maintained. In terms of being able to support and make sure that the agricultural community is in good shape, maintaining the provincial drains is pretty important. I wonder if you would comment.

Mr. Martens: Yes, I think this is a big area—I was just asked this evening what we had done as a municipality, and we have spent a very large portion of our budget on drainage to allow farmers to have a drainage. I just wish the same thing could hold true for the third-order drains that are under the provincial jurisdiction. They have been left out for years and years, maintenance has not been done, causing flooding, unnecessary flooding, because they are not being maintained. The budget is shrinking continually for this, for conservation, and I think we need to beg the provincial government to put a little bit more money into that conservation to make the third-order drains work. It would be of great help.

Ms. Wowchuk: Thank you for your presentation. You have talked about several

issues, and one of the issues that you have raised is the AIDA, and certainly that has been a frustrating program for producers and has not worked for our grains and oilseeds producers. The program was designed when there was a large fluctuation of income, but for grains and oilseeds producers that have a low, continuing low income, it is not working, and that is certainly an issue that has to be addressed.

I just want to put on the record, in 1999, '98 and '99, there were about \$229 million that went to Manitoba farmers through AIDA, and the administration costs for all of Canada were \$83 million. So that was a large administration cost, and there was money that went to Manitoba farmers.

My question to you is you have talked about provinces and the federal government having to do something immediately to help the situation that farmers are in. Do I take it from that that you support the idea of the message to the federal government that there needs to be an injection of cash, and we have identified in the resolution in the area of \$500 million, an additional \$500 million, that would have to flow to Manitoba farmers? Would I take it that that is a concept that you would support in getting more money to the farmers?

Mr. Martens: Yes, in principle, I would support that at this point in time. I think though that most of the farming communities, as has been said, really do not want subsidies. Just give us a fair dollar for our product, but, at this point in time, I think that is gone. That horse has been let out of the barn already, and now I think it is time to put in some money to make it work. I would hope that you can go after the federal government and get the extra funds, and I would appreciate that.

Going back to, yes, I have read *The Co-operator* and read the letters from Mr. Waldner stating that only the Hutterites made big money. I wish I would have been on a colony and made some of that big money for MEDA as well.

Mr. Ashton: Pleased to see you again, a little less under stress I hope from the—

Floor Comment: No, this is more.

Mr. Ashton: This is more, yes. I think of the rising floodwaters that we were discussing when I was out in the R.M. recently.

Actually, very briefly, because I know we still have other presenters, but you touched on transportation. Just a couple of quick questions. I certainly agree in terms of the need to upgrade our roads, but I am wondering if you do not feel that perhaps part of it should start with the federal government rebating farm fuels to farmers and putting the road tax—I think someone referred to this earlier, I think Don Dewar did—putting the 10 cents a litre that is raised out of this province by the federal government for every litre that you purchase back on the roads.

* (23:30)

Also, just quickly, I am curious, you mentioned about terminal abandonment, and I am just wondering if you have any suggestions on that, if whether perhaps at either the provincial or federal level we should be starting to treat terminal abandonment the same way we do with rail line abandonment because I know this is something that has come up in our committee hearings and a lot of people are starting to piece the two together. For one thing, if we lose the terminals, it changes a lot of the ways people bring their grain through and it does affect our road system. So I would appreciate your comments on those two points.

Mr. Martens: I will go with the last one first. The terminals, the grain elevators, I know, are a frustrating part. I know we have sat with the Morris-Elgin rail line abandonment. I was on that municipal committee trying to maintain it, and some days we ran away from the meeting very frustrated. We did not know who to blame. Is it the railways or is it the grain companies, because we felt both were using each other to benefit each other and not the farmer.

We see some very nice elevators on that line, and with the abandonment, are leaving it out cold and making the farmers in that area drive a long distance. It is not only the distance that these farmers have to drive. That local elevator employed one or two or three people. Often it was a big part of the employment in that area. It was a place for those people who bought seed or something else from a neighbour—this was a place they could use a scale. This is all taken away. It is progress, but is it really progress when you see very good elevators being

left empty and big expensive terminals built? No, I do not know. Those would be my comments on that. What was the other question, if I may, please?

Mr. Ashton: The federal gasoline tax.

Mr. Martens: I am not sure if I can answer it specifically because I do not know enough information on that, but I would like to see specific earmarked funds that are being raised through gas tax, provincially and federally, be earmarked specifically for roads, a little more of that kind of a thing happening because we need an awful amount of increase of spending on roads. They need an update. When we have, I think, almost the biggest stretch of the Trans Canada in Manitoba that the province is supposed to four-lane, and it is still a two-lane highway, it is just not enough.

Mr. Chairperson: Mr. Penner, and then Mr. Pitura would like to ask his constituent a question.

Mr. Jack Penner: Thank you very much, Mr. Martens. I appreciated your presentation. Are you aware that the Province of Manitoba, over the last two years, had a revenue increase of \$800 million?

Secondly, if you took that revenue increase and you applied what agriculture contributes in this province to the economy, roughly 20 percent of the economy, and you took that and you took 20 percent of that, that would mean there would be \$160 million applied to agriculture. If you divided that equally amongst infrastructure and other agricultural spending, that would mean that the Province of Manitoba, this year and last year combined, could have increased its highways spending budget by \$40 million annually and therefore increased dramatically the road infrastructure program in the province without any contribution to them by the federal government, if they had chosen to.

I say, Mr. Reeve, taking the amount of revenue generated by the agriculture community, can you tell me what municipalities would do if they would have that kind of revenue increase over the next two years? Where would you prioritize your spending?

Mr. Martens: That is a very tough question, Mr. Penner. I think one thing I would consider doing

is reducing the tax load on my taxpayers, would be one thing, because I think we are providing a very good service at this point in time. Our roads are much better than our provincial roads. Our municipal roads are much better in our municipality than our provincial roads. We have most of the traffic avoiding the provincial roads wherever possible, going on our municipal roads, so I think I would almost say I would like to donate it back to make sure it goes into roads because we need the roads and we need them desperately.

Mr. Chairperson: Mr. Pitura, with a quick question.

Mr. Pitura: Herm, I am going to ask you a much easier question, and I have asked this before. In terms of a cost-of-production type of insurance program or an income assurance program, do you feel that either one of those two programs for producers in the R.M. of Morris would be a program that most producers would be willing to accept and use as a long-term sustainable program to act as that safety net for them in the future?

Mr. Martens: Yes, Mr. Pitura, I think most of the people would accept that. In principle, I think it is a good idea. I would like to see some of that happening. It is a very broad question, and in principle I say, yes, we agree, but we need to know what the ramifications are that go along with it. We look at supply management which gives back our cost of production.

I am both in supply management and in hogs. I look at my supply management system. I have never made a big dollar on it, but I have always had an income. My hogs have had some very good years and some very extreme lean years, and those lean years seem to be many more than there are fat years and therefore it is just a catch up, catch up on the hog end of it. If you start at the right time, you are in great shape with the hog industry, but if you have gone through a long cycle of low, it is a very painful process to try and regain. So the cost-of-production idea has a lot of merit, and I would like to see further study and work done on it.

Mr. Chairperson: Thank you very much, Reeve Martens.

Mr. Martens: Thank you.

Mr. Chairperson: Good evening. I would like to invite Ron Dalmyn representing the Provincial Coalition for Responsible Resource Management to approach the mike. At this time just before Mr. Dalmyn gets started, for the information of committee members presenter No. 23, Robert McLean, the Reeve of the R.M. of Pembina, has opted to leave a written submission and not make his presentation orally, and No. 26, Mr. Neil Silver, President of Agricore, has also opted to leave his submission and not present orally. I need the agreement of the committee to accept those presentations into the transcript of this committee. *[Agreed]*

Also, for the information of the committee presenter No. 24, Mr. Glen Franklin, has e-mailed this afternoon his presentation, and it has already been accepted into the record for this committee.

Good evening, Mr. Dalmyn. We are now distributing your presentation to committee members. The floor is yours.

Mr. Ron Dalmyn (President, Provincial Coalition for Responsible Resource Management): Good evening, Mr. Chairman, committee members, ladies and gentlemen. It is a noble decision by the provincial government to unite all the political parties to request federal support for agriculture. Who would not want to help agriculture? It is patriotic, and it is supposed to bring prosperity back to Manitoba. Who would want to help the hog industry to cause more pollution, diseases—

Mr. Chairperson: Could I just interrupt, Mr. Dalmyn, just for a moment. Would the people at the back tone it down a little bit. I am maybe a little hard of hearing, but the noise at the back is not helping much. So if you could just keep it very quiet so Mr. Dalmyn can make his presentation. Thanks for your co-operation.

Mr. Dalmyn: Thank you.

Mr. Chairperson: We will not take that time off yours, by the way.

* (23:40)

Mr. Dalmyn: Two friends bought a truck to go into the gravel business. Then they bought

gravel for \$10 per cubic yard, and they sold this gravel for \$10 per yard. Shortly after, the one friend tells the other friend I told you this would not work, and the friend answers: I know. We should have bought a bigger truck.

The moral of this story is that farming is a lot like this, only worse. Farmers did not buy the truck or their farm last month. They bought or inherited their farms years ago. They also were not naive enough to sell their produce for less than what it cost to grow, nor did they forget to charge for other production costs and they were not too greedy to share the wealth in their R.M.s.

Then what happened? Big industry, complete with manipulators, unscrupulous sales and tyrannical personnel that wanted part of that farm income pie, moved in. Hence, the farmer saw the share of the pie getting smaller. Farmers and governments also allowed themselves to be manipulated into making a bigger pie faster and believed the tear-jerking story that oversupply would wipe out world poverty. First it was the potato, then the grain, later the Canola industries that awakened the greed of the manufacturers and the middle men. The greedy owners of the sugar and lobster industries were their idols. In order to reach the hog industry's ultimate goal, the greatest profit possible, they paid the growers of the raw materials the lowest prices possible. Next, the workforce had to be downsized and/or the workers' wages had to be cut. The ultimate insult to Canadian farming is the patented modified seed. Convincing the federal government to subsidize farmers to buy bigger trucks will only benefit the multinational companies and destroy the Canadian farmers faster.

After the hog industry started in the U.S., they had to replace most of their American workforce with illegal immigrants and prisoners and cost millions of dollars in environmental damage. In Manitoba, the hog industry started with old and outdated farm laws that offer neither rights nor protection for Manitoba workers. Our governments allowed the hog and packing house industries to ignore the existing environmental laws by refusing to enforce the public health and environmental laws, plus the federal government is not enforcing the fishery

act. The basis human rights to pursue happiness and good health do no longer exist in Manitoba.

The hog industry, which may not be farming, benefits from all the above, plus they do not have the PST on more than a few building materials. They also do not pay for millions of gallons of water they waste and/or pollute where other industries have to pay for the water they need. Yet the hog industry blames the government for the producers' mistakes.

Exhibit No. 1: Manitoba stands alone against the farm bailout. That was in the *Winnipeg Free Press*, February 15, 1999. The Dugald hog producer, Mr. Vaags says: This province promoted the hog industry and now they are the last ones to come on with support.

Exhibit No. 2: Farmers could miss out on federal bailout shows that. Deleau farmer, Ian Robson said the bailout program is too little too late, adding that solving the farm income crisis should be entirely a federal responsibility. According to Mr. Vaags, it was a former provincial Conservative government that promoted the hog industry.

If the hog industry wants more money they should demand more money from the investors. Tell the investors to read exhibit No. 3. This is an article in the *Manitoba Co-operator* of December 3, 1998. The headline is: Read the fine print. It goes on to say: What is a cash cow? Add to this the old debate: Is the hog industry farming? If not, the hog industry's only hope is that the investors have deep enough pockets.

If it is farming, this is what the president of Keystone Agricultural Producers, KAP, said in exhibit 4. This is from the *Winnipeg Free Press* of April 21, 2001 under the heading: Any way you cut it, farming is just not sustainable. That was by Laura Ranch. Mr. Dewar's conclusion is we do not have a sustainable industry right now.

Next is exhibit 5, *Winnipeg Free Press*, April 26, 2001: Tax on farmland for education not fair, farmer says. Now Mr. Dewar says: Property taxes are paid on the value of a property, not its size. There is no connection between how much farmland is said to be worth and how much money it produces. In the Netherlands it is between \$45,000 and \$55,000

per hectare. That is the cost of the land. What is the difference in price between prime farmland with or without hog barns all around it? What on marginal and/or flood prone land, with or without hog barns all around it?

Is there a solution to this Manitoba problem? All the farmers who are not raising pigs cannot compete with Europe and the U.S. Over there they already have bigger trucks and they can sell their crops cheaper than Manitoba because they receive bigger subsidies than what their losses are. Manitoba hog farmers can compete with the U.S.A. and Europe because they too get subsidized. Look at the savings of not enforcing regulations in Manitoba. Hence it is our Manitoba non-hog farmers who need money. If they had flood damage, it was not by choice. That some farmers and rural people's quality of life has been destroyed was mainly caused by the hog industry. That their properties lost value, that too was caused by the hog industry. Compensation for flood damages has always been government's responsibility. The hog industry and their investors should pay damages caused by the hog industry. Provincial and private assessors should be able to calculate a fair compensation package.

One rural municipality in Alberta has already set a precedent by awarding residents within a two-kilometre radius of a stinking feedlot a 50% reduction in taxes. Exhibit No. 6 says homes devalued by feedlot neighbour. Which R.M. should suffer the tax revenue losses if the offending hog barns are located in a different R.M. than where the sufferers are living and paying taxes? It took the combined forces of the federal and provincial governments under the guidance of a hog industry that had no experience and had only self-interest at heart only about 10 years to nearly destroy Manitoba. To see some of the pollution caused by the hog industry during this year's flood, look at the pictures taken with an infrared camera by Hog Watch Manitoba. Hog barns surrounded by flood water and lagoons under water are not an act of God when this happens in a flood-prone area. Sorry, but this does not warrant governmental compensation.

The hog industry gambled and lost. Professional engineers may have cited and

designed these hog barns and government officials may have approved and licensed them and unsigned Technical Advisory Commission reports based on guidelines may have recommended them, but who or what forced the owners to gamble with investors and taxpayers' money and public health. How many more wells are they allowed to pollute? After May 31, 2001, the organization will start checking what pollutants are in the water and in the municipal ditches surrounding properties with hog barns or spread fields. A timely news blip shows again that there is too much phosphorus in hog manure. That is No. 8. If time is left I would like to read that later on.

Pollution happens all over Manitoba. The threat of global warming is becoming more menacing. Therefore an immediate moratorium on hog expansion is essential to save Manitoba from a fatal environmental and economic disaster. If the board could provide valid reasons based on fact and/or science why there should not be a moratorium, that may allay the fears of the general public. It is the opposite when a professional engineer states that he thinks they know how to prevent pollution. This profound wisdom is exhibit No. 7. That was in the *Brandon Sun* September 2, 2000.

Conclusion: Multinational big business, the weather, global warming and the hog industry are all contributing to the farmers' problems. The hog industry, with their pollution-prone operations and especially the denials that they are part of the problem, are making it harder for the general public to sympathize with the predicament of the real farmers. The federal government and the taxpayers may, albeit reluctantly, support farmers in need, but why support an industry that can self-destruct anytime now and then will blame the government again and leave the cleanup costs for the taxpayers? Thank you for your time.

Mr. Chairperson: Thank you very much, Mr. Dalmyn.

* (23:50)

Mr. Dalmyn: I would like a little bit out of that Exhibit No. 8. Science hopes GM pig will not stink. Hopefully their efforts to produce pigs that are not walking phosphorus factories will also

succeed. So in other words, everybody knows that they produce phosphorus. The hog industry denies that.

The Guelph team has been striving for several years to find a way to alter the makeup of pigs, which are a major source of phosphorus pollution. Pigs and chickens, like humans, cannot absorb phytate, and so on. What comes out of the other end is not just smelly, it is full of phosphorus. One option is to give pigs phytase, an enzyme that allows them to break down phytate, but it is costly and difficult to store.

So the Guelph team tried to go ahead and fix these pigs. Now they are doing it with mice. They are successful to the matter of 11 percent less phosphorous. That is their success rate. If they clean up our pigs, it still will be way more than human beings or cattle. Thank you again.

Mr. Chairperson: Thank you, Mr. Dalmyn.

Ms. Wowchuk: Thank you, Mr. Dalmyn, for your presentation. Mr. Dalmyn, the member tells me—

Mr. Dalmyn: Excuse me. I am hard of hearing. I cannot hear it. Would it be okay if I stood over there for a second?

Ms. Wowchuk: I will just try to speak a little louder, Mr. Dalmyn.

Mr. Dalmyn: Thank you kindly.

Ms. Wowchuk: Thank you for your presentation. You talked about people in the livestock industry, and many farmers have added livestock to their operations, but our grains and oilseeds producers are facing very serious challenges and are facing a serious crisis because of low—

Mr. Dalmyn: I am sorry, I cannot hear it.

Ms. Wowchuk: Thank you for your presentation.

Mr. Chairperson: I have to ask everyone to really remain quiet so that we can communicate with Mr. Dalmyn.

Mr. Dalmyn: The thing is a hearing aid will not help me. I went to the doctor. There is nothing I can do. The only way is if I come close, and talk to me there.

Ms. Wowchuk: I will just say thank you for your presentation.

Mr. Dalmyn: You are welcome.

Mr. Chairperson: Were there any more questions? Thank you, Mr. Dalmyn.

Mr. Dalmyn: Thank you.

Mr. Chairperson: As we agreed earlier this evening, we decided that at twelve midnight, we would assess to see where we are at, in terms of presentations. According to my count, we have six presentations left. Is it the will of the committee to continue? [*Agreed*] It sounds like that would be the will of the committee.

I would again throw out the option that if you do just want to leave your written submission, you can always do that and not make your presentation orally. We have some people that have opted for that already this evening.

I would call to the mike Shirley or Cam Galbraith. On deck is Edward Cook. Shirley, do you have a presentation to be delivered to the committee? Thank you. The floor is yours.

Mrs. Shirley Galbraith (Private Citizen): My name is Shirley Galbraith. My husband and I farm southwest of Winnipeg in the Carman, Homewood, Sperling area. We are both three and four generation farmers, and our ancestors were among the first to homestead in the Carman area.

Farming, though a tradition for our family, is foremost a business. We no longer encourage our children to farm. We are finding it ever increasingly difficult to make a living. Foreign subsidies, high input costs, and low commodity prices have made trying to break even this year near impossible and losing money more probable.

If we were the only farmers around finding this the case, we would be accused of being poor

managers. There are not any poor managers left, only dirt-poor farmers. There is not one grain farmer in rural Manitoba and Saskatchewan that is not worried about the bottom line. Worse, though, is the fact that we are all in the back of our minds making plans on how if we had to sell, how we would do it. For some, that is now. Devastating weather, coupled with the problems mentioned earlier, are forcing them out. For others, instead of making plans for the future, it is just for one more year. There is no such thing as crop rotations anymore. It is, however, how one can make a dollar. Right now there is no future for small farms.

The loss of these small farms is going to make a huge impact on Manitoba's economy. Each year more and more farmers are quitting and moving away. It is already affecting the communities. Businesses and schools are closing. Agricultural industries are looking elsewhere. We think the provincial government should sit up and take a good hard look at what is happening. Huge corporate farms are not the answer. Five large farms do not take the place of fifty families.

Mr. Vice-Chairperson in the Chair

The bottom line is that right now we are as efficient as we possibly can be. We have diversified our farm as best we can. I am a teacher. I also work on the farm full time, so I am down to substitute teaching. My husband has taken jobs welding. He is a carpenter. We do custom combining. We have also custom seeded. We have investigated every other avenue to make a dollar.

What we need is a substantial infusion of cash to get us through these difficult times. Our governments will have to make a commitment to the agriculture sector to ensure our survival. Farming is everybody's business. We all like safe, affordable food. We all like the jobs that are directly and indirectly associated with farming. We also enjoy the stability that the industry brings to our province's economy. Thank you.

Mr. Vice-Chairperson: Thank you, Mrs. Galbraith. I will open the floor up to question.

Ms. Wowchuk: Thank you, Mrs. Galbraith, for your presentation. Again, you have outlined the situation very well of what many people are feeling as we go through these low commodity prices. I want to tell you that the family farm is key in our view to the economy of rural Manitoba, and one that we very much want to see survive.

You talk about need for a substantial infusion of cash. We have \$500 million. We are lobbying for another \$500 million from the federal government.

I guess I would ask you about other programs that are in place right now. People have talked about NISA and AIDA and Crop Insurance. Do you feel that it is improvements to those programs that would help you or do you have a suggestion of another kind of program that would help you in your situation?

Mrs. Galbraith: An analogy that my husband made about the AIDA program was that we got everything out of the hen's ass but the egg. I think probably he put it correctly. I think most farmers did not receive anything from it. So, that was a total disaster right there. That is as best as I can describe the AIDA program.

As for the other, NISA, I think can be improved. Crop insurance needs some adjustments, and I think can be improved. So, there are some areas that we can find to help.

Ms. Wowchuk: When you mentioned NISA, and others have suggested that that is an area of improvement, have you looked at the program and can you make any suggestions? Because there is a review going on of the program right now, as there is a review of other programs on how they can be improved, do you have any suggestions as to what you would see happening to the NISA program to improve it?

Mrs. Galbraith: I have no suggestions right now about NISA. The only thing that we have found with NISA, in our case, is that we have triggered it. We have nothing left in it. When you have nothing, you cannot put nothing into it. I guess the government can keep putting in their amounts, but we have nothing to put in it other than borrowing money to put in it.

Could I make a comment about one of the programs a couple of years ago that MACC had out, where they wanted farmers to take clear land and mortgage it for \$50,000? We took a look at that program and decided that we did not want to do it. But, talking with our banker, they said we are not talking to you until you do it.

So, in that case, there is one example of a government program that dug a deeper hole for us—all it did was help out the bank. It did not do anything for us, except we took a quarter section that was worth, say \$110,000-120,000 and put a \$50,000 mortgage against it. If they could have given us the \$100,000 and made it into a profit—but all they did was dig a deeper hole for us. It only satisfied the banks. At that time, I think, they were under fire from the money they had lent to hog producers and so they had to get a certain amount of agriculture money back so they did it on our backs.

Mr. Ashton: I had the opportunity to talk to one of the presenters who presented earlier who also referenced you know the human side as well as obviously the financial side of what is happening. And, you reference the situation your family is facing trying to support the farm with off-farm income. And, you know, I can sense all night the stress people are going through just trying to figure out where to turn next.

I am just wondering if you can indicate what the situation is in your area, generally. Are you finding the same situation with your neighbours? What kinds of things are people doing to try to make ends meet in these difficult times?

Mrs. Galbraith: In our area, we have bean land, we have potatoes. There are other crops that you can diversify in. What is happening is that even the farms that are bigger and well-off are taking a second look. All the farmers are trying to decide what they can plant. The corn people are taking a good look. The potato people are assessing where they are at, whether they have to be careful whether their new plant is going to go in.

We have larger farms that are taking over in our area. Where I grew up, where once there were 30 farms, family farms there went down to about five. There are larger farms that are

picking up the good land. They are paying fairly high rent. So, the smaller farms, they are taking a look at could they rent it out, should they rent it out. Once you stop, you will not get that land back. Everybody is sitting on the edge of their chairs. They are watching the sky. They have no idea whether it should be wheat, whether it should be oats. Their crop rotations, like I mentioned earlier, are all screwed up. They are growing beans on beans. They are trying to get the best that they can out of their crops. They are looking at wheat, hoping that it might go up. They are checking out every avenue they possibly can of trying to make a dollar. In most cases in our area, we have been backing up for the last five years. So, we are working on equity.

People that are considered set or well-off that are maybe a little older than we are, are taking their money out now. They are selling in our area. There is about five, six, seven people that are not going to lose money. In our area, there are people that are going to farm at a loss, hoping that if they can hang on for two or three years, things might turn around.

But in our case, our youngest is about Grade 10, and we have two more years that we would probably like her to finish high school there. At that time, we will probably be looking at, if not before then, looking for a way out. You have to plan your way out. You just do not—unless the bank shuts you right down and says you have to have an auction sale, you do it gradual. There is not anybody, I do not think, in our area that is not taking a good look, and then have in the back of their mind who they could possibly sell to, who they could possibly rent to. It is getting critical in our area. There are people who have had enough. They are not going to lose anymore, and they are going to call it quits.

Mr. Pitura: Shirley, I wanted to ask you a question too about the safety net with regards to a cost-of-production insurance type program or an income assurance program as to whether you would feel those programs would have merit in pursuing for the long-term sustainable protection of the family farm.

Mrs. Galbraith: I guess I can answer you straight off. I think probably it is a good idea. Someone had mentioned: How do you make sure

that somebody is not working the program? They have asked that. That question is always going to be there. The number of people that have to take a look at our books, I mean, it goes through the bank. I mean, if all you have to do is when you submit a crop insurance claim have a copy of your invoices, that is, like, what is hard about that?

Good heavens, in order to get the odd rebate or maybe a couple of dollars off a can of spray or whatever, we have to send invoices in to Dow Chemical and all the rest of it. It is no secret anymore who is spending the money. Even taking a look, if you were to ask the chemical and fertilizer companies, they are the people that more than the banks are bankrolling everybody. So all you have to do if you want to double-check is ask them. They do not have any secrets, especially if they are looking for money.

Mr. Jack Penner: Thank you very much for your presentation. You indicate the provincial government could be involved. When I look at the last two years of revenue increases, just the increases that this government has had, it is over \$800 million of revenue increases that the provincial government has had. If they would take 20 percent of that \$800 million, that would be \$160 million that they would reinvest back into agriculture, be it roads or whatever, but reinvest it back in agriculture. If that was possible, if a government would dare do that in this province, how would you prescribe to this Government how they should invest that money to benefit you, to ensure that the small family farm could remain viable?

Mrs. Galbraith: One place that the Government could start is our school taxes. We pay a hefty amount of school tax on our land. Our assessment of buildings, of granaries is another area. I am sure that if the Government were to have a study that they could find all kinds of ways in order to help us out. It is not hard to just take a look at one family farm and see where the Government could help. We are looking at municipal taxes.

I do not know if anybody has driven on any of the country roads lately, but they are in deplorable shape. They need money invested in them. Our drains all need to be cleaned out. The provincial government, in every department, can

look and they can easily see how they could help the farming community. It would be an investment that is worthwhile.

Like I said in my statement, five larger farmers are not going to have the same benefit as 50 families are out in the rural community. The provincial government, in every department, all they have to do is look. It is not hard. We are as efficient right now as we will ever be. What we are not efficient in, we help each other. If that is not efficiency right there, what is? What other industry has that kind of efficiency? There is nothing left to cut or do.

* (00:10)

Mr. Jack Penner: You are absolutely correct. I mean, the amount of migration that we have seen in our community alone in the last two or three years is just absolutely phenomenal, and it is the young people that are leaving. But I ask you again, if you had to design a program that would keep the quarter section, half section family farm viable, other than removing school tax, what would you put in place, what sort of a program would you put in place utilizing an amount of revenue that the province has generated? I mean, how would you devise a program that would maintain those small family farms, because they are the lifeblood of the community and that is what we are losing? That is what the inaction of government is contributing to. Is there a specific program that you can think of?

Mrs. Galbraith: I do not think that there is any one individual program. I think it is going to take the co-operation of the different sectors of government. I mean, we have heritage, we have transportation, we have agriculture. You have the educated people, you have the people that can devise these things. It is at your disposal. You find the people that can answer these problems for you.

When you look at the States, they have people that have set up a structure that the agricultural sector is important. I mean, they have put money into the communities. They have put it in their roads. They figure it is a viable commodity. To have their food supply is one of the most important things that a government can have. Why we are giving it

away, I cannot understand it. That is exactly what we are doing, we are going to let the Americans out-produce us because they can.

I stood in a grain company, and we were talking about getting a bean contract and in came an American. We call them U-hauls, because he comes in there bold as brass and he has taken the contract. He does not really care what it is, what they are going to give us, because he has already got a guaranteed price. Once more, he hauls in, we have to line up behind him and he can get a little bit miffed because he has to get back across the border. So the people come up to us and can you please move your truck, can you get out of line so that this American can get through and get back across the border, like we are not busy combining right now. I mean, these are some of the things that we have to put up with and we have to stand there and they are walking in and saying, well, this is what we are growing and of course we are going to get all this. Well, see you later, have a nice day. And you are sitting there and thinking, have a nice day. I mean, he is being looked after. His government cares about him. His community cares about him. It flows right down from the bottom up because food is an important thing for the Americans.

Mr. Vice-Chairperson: Doctor Gerrard, briefly, sir. We are over the time already and we have one more question.

Mr. Gerrard: I will be brief. I was in the area just northeast of Carman not very long ago visiting with a farmer who had an area of his land washed out two or three years in a row because the provincial drains had not really been well maintained. I am just wondering, you mentioned this, and if you would elaborate a little bit more about what the situation is in your area.

Mrs. Galbraith: In our area, we have fairly good drainage, and "fairly good" means that there is a system in place that is conducive to draining. Over the past years, some of the ditches have been blown in, or water, if it comes in a big amount, is going to go across country, no matter if the ditches are open or not. I would say in our area we do have a good system of drains. The only thing is some of the watersheds have been lost. It comes down out of the

Pembina hills, and it can get going, as in '97, across country. But, like I say, there are a number of drains and roads that could be better maintained.

Mr. Harry Schellenberg (Rossmere): I know that area very well because I used to live there. In fact, I was a teacher in that area, Carman-Homewood, and we have some of the best land there in Manitoba, excellent land, excellent farmers. What I want to know is when did this crisis start? Did it start 10 years ago or is it just something that started, say, the last 2 or 3 years?

Mrs. Galbraith: I believe it was in '91 that we first decided to rally here. So I mean that could possibly be a starting point, but we also did go in a period in the early '80s, where we went through some dry years, high interest rates. So you could say it has been a problem building from the late '70s.

Mr. Vice-Chairperson: Thank you for your presentation, Mrs. Galbraith. The next presenter on the list is Mr. Edward Cook, Chairman of the Western Canadian Wheat Growers Association. Do you have a written presentation, sir?

Mr. Edward Cook (Chairman, Western Canadian Wheat Growers Association): I have a written presentation, but it has not been copied.

Mr. Vice-Chairperson: We can make copies, sir. Proceed.

Mr. Cook: Mr. Chairman, committee members, I would like to thank you for the opportunity to appear before this committee today. My wife, Karen, and I farm with my brother and my father in Dugald, Manitoba. Our family farm was established in 1878 and we grow commercial continuous crops of wheat, barley, oats, sunflowers, Canola, flax, soybeans, and are also select seed growers and have a growing cow-calf herd.

You might be surprised to hear me say that I am optimistic about the future of farming. No doubt you have heard many views to the contrary in your examination of this issue. While the short-term prospects are bleak, I am convinced that western Canadian agriculture is

going to be the most dynamic place to be in the next 20 years.

If we can strip ourselves of some outdated regulations and perceptions, we can re-invent our industry and rebuild rural communities, but if you have ever had someone stand on an object you are trying to lift, you will know how hard it is to lift and you will know how we often feel in the farming business. Prairie agriculture is being held down by the dead weight of regulation, high taxes, inefficiency and, of course, foreign subsidies. We must address these issues in our industry and way of life to thrive in the 21st century.

The farm income problem has dominated the news media for more than a year, but unfortunately this is nothing new. We often hear about the hardships of the Dirty Thirties, but there have been many challenges in the intervening years. In 1969, there was a huge wheat crop which could not be sold. In the early '70s, the federal government paid farmers to take their land out of production. In the late '80s and early '90s, drought, grasshoppers and foreign subsidies drove thousands of farm families out of business.

Each crisis has been met with an ad hoc solution from well-meaning politicians and all have failed. The special grains payment in the late '80s did not provide a long-term solution. Various stabilization programs have been cobbled together at the height of market downturns and later abandoned. We find ourselves caught on a treadmill because we have failed to recognize the need for structural change in our industry.

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Many people long for the good old days but forget that the trend to larger and fewer farms has been occurring on the Prairies for more than 60 years. The Western Canadian Wheat Growers Association consists of farmers who believe we can overcome most of these obstacles ourselves if given the tools to do so. We focus on market-based solutions that will enable western Canadian farmers to prosper, including less government intervention and freedom of choice in how we market our grain. During the current

farm income crisis, much of our anger has been directed towards the policy makers in Europe and the U.S. who continue to subsidize their farmers at obscene levels. Our federal government has promised to take a strong stand for the elimination of all export subsidies in the current round of World Trade Organization talks and that is encouraging.

Basically, an end to the subsidy problem could be several years away and, even if subsidies are dismantled, it would not guarantee a return to buoyant grain markets. In reality many of the barriers to profitability have been created within our own borders. They can be found in outdated marketing and transportation systems, a heavy tax burden, inadequate crop insurance and the failure to involve farmers in value-added processing. These barriers have contributed to a seemingly endless cycle of ups and downs that have forced farmers to ask taxpayers' assistance time and time again. The challenge I would issue to the members of this committee is to dedicate yourselves to developing a comprehensive plan that will put this cycle to an end, give us the tools to earn our living from the land, not government handouts. This would be the ultimate safety net program.

The Wheat Growers have proposed a multiphase plan to address the current farm income problem while giving farmers the tools to compete in the global marketplace of the future.

Our plan includes: A voluntary Canadian Wheat Board marketing system to give farmers the flexibility to price their grain to suit their individual business needs, a more efficient competitive grain transportation system based on the Estey report, a national disaster assistance program to provide dependable, predictable safety nets, improvements in the NISA program with particular emphasis on young farmers, improvements to crop insurance including consideration of private insurance programs, pursuit of a zero-for-zero agreement on subsidies and trade-distorting mechanisms in the current round of World Trade Organization talks, tax relief on fuel equipment and land, increasing the Canadian Wheat Board cash advance loan rate, food aid as a means to move grain through the system and improve farmers' cash flows, and

facilitating farmer involvement in value-added processing.

To go into my points a little further, a volunteer marketing system. Polling in recent years has consistently shown that at least two-thirds of farmers favour a volunteer wheat board marketing system, and yet our federal government continues to do everything in its power to prevent that from happening. An end to the monopoly would not be a cure-all for local grain prices but it would give farmers the ability to manage their business more effectively in tough times. While the introduction of the two new pricing options by the board was a step in the right direction, it did not go far enough. First the board's fixed price is a discounted version of the pool return outlook, a figure set arbitrarily by the CWB. Whether it is an accurate reflection on world grain prices remains to be seen.

Secondly, the new pricing options are miniscule compared the wide range of choices already available for other crops such as Canola. The Wheat Board options still do not offer a true cash price because there are no competing bidders for our grain and these small steps are being taken only after a majority of farmers have already lost faith in the single-desk system, so credibility is a factor. Until farmers have the freedom to sell their wheat and barley to the customers of their choice at the best possible price, the divisiveness issue will not be resolved.

Transportation reform. A commercial grain transportation system based on the vision of the Estey report would deliver real dollars and cents benefits to prairie farmers. The Wheat Growers and several other farm organizations in the prairie farm commodity coalition have identified savings of roughly \$10 an acre or \$300 million. That would be going into farmers' pockets every year if Estey reforms were implemented. Canada's grain handling and transportation is dysfunctional. Between 1984 and 1994 it failed on 20 different occasions and broke down completely in the winter of 1996-97. A commercial transportation system will force grain companies and railways to compete to move our grain to port at the least possible cost. It will lead to lower freight rates and better service, but it will not happen if we follow the half-baked approach promoted by some.

Transportation reform must be done as a package including 100% tendering by grain companies to fill Wheat Board orders at port, a reduction of freight rates through a combination of legislation and competitive forces, measures to improve railway competition including consideration of open access. As long as the Canadian Wheat Board allocates rail cars based on the past market share of grain companies, competition will be stifled and farmers will be stuck with the highest rates the law will allow. As long as we use bureaucratic formulas to establish freight rates, farmers will continue to bear these costs and, until we have a fully commercial system with binding contracts, farmers will be liable for the mistakes of others.

Predictable, reliable safety nets—one of the greatest failings of the safety net programs in the past has been their unreliability. No sooner do farmers think they have something they can bank on, then the rules change or the program is arbitrarily cancelled. Farmers need a long-term national disaster assistance program as predictable and reliable and should be targeted production-neutral, green-box eligible, under the World Trade Organization rules.

It is clear that the AIDA program has not adequately addressed the problems experienced by grain producers over the past two years, but the wheat growers have not joined the ranks of those calling for AIDA to be scrapped. History has taught us that working away from programs like GRIP and the Western Grain Stabilization plan was shortsighted.

It is too early to tell whether or not the new CFIP will be any better. Through our involvement in the National Safety Nets Committee we can continue to examine options for improvements. NISA has been an effective tool for many farmers, but improvements must be made with emphasis on making it more accessible to young and new farmers and more flexibility on withdrawals and allowances for taking advances on future earnings.

While there are considerable funds in the NISA accounts across the prairies, there may be little connection between where the money is and where the money is needed.

Crop Insurance: Flooding last year and droughts in previous years have revealed the

shortcomings of crop insurance. In many areas the premiums are simply too high in relation to the coverage available. While some adjustments have been made in provincial programs this year, we believe further improvements are necessary to make crop insurance a valuable tool for a broader cross-section of farmers. The wheat growers are in the process of developing proposals for a private insurance program that would be similar to GRIP but be administered privately to reduce costs and political interference.

Trade Policy: We are deeply concerned about Canada's hypocritical negotiating stance entering the new round of World Trade Organization talks. Essentially we are asking other countries to drop their subsidies and trade barriers while insisting that ours be retained. The interests of prairie grain farmers are being compromised to protect supply managed sectors such as dairy, eggs and poultry concentrated mainly in central Canada. For example, according to the Organization for Economic Co-operation and Development, Canadian milk subsidies to farmers are roughly equivalent to the European Union and U.S. at 58 cents on the dollar. Grains and oilseeds producers in Canada are treated far differently.

We believe Canada's negotiators must be consistent in their commitment to a zero-for-zero subsidy objective and be prepared to discuss changes in supply-managed sectors as well as the Canadian Wheat Board monopoly.

Taxes on food production: Taxes paid by farmers or those who supply them with products and services are really a tax on food production. These include taxes on fuel, fertilizer, chemical equipment and land and buildings which add to our input costs. Because farmers are price takers, we cannot pass these costs onto our consumer.

* (00:30)

While farmers are exempt from most provincial fuel taxes, we pay federal tax of 4 cents per litre on diesel fuel and 10 cents on gasoline. For a typical 2000-acre farm, that bill is roughly \$4,000. Federal and provincial fuel taxes paid by the railways and trucking companies also increase our costs. CP Rail

estimates fuel taxes account for roughly 2.3 percent of freight rates or between 55 and 95 cents a ton depending on where you farm. Saskatchewan's railway diesel tax is a whopping 15 cents a litre—five times that of Alberta and more than double of Manitoba. A comprehensive plan on tax relief would be one way of delivering assistance to farmers that would accurately reflect their cost of doing business and is trade friendly.

With respect to school and property tax, a tax credit could be considered that is tied to the farmers' ability to earn income from the land.

Policy Failure Offset Program: At our most recent convention this past January, the members of the Wheat Growers said enough is enough. Our organization and other groups like it have provided well-designed, sound and effective plans for change for the agricultural industry. The federal government's marketing and transportation policies have failed western Canadian farmers. The continued failure of these policies has contributed significantly to the current farm income situation. Farm incomes are at an all-time low, and yet the federal government refuses to develop a long-term agricultural policy.

The Wheat Growers Policy Failure Offset Program calls upon the federal government to pay damages to farmers for this continued lack of leadership. In 1999, the organization for Western Economic Development released a study comparing farm gate returns for high-protein wheat in the Canadian Prairies with returns in the northern tier states, North Dakota and Montana. It found that even after allowing for the effects of the U.S. farm subsidies, farmers in Saskatchewan and Manitoba received as much as a dollar per bushel less for high-protein spring wheat than their counterparts in the U.S.

The time has come to say enough is enough. If the federal government continues to pursue policies that cost farmers money, then farmers should be compensated. A long-term solution is needed. Farmers in western Canada do not need handouts. We need new policies. Until governments are willing to act, the wheat growers are asking the federal government to compensate for depressed returns caused by failures in international and domestic ag policies.

In conclusion, I want to re-emphasize that the western Canadian farmers do not want to be subsidized, but we need the tools to respond to market distortions caused by massive trade disordering, subsidies and barriers to profit created right here at home. We learned from the '80s that short-term solutions are not long-term solutions. On the flip side, a commitment to long-term programs will translate into immediate gains. We need a broad-based strategy to create an environment in which farmers and their communities can prosper in the 21st century.

We also must recognize that change is inevitable, but it also creates opportunity. Many Wheat Growers members have seized on the diversification opportunities into such areas as raspberry and wine production. Others have successfully added carrots to their list of crops. One of our Saskatchewan members has developed markets for weed seeds, buckwheat hulls and even ergot, a fungus that downgrades wheat crops but has pharmaceutical applications. Yes, these are challenging times, but by using our ingenuity in the environment, then encouraging innovation, I believe we can and will succeed.

I would like to thank you for the opportunity to speak today and look forward to your questions.

Mr. Vice-Chairperson: Thank you, Mr. Cook. We have roughly four minutes for questions, starting with the honourable minister.

Ms. Wowchuk: Thank you, Mr. Cook, for your presentation. You have raised a lot of issues in your presentation, but given the limitation of time I would only like to focus on one area. You talk about Canada's hypocritical negotiation stance and you talk about the fact that Canada should be dropping subsidies. Canada has gone far beyond what is required as far as meeting our trade requirements in the last round of talks, and other countries have not reduced their subsidies.

Do you think it would be a wise move for Canada to remove any supports that we have while other countries are not willing to give up anything?

Mr. Cook: I believe I said in the paper and what I meant to be said is that we have dropped some of our programs and our subsidies, but we need to look at and not just target one sector of our agriculture. We need to look at all the sectors of our agriculture. The grain sector has taken a lot of hit. We lost the Crow. We lost a lot of things. What was said in there is that the milk people are getting the same subsidy in Europe, in Canada, and the U.S., but the grain sector is not getting that support. How come? We need to find out. We need that support.

Mr. Maguire: Mr. Cook, there are a number of points in your presentation, but I followed into three points. You were talking about subsidization here in Canada, but do you agree with Canada's stance in regard to trade, No. 1 being that they should continue to work with the United States and Europe to try to impress upon them the need to eliminate their subsidies.

Mr. Cook: Yes, I agree with that.

Mr. Maguire: So therefore I read in the rest of your paper that you would like to see them either decrease or eliminate some of the regulations around Canadian agriculture, and as long as governments are not willing to do that then they need to come up with some kind of shortfall program.

Mr. Cook: Yes, that is right.

Mr. Maguire: The Wheat Growers, are they members now of the grain growers of Canada organization?

Mr. Cook: Yes, we are members.

Mr. Maguire: Am I correct in some of the news reports that I heard back at the end of February, when the grain growers of Canada asked for a \$2-billion immediate shortfall in regard to the immediate needs of the agriculture industry?

Mr. Cook: Yes.

Mr. Maguire: Thank you.

Mr. Gerrard: Thank you for your comments. I want to follow up in particular on what you said about crop insurance and your feeling that there

need to be further improvements necessary to make it a valuable tool for a broader cross-section of farmers. What sort of improvements would you envisage?

Mr. Cook: I can use my farm as an example. Last year, Canola, several fields of Canola, some yielded not too badly, one was completely wiped out. So I had an average yield of 10 bushels an acre. One field I had no production whatsoever. What needs to happen, I was doing some calculations from the previous year on my premiums and my returns where my coverage was, and I dropped, on last year's production alone, \$58.50 an acre on my crop insurance production from one year to the next, because the value of my coverage dropped. My premiums dropped as well, but if my premiums had stayed—there was only a \$2-an-acre drop in the premium, but I dropped \$58.50 on my coverage for a \$2 premium. I would have paid the \$2 premium for that \$58 without a problem. They are changed because the market changes. Why does the crop insurance have to change because the market price changed? That is one area that needs to be looked at.

The other thing is my farm is 15 miles from one side to the other. It is about a mile deep. I will have crop loss in one area, no crop loss in the other, and it is averaged. I end up not making any money on any part of that crop. I think that needs to be looked at. I do not know where the premium would be, but I would be willing to pay, myself, personally, on my farm, an additional premium, if I had that kind of coverage.

Mr. Gerrard: You are saying you would like to be able to break it up, your farm, into sections or something like that, so you would be able to get better coverage.

Mr. Cook: That is right. I am already doing that with landlords on a crop-share basis, and having crop-share policies with crop insurance.

Mr. Vice-Chairperson: Thank you for your presentation, Mr. Cook.

The next person on the list is Brad Mazur. Mr. Mazur, do you have a written presentation for the committee?

Mr. Brad Mazur (Private Citizen): Yes, I do.

Mr. Vice-Chairperson: Okay. Mr. Mazur, proceed when you are ready. I just might add before you begin, if anybody that is going to present yet needs copies made of their presentation bring them up to the front desk now and we will arrange that.

Proceed, Mr. Mazur.

Mr. Mazur: Thank you. I would first off like to apologize for some of the spelling errors on my presentation. Mario Lemieux lost last night and that is when I started writing my presentation. There are a few commas missing and that, but I should be able to brief through this one.

* (00:40)

My speech is a little different than everybody else's. I am not looking for sympathy or anything. I am looking at the big picture here. Basically I am upset with government in general. I start by saying, I will start my presentation by first off telling you I reside on a third-generation family farm, and it is a pleasure to be a part of this farm crisis testimonial.

When I started farming in the mid-'80s, I felt farming was the life for me. I presently feel it is still a great place to raise children but because of our government farm policies, it has become a horrible place to make a living. Because of these decisions made by our government, I fear my children could become part of a dysfunctional family unit. Working two and three jobs on top of farming 2000 acres is not a proper environment to raise children. The children are then abandoned at the babysitters and this is indirectly ripping at the heart of society, the family unit.

Shame on the Government of Canada for losing hold of what was once a democratic society. There is simply no one in government today with enough balls to stand up and simply tell Jean Chrétien: Listen this current corporate involvement is not working for the benefit of people anymore. Change it, and change it quick, Mr. Chrétien. For the seeds of revolution have been sown and your government policies are fully to blame, Mr. Chrétien.

If all western politicians got together on this issue and told the Prime Minister it is this way or

we demand your resignation, you would see his royal arrogance demise rather quickly. This will never happen however, I feel, because it is not politically correct.

To the Honourable Rosann Wowchuk: It all starts at the provincial level and if you really care about the farmers in our province, you must stand up against this federal government's, for lack of words, BS, and demand parity with the U.S. farmers, nothing less. The provincial governments of Canada are now serving a dictator in Ottawa, which is truly a policy-over-people approach. To top things off, Chrétien and his arrogance have married the World Trade Organization's policies which further transitions farmers out of agriculture. And what really troubles me is that many of our politicians are fully aware of this situation but are unwilling to take a stand. Must be the perks.

Bill C-68 and gun control, for example, is not about guns killing people, it is about disarming the public just prior to the introduction of the new world order. This is probably foreign to many ears here tonight, but our most recent new economy clause signed by Mr. Chrétien is testament to my last statement. Trust me, this will all make sense in a year or two from now.

Back to farming. The farmer who has indebted himself through no fault of his own is driven into a model that suggests this theory; if the farmer spends more on chemicals and fertilizers, the theory of maximizing would justify the cost of inputs. Sounds good, does it not. In theory it does but the huge capital coming off the land does not go to the farmer. Basically none of it is captured locally. This system however works wonders for the vertical integration of agri-business, banks and many corporate parasites. The planting of the 2001 crop will most definitely echo these statements.

Ladies and gentlemen: My next statements might shock you but brilliant minds who study economic theory are all agreeing on this one. Federalism is dying and is being replaced by united nations of corporate rule. This is largely due to, I am sorry to say, an apathetic government supporting cast which has become like a flock of sheep, supporting everything the federal government might perceive as correct. This is the biggest danger to a society when a

centralized government becomes dictator-like in its governing system.

I have had the opportunity of reading three most interesting books and I think everybody should read them if they truly want to get a grasp of what is truly going on in the world. One is a book by Chuck Colson, a Richard Nixon vice-president, who is considered, even today, the world's most knowledgeable man on basically any subject. However, during the Watergate scandal, he ended up in prison. While in prison he became a Christian and, in one of his most recent interviews, stated: I am very worldly and knowledgeable in most things but have come to this conclusion. No political power, no matter how big or violent, can supersede the biblical message of Christ in the New Testament. He goes on to say that the world situation is in such a mess, and, believe me, this guy would know what is out there. Only a promised Christ-like being can restore what our current Kevorkian economic system has created.

He then goes on to explain that we currently today have an elite system run by a very few corporate elitists, example International Monetary Fund, World Trade Organization, and the World Bank. They have currently penetrated every aspect of society from arts, to politics, to the courts and at the same time forming public opinion.

Another book in which I have read involves a Berkeley economics researcher, and he goes on to say this: We are in a time of world-wide transformation and unless a miracle intervenes, we will experience a quantum leap more radical than when the Renaissance appeared driving out the Dark Ages out of history. A new world order could arrive overnight affecting every life on the planet. There are indications like 50 000 protesters in Seattle, Washington, and 10 000 in Québec City, a steel fence surrounding the meeting places, Chrétien and company are planning this draconian economic system under our very noses.

In this monopolized information gateway, there are indeed patterns being kept from public view, for the simple reason this radical transition requires a docile and trusting public, a public that is willing to accept the popular reasons we

have a national debt of more than \$600 billion and why farmers have got to produce grain for under the cost of production, why families continue to disintegrate and why male and female roles blur. This is also why Christian and traditional values are being replaced by gay rights, for example. Unbelievable, folks.

The financial, military, political, spiritual arms of this powerful agenda have an interlocking purpose that powers, for example, Chrétien's government. Whether he is aware of it or not I do not know for certain.

All of our efforts over the last few months and here tonight will, I am sure, once again fall on deaf ears, for our whole government body is much too fragmented to even attempt change or try to make democracy work for its people, especially at the federal level. This growing leviathan of global government cannot break through fully, however, if America and people like ourselves stand in the way of this huge profit-making monster.

I hope I did not offend anyone with my God talk, but find it very ironic if I did. Every session of Parliament begins with the words In God We Trust. Scripture clearly describes this current state of affairs on our planet. I would advise people to learn it, study it, and become aware of where our world is headed. It is not all doom and gloom, only for the charlatans of the upcoming new world order.

I never believed or understood what these last few quotes meant, but I think I am getting a clear understanding of it now. To not believe is to be condemned already For their riches shall come to naught in one hour. Thank you.

Mr. Vice-Chairperson: Thank you, Mr. Mazur. I open the floor for questions beginning with the honourable minister.

Ms. Wowchuk: Thank you, Brad, for your presentation. Certainly, you did not offend me and I do not think you offended anyone around the table with your comments.

You talked about the responsibility starting at the provincial level and that our province has to take a strong stand to the federal government

and demand support. Here it is called demanding parity. This committee is one of those steps, with all parties standing together calling on the federal government to put some short-term money in to address the crisis, but then also work towards long-term solutions that will meet the needs of producers.

I ask you then: Do you support, first of all, the call for the \$500 million as a short-term? What would you suggest as would be long-term solutions, whether it be the review of the safety net programs or what are your suggestions or message to take to the federal government on the need for immediate cash injection and for long-term solutions?

* (00:50)

Mr. Mazur: In our demands as a grassroots lobby, with a whole bunch of people that have camped over at the Legislative Building here on several occasions, we basically were discussing in the rooms that \$500 million is just totally inadequate. I mean we want parity with the United States, and parity with the United States would mean \$5.6 billion. I do not think there is any place in government to basically just throw this request out of the window. It is not only involving farmers that are losing in their farms. I am seeing a community as robust as Russell, Manitoba losing businesses, as we speak, and people working three and four jobs and they just cannot tolerate that workload any more.

The biggest factor, I think, is basically the destruction of what is going on in the family unit. I have two kids and they do not get to see me or their mother because we are working, you know, trying to make ends meet.

I do not care about the World Trade Organization or GATT rules, purple boxes, green boxes or whatever. It is obviously a money problem, and the Charter basically states that our government is supposed to be able to print its own money. Why are we in debt to the tune of \$660 billion as we speak?

Get in there, guys. Tell Chrétien we do not need your World Trade Organization friends. They are only a lobby of 134 members, and they are basically putting the squeeze on the whole

planet. There is strength in numbers, and I know we have a whole bunch of good people sitting in front of myself here and a lot of people that understand the situation. Get in there and tell them that we want change. We want the original Charter from 1867. We do not want this draconian-type system that we have evolved into.

So what I am saying basically, in closing, is \$500 million is not sufficient. We need parity with the United States, and that figure stands at around \$5.6 billion. How you get it, I do not care. Change the money system. But that is exactly what we need to save the family farm.

Mr. Vice-Chairperson: Thank you, Mr. Mazur, for your presentation.

Next on the list are Jan McIntyre, Val Pogson and Celia Guilford. There are three presenters here. We need leave from the committee for them to present jointly. Does the committee have leave? *[Agreed]*

Ms. Celia Guilford (Private Citizen): Mr. Chairperson, Honourable Minister Wowchuk and committee members, thank you for taking the time to hear from us tonight. My name is Celia Guilford. This is Val Pogson and this is Jan McIntyre. We all farm near the town of Clearwater, Manitoba.

As farmers, we have little political power because we are so few in number, but the issues at stake here concern and affect both urban and rural citizens and therefore are relevant to the country as a whole. If action is not taken, a continued lack of vision will lead Canada's food production to be dependent on multinational corporations and foreign countries. How safe will Canada's food be if this happens?

We would like to see energy focussed on addressing the current lack of vision in both developing Canadian agricultural policy and strategies to reverse rural depopulation. Please put your resources here in Canada rather than attempting to influence other countries' subsidy programs.

We live and farm very close to the American border. It is clearly obvious that subsidies have

not preserved rural communities in North Dakota. Empty farm yards and desolate towns prevail. The World Commission on Environment and Development 1987 defines sustainable development as development that meets the needs of the present without compromising the ability of the future generations to meet their own needs.

A recent report from the PFRA, the prairie agriculture landscape study, outlines the current division in thought between the marketers of our agricultural products and the sustainability of Canadian agriculture. I quote: The Canadian Agri-Food Marketing Council, CAMC, has challenged primary producers, processors and government to significantly increase Canadian agriculture and agrifood exports to 4 percent of the global agrifood market share by the year 2005. The target is comprised of approximately 40% primary production and 60% processed foods.

Much of the primary production growth needed to meet this CAMC trade target is expected to come from the Prairies, which comprise more than 80 percent of Canada's agricultural land base. This increase in production and processing of goods in the Prairie region will pose numerous challenges for the sustainable management of this resource base. The land base required to meet these targets is forecast to come from the improved crop management increased cropping intensity, reduction of summer fallow and increased pressure to cultivate environmentally sensitive lands. The implications of these changes in the agriculture and agrifood industry must be evaluated from economical, sociological and environmental perspectives.

Mr. Vice-Chairperson: State your name for the record, please.

Ms. Val Pogson (Private Citizen): My name is Val Pogson. Our five recommendations to the standing committee are:

(1) Rather than increase production, what we need is a strong program that includes a crop reserve program like that in the U.S. that takes marginal land out of production and pays the farmer to keep it in grass, water or trees. The

Canada-Alberta Environmentally Sustainable Agriculture Water Quality committee in 1998 stated that the greater the level of agriculture intensity, the greater the risk to ground surface water quality.

(2) Work needs to be done to explore the viability of financial incentives for best management cropping practices. These include growth of perennial crops minimizing soil disturbance, reducing the frequency of fallowing, returning crop residues to the soil and maximizing crop productivity by including legumes in rotations and increasing fertilizer use efficiency. These practices will minimize the rate of soil erosion and will be most effective in maintaining soil organic carbon, which could play an important role in offsetting greenhouse gas emissions. As documented by PFRA, soil organic matter is a vital component of the soil fabric responsible for improving soil structure, tilth, fertility and health.

In all of this, greater public good is achieved. Farmers, in an effort to remain in business, will adjust cropping patterns and land management practices to deal with the economics of the day. Under the current scenario, many producers are forced to farm more land more intensively simply to make a profit. Public resources to support farming practices that encourage environmental protection and enhancement will help serve the public need for safe water, air and soil. In the end, we will all benefit and our resources will be preserved for future generations.

Mr. Vice-Chairperson: State your name for the record, please.

Ms. Jan McIntyre (Private Citizen): Jan McIntyre.

(3) We are asking that the government show leadership and, in consultation with farmers, develop public policy on agriculture matters that support the sustainability of the land resource, that there be economic incentives to farmers that will encourage good land management practices and that these policies be socially responsible. Good leadership sets the parameters, and those in the industry work within those parameters.

* (01:00)

Developing policy of this magnitude will take time, but time is a luxury many grain oilseed producers do not have. The increasing corporate control of inputs, the escalating costs of fuel, fertilizer, seed and chemicals, combined with declining commodity prices, provide no hope for farmers. The multinational corporations that increasingly control every aspect of farm inputs and sales siphon off their profits.

(4) Therefore, there must be interim financing instituted immediately to assist producers who are suffering under the current system, and this financial support must be continued until new policy is determined. Given the huge investment and commitment required to farm, people cannot get in and out of the industry at whim. Once producers leave, they are gone. And with them goes an irreplaceable human resource. We will need their skills and abilities down the road and need to support them through this crisis if we expect to have them available in the future.

(5) Finally, we would like to see incentives to encourage value-added processing of locally-grown commodities in small towns and villages across the province. We need to reverse the trend of rural depopulation, and diversity is the key. Government programs can be designed with incentives to encourage the achievement of goals deemed to be in the public good.

Mr. Vice-Chairperson: Thank you.

Ms. McIntyre: Celia Guilford.

Ms. Guilford: Canada requires a long-term vision for sustainable agriculture and sustainable rural communities that will look after the needs of the present generation while leaving equal or better opportunities for the generations to follow. By working together, we believe we can achieve this goal. Thank you for hearing our presentation this evening.

Mr. Vice-Chairperson: Thank you, ladies. Questions, beginning with the honourable minister.

Ms. Wowchuk: Thank you for your presentation and bringing some very important issues to the table. I have a couple of questions that I want to

raise. I am looking in your presentation where you talked about what happens with subsidies and the communities across the border that are dying, just like our communities. I find that very interesting, and I would like you to shed some light on that, because we have been talking about what level of support the U.S. farmers have in comparison to our farmers and how they are so much better off than our farmers. Your comments are that you do not see it that way. So could you elaborate on that a little bit, please?

Ms. Guilford: Yes. We visit across the border with several farm families in a farm organization that we belong to called the Northern Plains Sustainable Ag Society. North Dakota is not that much different. Our farm is exactly 10 miles off the border. Their farms are right along the border. When we drive down to spend time with them, the farms are much farther apart than they are here. The towns are more desolate. My daughter goes to school six miles away from my farm right now, 10 miles next year because our school is closing. Their children travel an hour to get to their school.

The subsidies have not worked for them. When they look at us, they think that we have it better than they do. I do not have any statistics to follow this up on; it is just farmer talk at the kitchen table. It is not working on their level.

Ms. Wowchuk: Thank you. I just find that very interesting. You talked about the marginal land, and I wonder whether you heard the presentation earlier from Mr. Robson, who talked about a proposal for a land set-aside, where land would be taken out of production. Farmers would be paid to take that land out of production, and whether that is similar to the crop reserve program that you talk about in the U.S. I also want to add, before you answer that question, that you have raised many important environmental issues in your presentation and those are issues that we as ministers of Agriculture across Canada will be addressing at our next meeting under Integrated Risk Management, looking at all of those issues of environmental sustainability, food safety and protection of soil and land. Just back to my question on the land set-aside that was outlined earlier today.

Ms. McIntyre: I believe we did not hear that presentation in its entirety, and I do not believe

any of the three of us have the time with our other busy lives to study agricultural policy as well as we should. However, our concept is that we need to preserve the land, that when all is said and done we need to leave the land in as good or better condition than what we received it in, that it is a resource, that it is something that is to be treasured.

We see that down the road our land—it may be now that grain production does not seem that great a thing, but there are still a lot of hungry people in the world. World populations are going to grow, and perhaps over time—maybe not in our lifetime, but there will be a demand for that. It is right that we should preserve the land and not mine it at the present time solely to contribute to the oversupply of grains, and the poor prices—you know, you cannot produce it profitably now, so why mine it.

Mr. Gerrard: I would like to follow up on your final recommendation for incentives to encourage value-added processing of locally grown commodities. I just wonder if you have any particular thoughts or suggestions as to—I mean there have been things brought up from ethanol plants to raspberry wine earlier on, but how do we effectively encourage processing in communities like Clearwater.

Ms. McIntyre: Again, we do not have all the answers, but I think, Doctor Gerrard, it seems kind of crazy to produce a crop and then spend how many dollars transporting it somewhere else where it will be produced into something of greater value. If we can take the commodity, produce it locally, and then process it locally, it will keep people in our small towns. Perhaps that can be done with some tax incentives for processing businesses to locate in small communities, and we do not mean the Morden's. We mean the small villages. The quality of life in these small villages is good and it should be maintained, but it cannot be maintained at the present pace.

So tax incentives, perhaps infrastructure help, some forms of encouragement that—it seems that government can set policies that can affect the way a nation develops, and let us think about that and what direction we really want to go. Do we want all of our processing in our large centres? That means then the people will all

eventually be in the large centres. Is that what we are seeking? We do not believe that is what we are seeking, but that is for government to decide.

Mr. Pitura: Mr. Chairman, the five recommendations that you placed before the committee are very good recommendations.

Without a long-term support program in place to support the agricultural industry so that it can generate some profit, my question to you is: Do these recommendations have any validity if the industry still cannot generate profits?

* (01:10)

Ms. Pogson: I think that, in some sense, the industry does have profit in it, but it is all going to the fertilizer companies, the fuel companies and all these different ones that are siphoning off our profit. We need to work with them to get them to realize that if they do not start setting their price so we can make a profit, if we are not here, neither are they. So if they can do things to help us keep the land so that we can grow and produce, they will stay around too, because if you do not have the farmer, you do not need the fuel company, you do not need the fertilizer company, you do not need the chemical companies. If we do not grow the grain, then they do not have anything. What do they have at the end of the day? So there is profit there. It is just not at home where the farmers are.

Mr. Jack Penner: Thank you very much. Excellent presentation and good recommendations. There are two things you raise that point the direction at the smaller family farms. I asked this question before of a previous presenter. What kind of programs would you design if you had the opportunity to? If there was funding available what kind of program would you design to try and encourage younger people especially to move on to smaller farms, maybe self-contained units?

Let me explain. It was not many years ago when we first started farming. We had four or five cows. We had 400 or 500 chickens. We had half a dozen pigs. We raised virtually all our produce ourselves. It was fairly efficient. We did not need much money to go to the store and buy

flour and salt and sugar. That is basically what we needed to buy. Is there an opportunity to do that sort of thing? Would young people be interested in farming that way if there was an incentive provided by government to encourage that kind of lifestyle?

Ms. Guilford: Yes, there is. There are a couple of things that are happening right now in the province, two different farm mentorship programs that have started up, one a provincial one, another one that has been a group of private organic farmers. My farm is a small organic farm. My husband and some others friends of ours have started a farm mentorship program specifically to do what you have just asked for.

We do know of older farmers who would like to pass their farms on. None of their children are willing to farm. None of their neighbours want their farm. They do not want that knowledge or their land to go to whoever it may go to. So we are looking at ways of putting them together. Our farm is a small, diversified farm. We are not involved in any of the government farm programs except for NISA. We market through small marketers and we get a better price than our neighbours.

When I started farming 18 years ago, I moved out of River Heights in Winnipeg onto the farm and started farming with five other families, five other friends that were about the same age as we were. Of those five families, two of them have had to stop farming completely. They still live on their farms but they make their living other ways. The other three of us are still farming. We all have off-farm income. We are the only organic farmers in the crew. I have the smallest farm. That is the kind of farm I want to see, because I would rather have more neighbours than less.

I think that a lot of the recommendations we have made in this paper are the kind of programs that I would like to see. They are the kinds of things that I already do on my farm. I would like to see other people do them as well but to be financially rewarded for it.

Mr. Vice-Chairperson: Briefly, Mr. Penner. Time is up and Mr. Maguire still has a question.

Mr. Jack Penner: Do we need to change some of the rules and regulations in order to allow you

to garner income from a small family farm such as that? I am thinking about marketing farm-fresh milk and butter and eggs. Do we need to change the allotment that farmers are allowed to keep chickens? I am not trying to say we should destroy the supply management system, but should we allow, young farmers especially, a larger flock of chickens, and should we allow them to market milk and eggs off the farm which we do not do now? Should we change some of those regulations?

Ms. Guilford: Yes.

Mr. Vice-Chairperson: Final question to you, Mr. Maguire.

Mr. Maguire: Pass, thank you.

Mr. Vice-Chairperson: You pass? Okay, thank you very much ladies for your presentation.

Next person on the list is Delores Schellenberg.

Mrs. Delores Schellenberg (Private Citizen): Good evening. May I proceed? I had a presentation, but Ken and I decided that we would put it together and I was going to let him take the heat if that is okay with you. Is that allowed? May we?

Mr. Ken Schellenberg (Private Citizen): It will just take us, I need a few more minutes on this because I got a little bit here, and she is going to—that way you do not have to wait for two of us. Thank you very much. I have such a pile of paper here. I waited 35 years to come here, you know.

Mr. Vice-Chairperson: Okay, for the information of the committee, Mr. Schellenberg was on the list and then had dropped to the bottom of the list. Do we have leave from the committee for Mr. Schellenberg to present in lieu of his wife? *[Agreed]*

Mr. Schellenberg, do you have a written presentation for the committee? Okay. Proceed when ready, bearing in mind you have 15 minutes, 20 in total.

Mr. Ken Schellenberg: This here is the insurance program. You might as well pass this one out here right away. And I was going to have a show of hands how many have seen this. It is very important that you take a little look at it because the Murray Downing's associates have worked on it quite a bit, so I thought maybe if we could just pass it around. Thank you very much.

Mr. Vice-Chairperson: Thank you, Mr. Schellenberg. You may proceed.

Mr. Ken Schellenberg: One more thing. Here I have my crop production costs. And that gets a little bit personal in there but I have to share this with you I guess if I want to bring this across. I am not a very good reader, especially when I am standing. I usually like sitting.

Good evening committee members and all my colleagues who are here tonight. First of all, I would like to thank all our MLAs, legislative members and securities who were involved in our farm issues during the past few months. My presentation will address our Budget, cost of production, the Crow rate, closure of elevators, last but not least, proposed Income Assurance Program.

When the Budget came out, I felt there was very little mentioned about farming. I could not believe there was no cash for the farming industry. It did not take long to make a decision of how to spend \$82 million, \$25 million, \$50 million, \$31 million, \$2.6 billion. Could someone here tell me how much money was set aside for upgrading government buildings in Manitoba? I am sure it must have cost quite a bit to build the ladder to polish the Golden Boy, among other things.

On the farm if we cannot afford to paint the house, we wait for another year or until my wife gets a better job. Priorities must come first. Mr. Chairman, the point is, obviously they have a cost of expense plan in place here. So I feel we need the same plan our Government uses for their Budget and that is a cost-of-production plan.

For a \$95-billion industry, the second largest in Canada, I feel we have lost a lot of respect.

Mr. Chairman, I am not criticizing the Government or their Budget, but here is what they could have done. The Budget could have been trimmed and money taken from the rainy day fund and laid on the federal table, and you could have said, now match it, instead of going there empty handed.

Rosann, you were informed we needed cash injection immediately. \$60 per acre. Now, we would have taken \$20 in April, \$20 in July, \$20 in September. I am sure we would have settled for that. Remarks have been made of \$40 to \$60 per acre. Let us not confuse the issue; \$60-plus is needed.

* (01:20)

We are not putting this money in a jar in our garden. This money will be put back into our communities and everyone will benefit from it.

Mr. Chairman, you know right now fertilizer and grain companies are doing credit application. This practice is very dangerous. I had an elevator agent at our house saying if the bill does not get paid, fertilizer and chemical companies and grain companies will own the land. Do not forget, we have banks that are amalgamated with grain companies.

My wife, Delores, and I, Ken, live on a farm of 1070 acres. Our farm joins the U.S. border in the Rural Municipality of Stanley. We have three daughters and one son-in-law. We have farmed there for 30 years. We have had off-farm income that has saved our farm several different times. In the last few years, I have had health problems and there has been very little off-farm income. Our area has had Mother Nature on its side, so we have survived better than some others have.

Mr. Chairperson in the Chair

I have with me a cost-of-production report to show you, what has been happening with the off-farm income added to our income tax statements, our real losses on the farm are camouflaged. For this coming year, we have withdrawn our RSPs, plus our savings account. We are going down.

Mr. Chairman, at the Brandon meeting it was mentioned we always managed to put in a

crop somehow. This is the first year I see no light at the end of the tunnel. The only reason we are seeding this year is we hope things will turn for the better. If the farming situation does not change very soon, our food producing industry will be in the worst shape ever in history.

Mr. Chairman, another disaster, the closure of elevators, is adding a big cost to all producers. Trucks come from many miles away. The elevator is filled immediately, now we have to hire bigger trucks to haul our grain greater distances. My trucks are not big enough. I am now forced to hire, for an added cost of \$7,500, or spend \$50,000 or more to purchase a bigger truck. Trucks are charging waiting time, which I can understand.

In harvest time, we usually could haul some grain directly to the elevator. Now, with all the added pressure, the elevators are filled right away. This forces us to build more bins and we do not get paid for storage. Note, our U.S. farmers are getting their storage program back in place. This program was off for a little while, but it is coming back, and they get paid.

Rosann, maybe we need a \$100 per acre. This is not a small matter. You know the saying that an ounce of prevention is worth a pound of cure.

They are planning to close the Agricore Elevator at Lowe Farm. This elevator has been rebuilt, has a 100-foot scale. They say it is going down. They have had meetings and it does not sound good. They are also planning to close the co-op store in Lowe Farm due to the elevator closing and other businesses. Could someone in this committee take serious action on putting a stop to the demolition of elevators that is going on in the Prairies? There should be a moratorium on elevator closures. I do not know if that would be possible but, you know, that is a disaster. It is coming hard, and it is going to be a cost.

Mr. Chairman, on a tandem load of wheat, which is 600 bushels, my total deductions were \$999. In total our farm lost \$30,000 to \$35,000 a year. If we could have had our Crow back, a big part of our problem would have been solved. We understand that the Crow was never to be removed. How come it happened? Could someone answer this? Well, I guess that is an old story.

Someone told me Canada is a great country to live in, and that may be true for many, but I question the greatness. For farmers, let me explain. Last year I helped my U.S. neighbour combine his durum wheat. It was considered a poor quality, yielding 60 to 65 bushels per acre and selling at \$2.20 to \$2.60 per bushel, U.S. The government compensated his poor return of \$144 by giving him an added payment of \$100 per acre.

The U.S. supports the cheap food policy by subsidizing the farmer, but Canada supports the cheap food policy at the expense of the farmer without providing a subsidy. Maybe the best solution would be if the Environment departments of Canada and the U.S. would shut down all the agricultural chemical and fertilizer uses. That seems like it is our biggest problem today, how to pay this bill. This would result in a fair market price for our farm produce as well as decrease our so-called surplus. Hopefully, our provincial and federal governments get together to resolve our farm disaster. We too can continue our task of feeding our country and build a thriving community.

Mr. Chairman, may I ask this committee, and I have already done that, your show of hands. Thank you very much. To our honourable Premier Gary Doer, he is not here. I wish he was because I know he would like to talk about this health thing, and I respect him for that—and our chemicals, that is a major, and you will see later on I will read about it—and honourable Minister of Agriculture Rosann Wowchuk, we the grassroot farmers would like Murray Downing and his associates to be included in the standing committee on the trip to Ottawa as well as being involved in the decision making of the long-term cost-of-production program or any issues involving grain and oilseed matters.

We know you will appreciate Murray Downing's knowledge and the understanding of the disastrous situations farmers are in right now. We the grassroots farmers have already approached municipalities about supporting Murray Downing's Ottawa trip fund. Contributions have been made from all over Manitoba to help cover extra costs. We also have MLAs here today that said they would appreciate having Murray Downing aboard, Honourable Gary Doer, who is not here, and

Honourable Rosann. We talked to Gary Doer about this, and, Honourable Rosann, do you feel comfortable agreeing to this proposal?

I feel this is such a big issue that there is no way you can go there—you have got to have a planeload. And if you need more help I will leave you my phone number because we can get another planeload. I am not going to read the last paragraph because I saved that for the last. For everyone here they can see this here, it is the percentage markup from the farm gate to the consumer. It is something to look at before you go to bed. It is pretty interesting. I will not go into any detail here but maybe Jack you will kind of pass it around here a little bit.

Everybody has a copy of this?

Some Honourable Members: Yes.

Mr. Ken Schellenberg: In your sheet you will also have—I have a grain ticket here. Here is a grain ticket. I have got deductions here like they got such small numbers they do not want to show them. It is \$16,850 I think it is, and then my deductions were \$4,600 and I had a net of \$11,000.

You know, last year when I combined—and the Wheat Board starts off with \$2.69 a bushel, but you know the freight comes off of this, right? Like once you get the \$1.40 off of your top end when the pro is finished it ain't so bad but you know, at \$1.69 how much money do we bring home? You guys probably know. Not much because we start off at \$1.69 and then they slowly increase. Everybody talks about wheat being \$5.70; well, it does not end up that way. I have got a little bit more to say about that as we go on.

Right here you can probably see in this booklet, if you look in here you will see my personal history which is kind of ugly right now. If you go through this thing here I went by the crop production costs of 2001 guidelines, and they are very close. Mine are a little bit higher but, for No. 1, I cannot buy seed for \$13.80 and get it treated, but I am kind of taking it out of my bin and making a scabby job of seeding. You know what I am saying?

* (01:30)

Anyway, we go down the list here and I have a question mark on where it says insecticide. I am talking a little fast because I do not want to take too much of everybody's time here. On the insecticide, when our Ag reps and everybody says, oh, gee, you have a midge problem out here. We have to do something about this. Bang-o. You go out there and you have your pie plates with the butter on it, and you are out there and you have 5000 little bugs flying around there eating your crop. Bang-o, we have to get the spray out. So \$15 an acre right there. Okay. Then to top it all off, it is Lorsban. You walk into this thing, and I did not think of it. Well, I almost died over it. It goes right through you. This is a poison, okay. Well, my neighbours did not spray it. They had the same crop I had. So I have a question mark on mine. I will never do that again.

That is an added cost there at times. So when you go through my whole figure here, you will see in that \$143 an acre. That is my total operating. Then you see my land payments here on 305 acres of \$40 per acre. That is the land I bought off of my parents. I am not on a family farm. I started from zero. It is a good thing, because I think if my dad would see me losing that farm, he would probably roll over.

Our homeland is paid for. There are 480 acres. We rent 300 acres, and it is right beside us, and it is a good block of land. So I had to pay the \$50, so I average \$30 an acre, which is a very low land cost. That is not the problem. Land cost is not my problem. So then we go down, this \$20 is depreciation. I have a tough time with that word, because I eat that. I do not have anything left to put into my machinery. That is what it is for, right. I have nothing left. I go down the line, and I am at \$220 cost here. Then there is a \$15 wage. Well, our family comes home, and I have three daughters. They haul the grain. They can drive combines. They do everything. They all work for nothing. So the \$15 I have not really spent because they leave dad and mom to eat that through the winter.

If you go over to page two here, my average yield was 43 bushels per acre, times \$4.30 a bushel. That will work out to \$184.90. Then I have my cost. My total cost of production is \$220. My loss was \$35.90. That is not even that

bad. Some guys have \$70. If you look at this other one, it is \$70; \$35 is not that bad. But then you have to add my 30 000 of freight on there, right. So now I am at 70 000. We are giving away our money. If you guys give us money, hey, we have given it away already. Our Crow rate, if you would give it back, we would have no problem. So I do not see a problem with this whole thing.

Anyway, I will explain to you. On the bottom I have this IPI. Somebody could probably tell me what IPI means. I have forgotten what IPI is, but I am above 100 percent, so it is 1.09. This makes my long-term average 39.2 bushels to the acre, so you can tell I am not just a sloppy farmer. I have been in the business, and I want to grow the best crop for my area, so I yield it out 39. I will leave that be. I will say here 15 months after harvest our final payment on 14 percent protein is estimated at \$5.70 per bushel, less \$1.40 for freight. The elevation costs are a net, then it becomes \$4.30 per bushel.

Mr. Chairperson: Excuse me, Mr. Schellenberg. The 15 minutes has elapsed. For the information of the committee, Mr. Schellenberg has asked if there would be leave if we would grant him some time to spill over the 15 minutes. Can I suggest that would come out of the time for questions. I will give you the one-minute signal at the 19-minute mark, if that is okay.

Mr. Ken Schellenberg: Well, it might be cutting her fine, because I have one little thing here. I have given you my personal information here, so I just need a wee little bit of time. I appreciate this.

Mr. Chairperson: That is agreed then by the committee? *[Agreed]*

Mr. Ken Schellenberg: Mr. Chair, that is good. I like talking to you. You know, if I was to give you \$12 an hour tomorrow to come and work on my farm, or say I was going to promise you \$12 an hour, but tomorrow I say to you, you know, I am going to start you off at six, and then we are going to see 15 months later what the pro is going to be. I am referring this to our Wheat Board. Fifteen months later, we get this money.

It is a long time. Now they are giving us little payments as we go along. That is fine, but we start off a little bit small. That is part of the problem. I will not go on any further.

Now, I have a little piece here. I wish there were some big grain companies in here listening. Adding Insult to Injury, it is the yellow paper. I am going to read you two paragraphs. I will not read the whole page. I made this up last winter already because I was going to war last year, but then the wife held me back.

In 1998 our crop prices were reasonable. In later November and early December, Canola was \$8.50 a bushel; flax was \$8.25. These were prices we could survive on. With these prices, farmers were planning their new crop for 1999. Some sold on the future of those prices, which were at fair market value. The market analysts were saying prices should hold steady. This was an incorrect announcement. When prices are fair, farmers make plans about seed purchases, especially Canola and flax.

I am a little bit shaky over this, because at this time I was very close to having a nervous breakdown, because this year came on strong. This just took us right to the floor. I imagine you guys know what I am talking about here, because I was working in the Souris Valley when this announcement came.

By mid-December of 1998, two of our major grain companies made assumptions for a 1999 crop acreage report. We remember this report very well. The alarm was triggered that the market to go down. This created a bearish market. We distinctly remember this. It was reported there would be 12 to 18 million acres of Canola grown in 1999, according to their seed stocks. This information should have been kept confidential. The market analysts said: Why would anyone pay \$8.50 or \$9 a bushel for Canola when in the fall you could purchase Canola for half the price? This is a good scenario for the buyer, but a disaster for the farmer. Grain and fertilizer, fuel companies and the banks have not felt the blow.

You know, first we went in the fall and we went and bought our seed. You follow me? We went and bought our seed at the elevator. We promised him we were going to grow a crop.

Then they went there and they made the acreage report. They said this to the speculators right across, the farmers are going to seed 18 million acres. Is that not right, guys? And down she went. She dropped every day, and that is where we are today. That is why we have a problem. I do not know how to resolve this thing. Everybody can play around in my backyard knowing what kind of business I am doing. I do not think that is quite fair.

In the late '70s the interest rate got us. In the late '80s we were told only the good managers would make it. In the '90s, they said smart marketing was the key. Do you not think marketers should practise what they preach? Something is very wrong with this picture. Selling oats at \$1.70 a bushel or Canola or any crop below the cost of production should not be encouraged by any grain company at this time. All these actions are going to do is prolong a bad situation. This is embarrassing and discriminating to a farmer.

Anyway, I will just have a little drink. How are my minutes?

Mr. Chairperson: You have just one left.

Mr. Ken Schellenberg: Oh, man.

Mr. Chairperson: Drink quickly.

Mr. Ken Schellenberg: I cannot believe this. I farmed for 35 years and I get 19 minutes to tell you my story. Anyway, you are the law.

What if we suggest three proposals. Going back to the environment statement of shutting down the use of fertilizer and chemical pesticides would be a problem. Most people do not like getting bitten by mosquitoes. The results of the statement are grain prices would go up for a fair market value instantly. That would happen. There would be no surplus of grain. We would now have quality, not quantity. We know health care is very concerned about these issues and the damage chemicals are doing to our bodies. Therefore, we would save billions of dollars on health care and medical expenses.

So what is the problem shutting down the use of fertilizer and chemicals? Our family has

buried our father because of an overexposure to chemicals. counter 5G was one of these, and that is a fact. Our fathers have seen farming with no fertilizer and very little chemicals. Our fathers have also seen farming with the use of fertilizer and chemicals to compete in the world market with their subsidies. Our government would be better off to pay a living allowance to those who would lose their jobs because of the fertilizer and the chemical shutdown. The agricultural industry has a lot of people wandering around in their fields trying to figure out how to shove another chemical down our throats.

Mr. Chairman, Honourable Doer—he is not here—I support your health issues. Seeding is here again and we love the soil. Our biggest headache is trying to pay for the fertilizer, chemical and fuel. We hope we will not be back this fall or winter telling you the same thing over again. We the farmers do not need this unhealthy burden and the stress of trying to pay the chemical fertilizer and the fuel bill to feed the world at a loss. If our government were to pay the fertilizer and the chemical bill they would not pay the same price that the farmer is paying today because now every tax there would be directly involved in this cost, and I am sure that is what would happen. They would not be paying 43 cents a pound. What do you think, Jack?

* (01:40)

The Government would probably have passed a moratorium long ago to stop the increase of the cost of production. My three proposals are: Put income assurance program in place immediately; shut down the use of fertilizer and chemical—I would really love that, that could be second; No. 3, the most fairest of them all, lower and freeze the price of fuel and pay the farmer for the fertilizer and chemical use and the freight it takes to deliver a product in order to survive. This program could be administered through our Manitoba Crop Insurance. Thank you.

Mr. Chairperson: Mr. Schellenberg, it was a pleasure. Thanks for your presentation.

Mr. Ken Schellenberg: Sorry I had to do it that quick.

Mr. Chairperson: That is okay. I realize that I put a little pressure on you.

Mr. Ken Schellenberg: Yes, you did, and I can take it.

Mr. Chairperson: I would like to call Reeve David Oster of West St. Paul to the microphone. Good evening, Reeve Oster.

Mr. David Oster (Reeve, R.M. of West St. Paul): Good morning.

Mr. Chairperson: Good morning, Mr. Oster. Your report will be distributed and the floor is yours.

Mr. Oster: Thank you very much, and I will be very, very brief.

Mr. Chairman, members of the committee, thank you very much for granting me this opportunity to make our presentation from the R.M. of West St. Paul. I would like to applaud all for the resolution that was circulated tonight. My roots are the farm, and I would say that it has been basically 25 years.

Mr. Chairman, 7 or 10 years I went back as my parents continued to farm, but today was a great day for reflection, and basically what I saw was in the last 30 years what happened in farming, it went from bad to worse. The question was asked earlier: when did this all start? It started a long, long time ago, and in a family of six, not one of us stayed on the farm for a very good reason. We did not have to suffer the agony that you are hearing people suffer today.

At many points I was about to leave, but then I realized that the issue that I was going to address tonight was not being adequately addressed and the responsibility comes back basically to the provincial level. The farming crisis certainly has to be addressed to build and sustain rural communities in Manitoba. The high cost associated with farming and the poor returns have made farming no longer a viable industry without adequate subsidies and more funding for drainage. The farming community has had to cope with low commodity prices, increased machinery costs, increased repair costs,

increased fuel prices, increased chemical fertilizer costs, and the list goes on. You have heard all that tonight.

But I would like to point out that the problem is further compounded by the lack of adequate drainage. The provincial budget for drainage has been substantially reduced in previous years, which has made the problem very severe in our municipality. Our municipality, West St. Paul, is downstream of most municipalities. We are adjacent to the Red River. We are just north of the city of Winnipeg. With improved drainage upstream, greater water flows and longer duration of flows have simply forced water to sit on farmers' fields for extended periods, putting existing crops at risk to the point that in the year 2000 we declared in our municipality a state of emergency. There was nothing left.

The severity of the situation is so bad that the productive agricultural land that we hear so much about is really most questionable. Farmers have faced complete losses and are discovering that profits are few and far between.

Interestingly, many members sitting here today have heard me speak about this before. Provincial Trunk Highway No. 8, McPhillips, acts like a dike. The ditches have been created some 50 years ago with limited maintenance, no improvements. Numerous requests were made to help resolve the problem. Unfortunately, there has been very little in any action plan to correct the problem. Farmers continue to farm with continued losses. You have to ask yourself how long can this go on. How long will insurance provide coverage?

It is my deliberate intention to stress drainage concerns because that is exactly what impacts us most negatively, while at the same time I want you to realize that we recognize all the other perils that farmers are facing. Adequate subsidies and improvement to drainage are absolutely essential for the farming industry to survive.

I will add one additional comment. If we cannot change the system, we have to be competitive within the system. We hear about subsidies. If the system cannot be changed to make sure that our farmers can have a viable

operation, then certainly those subsidies have to be addressed.

In our municipality alone, the drainage concept is one that forever we keep asking. We do have one claim presently. I am actually surprised that the provincial government has got to the point whereby there has not been a great deal more legal suits coming forward, because we have to address—having reduced the amount of money there has been in terms of dealing with drainage in that particular area—that it has been long overdue. We have to make sure funds are available to make sure that provincial roads, provincial ditching—and it is not acceptable, it is just not good enough to hear people say that, oh, we build roads, we do not deal with the drainage. Those roads are dikes. Those ditches have to be improved and they have to be maintained, or else let us say goodbye to the farming in our particular area because there is no future. Thank you.

Mr. Chairperson: Thank you, Reeve Oster.

Ms. Wowchuk: Thank you, Reeve Oster, for making your presentation. You indicated that you were concerned no one had raised the issue of drainage. I want to tell you that we were in Beausejour last night, and in that area it was raised by many people, the same issues that you are raising.

You talk about the reduction in previous years in provincial budgets to the drainage system. We have taken a small step in this Budget where there has been an increase in the drainage budget of a million dollars. I would ask you: If you look at your municipality, what kinds of dollars do you see that are needed? Granted, drainages do not deteriorate in a short period of time. It is over a long period of time so things would be fixed up. But what kinds of dollars or what kinds of distances in drainages are there that you see that have to be cleaned up?

Mr. Oster: First of all, I know drainage was addressed tonight, but I do not think it was adequately addressed tonight here. At least it certainly did not meet the needs that we have. If I look at the municipality, we have done a fairly extensive drainage program in our municipality for what is called our municipal drains. We have

three major drains. We have Grassmere Creek, we have Northumberland, and we have Parks Creek. We certainly know that there is increased, improved drainage upstream all the time, but we also recognize what is happening is that the drainage—and I will use a number of provincial highways, Blackdale Road; Provincial Highway, Grassmere; Provincial Highway and No. 8 highway. In particular, the worst of all is the No. 8 highway. The stretch of No. 8 highway, approximately five kilometres is where the nature of the drain has to be improved. I know that part of it is removing and moving a portion of the Hydro poles, but the truth of the matter is we certainly do not see that in terms of a million dollars that would be required to improve the drainage in that particular area. I would venture to say somewhere in the neighbourhood of \$200,000-300,000 would go a long way to make land productive again. What is most interesting, what I have a hard time to understand and appreciate, we seem to get to the point we have to argue so hard for it, recognizing if we had productivity in our land we are going to make dollars. Farmers will be paying taxes.

We talk about how one business generates another business. What would be ventured? We would recapture our money very, very quickly, but unfortunately it seems that the lack of action, the lack of an honest attempt to make sure that the immediate problems—you do not need any wizard or scientist to figure out and see what is happening. The pictures tell a thousand words, and it is very obvious. Improving the drain, making sure it works and for the Province to assume its responsibility for provincial drains and not to download is the answer that I am really seeking and I am really arguing for.

* (01:50)

Mr. Jack Penner: Thank you very much, Reeve Oster, for your presentation, and thank you, Mr. Chairman. Just very briefly, you know, the Province this year had an increase of revenue of \$800 million and they put \$1 million into drainage. We know that the previous government did not contribute any more to drainage than this Government is. However, the previous government had to make up huge deficits in their period of time. Now the time for increased revenues came, and this is the time

that governments, in my view, should be investing in the infrastructure such as drainages and those kinds of things.

In your view how much would it take, or how much of the \$800 million could the Government have squeezed out of the other areas to ensure that the drainage system could be addressed this year and last year?

Mr. Oster: When I look at dollars, I will say to you that I was a firm believer that we had to reduce our debt wholeheartedly, because that debt, there is interest charges. So I will applaud governments for actions that are taken to make sure that the health and well-being of citizens are looked after. That debt had to be reduced, and that was a step. Surplus monies that are available today, we look in terms of yes, money should be put into both roads and should be put into drainage. No doubt in my mind our biggest cost in our budget municipally is transportation. If I look at the deterioration of the roads within the province, No. 8 highway, perfect, classic example. If you have not tried travelling down the No. 8 highway, go over the Perimeter. You will be in for quite a shock. That is one of the main highways in the province. What a disaster.

When we talk about dollars, with the surplus dollars that we get, if we recognize and we truly, truly believe, let us look at the irony of what we have. Maybe there is a little bit of irony here. We are looking at federally being really compelled and committed to agriculture. But there has got to be that same commitment, that same kind provincially also. Provincially it has to be in the concept of drainage and there has to be in the concept of our roads. I am not going to say much more on that, because, quite frankly, it seems to be somewhat lacking.

Ms. Wowchuk: Just on that comment, I wonder whether you are aware, Reeve Oster, that in fact the funding for safety nets to agriculture has doubled what it was in 1999. So in that sense I wonder whether you are aware that there has been additional money in the last two years put in to support the farming community and work through safety nets to help farmers through this particular crisis.

Mr. Oster: I can appreciate that first of all you cannot correct something overnight. Let us ask

ourselves, the problem did not start in 1976. We can see the reduction in the number of people on the farms goes back to the '50s. So it was a slow working-away process. There is more money added, but what we are really recognizing is that somehow or other there is so much catch-up. We have got to look at reduced costs. We have got to look at increased dollars. We have got to look at revenue. When we talk about there is more money, if the cost of production is higher than the revenue, anybody sitting at this table will not carry on, and we have to recognize we cannot expect others to carry on. It is just not right. They cannot carry on.

So we can say that, yes, we have improved subsidies, but if the nature of the final line, and I am talking about net income now, if the final line is you are at a loss, I will tell you right now in my life I will never proceed in that direction. I will be looking for something else. I will not put my family at risk. So, yes, subsidies have improved, but are we adequately meeting the challenges of today? My answer to you is no.

Mr. Chairperson: Thank you, Reeve Oster.

Mr. Oster: Thank you very much. I know I am not the bearer of good news, but I will share with you and I will say to you, just on a final analysis, we did have a gentleman that came forward. There was a lawsuit. We did refer to our insurance agent. We came back with a clean bill of health, but unfortunately at this point, because of the potential for litigation, we would not go any further in terms of all the other information that was provided. We have to start looking after the concerns that exist out there. Thank you very much.

Mr. Chairperson: Thank you and good evening. We have some names that have been dropped to the bottom of the list that need to be called at this point. Is Mr. Daryl Knight available to present? Mr. Knight, do you have a report to be distributed?

Mr. Daryl Knight (Private Citizen): No, I do not.

Mr. Chairperson: Okay. The floor is yours.

Mr. Knight: Well, I did not realize being half an hour late meant this much trouble. The only

good thing about it is, I guess, it is my one opportunity to have the last word. I do not get it at home very often.

Mr. Chairperson: And you may not here. Who knows.

Mr. Knight: Well, thank you, Chairman and members of the Agricultural Standing Committee. I had quite a few speeches made up. Almost one divorce, going through one, so I decided I am going to come, read off a few topics and maybe go through what I heard in Brandon, which I ended up hearing a lot the same here tonight again.

My concerns are a few of the resolutions we are proposing. The diversification, safety nets, the whole myth that bigger is better. Well, to tell you the truth, my parents, my father and my uncle were one of the first to have a rubber tire tractor, a nine-foot one way. They farmed a thousand acres, well, seeded a thousand acres, at that time it was half and half. They did custom discing. They only ran that tractor 24 hours a day, six days a week. The reason it was six days a week is you shut down at Saturday night at 11:52 so you could be in the yard by 12. You did not start until Monday morning at one minute after 12.

Sunday was a day for family, friends and church. It was a great life. I gather it was. I came along after that so they must have had some fun. We moved on from there. I come from four brothers and a sister. We have all farmed. I am the last of the family farming. At one time our combined family farmed over 6000 acres. That was in the early '70s, so large farming has been a bit of my way of life.

Right now, myself and my two sons, we farm 3600 acres. So I am here to tell you larger is not the answer. I do not care how you cut it, if you are losing so many dollars per acre, the bigger the number of acres, the bigger the loss. You are better off to farm one acre. You are only losing \$50.

The other aspect that I want to address here tonight, in the early '70s, I guess it was the early '70s, I was still at home. Myself, well, I guess it was my dad who called the shots anyway. My

dad, my brothers and myself went out to the old barn and they looked her over, \$1,000, \$1,500. They could fix it up, we could raise 600, 800 hogs a year. That, at that time, was major money. We could bring in about \$60,000 for a \$1,500 investment. That was diversification. Now diversification is one or two million dollars for a barn that is controlled by somebody else. That is not diversification, that is capitalism. Diversification to me is something you can do on your own. If I have to hire 10 people to diversify, that is not diversification. That is a business that we are not in.

You want other aspects, we could give you lots. Our safety net programs. AIDA, I guess, is good for some people. There is no dark secret about it. It was developed for the hog producers when the disaster hit. Cut and dried, that is what it was developed for. It works very well for livestock. That is in a cycle on its own.

Give the agricultural people like the grain and oilseed farmers the same opportunity as you give livestock. Give us a program. If you would have given the hog farmers crop insurance at that time, you know what you would have been told. That is what you have done to grains and oilseeds. You give an AIDA program to us that is good for livestock. It is not working.

On my farm, we have 3600 acres of crop. I have a 50-cow herd. I have two sons working off the farm. My wife and I both have half-time jobs. We have a grain dryer and an elevator doing custom drying year round. We have a silage business on the side, and you know something. With all our extra hard work and only putting in 20 hours a day, 7 days a week, because we cannot have Sunday off, I am not eligible for AIDA because we are too efficient. We are spreading our losses, so we are not a big enough loss at any one spot. It is a wonderful theory. Work hard, get paid less.

* (02:00)

Diversification. Why do it? That was our biggest mistake. I should have stayed grain farming, doing what I do well. Since I went into all the diversification, I cannot afford to hire help. My family is working big hours for little pay or no pay. My sons are coming home from work putting in 8-, 12-hour days. They are in

agricultural jobs. They are coming home, and then they go into the field for another 6 or 8 hours. I call that child abuse. I just do not tell too many people, because I will be charged.

It is a matter to be handled by more intelligent people than most of us, but you have to get back to some reality. There are a lot of very intelligent people who are out there and are farming, but you have to remember some of them have never, ever had a loan, never, ever started from the bottom. You have to add some of them people to your committees, to your solutions.

I could go on here and talk for an hour or so and think nothing of it. It does not bother me to get up here and talk in front of you because I believe in agriculture—well, at least I used to. A year and a half ago, my wife and I made the decision to sell our farm. So we went to the real estate agent, asked what the fair market value was. He said our land should go for about a million three. Hmm, sounds good to us. We will take a million. We are still farming this spring.

So why am I farming? I guess it is not choice anymore. I love to farm. I want to farm, but I do not love losing money, and that is what I am doing. My net worth has dropped over \$300,000 in the last three years. Do it for three more years I will be worth nothing, and that is not where I am going. That is not a business-type move.

I would like to think it was my fault. It is not. It is not any producer's fault in this room or any producer you have heard this year. Sure, there is a percentage of producers that are poor. There always will be. It does not matter what. As you can sit here and point across the table from each other, there are a few poor politicians, we always like to think, but nobody wants to admit it. It happens. It always will. But it is not our fault this time. We cannot produce our commodity for under cost.

We have talked about all kinds of solutions. What about surtax on your fuel? What about the education tax? What about everything? What it all comes down to it is a cost of production. We do not need more for our product if you take away the cost of our production, but if you do

not take away our cost of production we need more for our product.

Your normal, average working person cannot afford more for food. How many people can you say can go out and afford to pay double for their food? Not very many. There are quite a few, but there is about 30 percent of the country that cannot pay more for their food. So let us subsidize the consumer. Pay us a cost of production to produce cheap food.

One of your questions tonight was how we are going to take care of corporate gain, gouging, whatever you want to call it. A cost of production will do that. If the taxpayers are paying us to produce cheap food, they are going to be on the 4000-plus employers that you got running your programs now to be finding out why the price is going up. Why is our fertilizer going up 40 percent? There has got to be a reason for it. If there is a good reason for it, fine. If there is not, that is where our 4000 people should be working, not working to make a program for their own employment.

Like I said, I am not going to stand here all night. I am pretty blunt about what I had to say, I think. I hope you heard me. There is only one little comment I will say, the will of the political bees does not seem to be here. We were in a meeting the other day. We asked for a small token of faith from the government. That was last week. We never heard an announcement, we never heard nothing. It was said it was a doable deal. We never heard about it, so I do not think the will is here. I ain't going to say what it was or nothing, because the people that know that that are here know about it.

So thank you for listening. That was kind of short, but, after sitting for six hours, my brain just went a little bit sore too. Thank you.

Mr. Chairperson: Thank you, Mr. Knight.

Ms. Wowchuk: Thank you, Mr. Knight, for being patient enough to make your presentation at the end of the evening. You have certainly spelled out what your family situation is and the challenges that are facing many, many producers.

I am not going to ask a lot of questions, but you talked about, your son is farming with you and the situation that you have reduced your farm size and now you are looking to get out of farming. Are your sons planning or interested at all in continuing to farm, or is it the entire family that is exiting from farming?

Mr. Knight: Yes, we did not decrease our size. We have no option. We have to farm it that size because we are caught in the treadmill like everyone else. No, my two sons are renting land and they are going to continue to farm as long as they possibly can. That is their answer to me. Us, we have decided that we have done it, I have done farming, agriculture for 30 years, maybe there is something else I can still do. I am young enough. I have an opportunity right now to do something else. That opportunity is going to pass. I am not going to get it.

Ms. Wowchuk: Just following on that, the reason I asked about your sons farming, I wondered whether you see that there is any role for government to play through the Credit Corporation, through MACC, in working with you or your family in the transfer of land from one generation to the other. We know we have an aging farm population. We know that there are young people who want to get into agriculture. Do you see this as an area where government might be able to help? Do you see MACC or government playing a role through the Credit Corporation to help with transfer of land from one generation to another?

Mr. Knight: That there is kind of a tough question. My oldest son graduated. He is 25 years old now. There were six members out of that graduation grade who went into agriculture. There are two of them left farming. Four have already bit the dust. The answer to your question may be more selfish than it is a proper answer, but for my sons to take over my land, they would have to give me a good sales pitch for me to sell my land to them, because I am awful close to abusing them now. I do not think I could handle selling my land to them and seeing them go down, because without a cost of production, there is no other way. They are going to go down.

I have my second-oldest one—he would fight tooth and nail, mad, would not talk to us for a

month and a half when we announced we were going to sell. He came home the other day from his job—he is driving a truck; he has done accounting; he runs a silage business—he came home and he says: Why am I driving a truck 12 hours a day so I can farm for 4 hours a day and lose it? So, yes, there probably is something you could do to help young people, but not in my case. I will not sell it to them unless we get a cost of production in place.

Mr. Chairperson: Thank you very much, Mr. Knight.

Mr. Knight: Could I give one last closing remark?

Mr. Chairperson: Sure.

Mr. Knight: The thing that is going to save agriculture is your immediate cash injection, and it has to be immediate. We are talking, I should be in the field today. It has rained, it is too wet, so I am here. I would have been here anyway because it is a good cause, but we need a cash injection and more than we have now, and we need a cost of production. There is no two ways about it. As far as trade rules and all that, there is lots of room to move in them. We are only at 20 percent of our trade rules now. We are spending \$1 billion on subsidies, where we can spend five, and you cannot tell me there is not room to make a cost of production work in that program.

The Crop Insurance can be tweaked in our back offices to be sustainable for grains and oilseeds, and AIDA will do livestock 100 percent.

* (02:10)

Mr. Jack Penner: Just one comment to the minister, I think what you see before you is true grit. I think this is a demonstration of what makes the rural communities tick, and we should pay very close attention to what we have just heard. He is not going to abuse his own family to satisfy himself. He is not going to destroy his community, and use that as an excuse. He has demonstrated and he has told us very clearly what the needs are, and we should pay very close attention to what he has said.

Mr. Derkach: Mr. Knight, you come from the part of the world that I represent. I have to say that, over the course of the last year, I have heard your story repeated time and again by many farmers who find themselves in the same age bracket as you are and are now contemplating what their next move is, and certainly cannot find it in their conscience to recommend to their children to carry on with the farm. I think we have not only reached a crisis in agriculture, but we have reached a crisis in our society that we need to address.

Certainly, your presentation to us, along with the many others we have heard here tonight, underline that if this committee has any will, to move forward and to ask other provinces to join us and have the Premier (Mr. Doer) of our province lead this delegation of people, who are concerned about their economies and their societies, to the Prime Minister's office, this is what our next action must be, in my view, if we are ever going to save our rural communities and our family farms. So I thank you for your presentation, along with the many others tonight.

Mr. Knight: Well, one thing I will tell you, I had a phone call on the way in here even though I left late. I should have been here when I got my phone call. A real estate fellow, not the guy I am dealing with, another one, by the name of Jack Nesbitt of Century 21, says there is three times as much land on the market now as there ever has been in the history that he knows of Manitoba for sale. So I said, hmm, that is pretty disturbing. He said that is not the disturbing part. The disturbing part is, he says, and Mr. Nesbitt is a little older than me, not much, maybe a year, it means that the middle-aged person is selling out his farm, but not the old one, the middle aged, because we can still maybe go and get a job. The other disturbing fact is I am a young farmer, and I have farmed for 30 years. That is scary. I should have a pension and be retired, but instead, I am a young farmer. Thank you very much.

Mr. Chairperson: Thank you, Mr. Knight. I will call from the list Mr. Bert DeKoning. This is the second time that I have called Mr. DeKoning's name. As previously agreed, he will be dropped from the list. Mr. Bob Radcliffe. Mr. Radcliffe has been called previously at other

meetings, so accordingly his name will now be dropped from the list. Maxine Plesiuk. Ms. Plesiuk's name has been called previously. Having been called twice, as previously agreed we will drop Ms. Plesiuk from the list.

That concludes the list of presenters that I have before me. Are there any other persons in attendance who wish to make a presentation?

Seeing none, Ms. Wowchuk.

Ms. Wowchuk: Mr. Chairman, I would like to take this opportunity to thank all those people who made presentations to us this evening, those people who stayed for the whole evening and listened to the presentation, as well as all members of the committee who have participated so well and listened to the producers and participants, and also to thank all of the staff who have worked with us and ensured that we had a very reasonable and orderly proceedings here this evening.

Mr. Pitura: I, too, would like to thank all the presenters who made presentations here this evening, and in fact the previous three times that we met. There was very good information and very good guidance, I believe, for this committee to use from those presentations.

I would also like to take the opportunity now, Mr. Chairman, to ask, through you to the minister, for her commitment to recall this committee as soon as possible so that we can follow up on the comments made by the Member for Russell (Mr. Derkach) with regard to laying out a strategy and a critical path as to how we want to proceed with this standing committee. So I was wondering if the minister would commit to that.

Ms. Wowchuk: Yes, it is my intention to recommend, and I believe our House leaders will be the ones who will raise it in the House, but it would be my hope that we could meet next Monday evening to have the committee sit again and then have further deliberations.

Mr. Jack Penner: First of all, thanks to Frank for raising the issue. I think we needed to address this. I think we also need to do this in a hasty manner. I think we should wait till the

Hansard transcripts are out of the committee hearings and we should then meet immediately, and if that could be done before next Monday, I would encourage that we do this before next Monday, because it is absolutely urgent that we proceed in this manner. It would also be my suggestion that we immediately make contact with our neighbours to the west, to the provincial premiers and agricultural ministers, discuss with them what has been discussed here and encourage them to join us in a trip to Ottawa to meet with the Prime Minister and raise the urgency of this matter with the Prime Minister in a joint fashion from a western provincial standpoint. Maybe we could even encourage Ontario and some of the eastern provinces to come with us. I think it is absolutely essential, from what we have heard, that this issue be immediately drawn to the attention in a very formal manner directly to the Prime Minister of Canada, and it should be done in a joint fashion between western provinces.

Mr. Chairperson: Just before we move on, Mr. Penner brought forward a good point, mentioning the Hansard that will be available. I am told that Hansard for tonight's proceedings will be available in about a week to ten days. That is because of the workload, not just the regular Question Period but the three committees that we have, the Committee of Supply, going at the same time. So I just wanted to make sure that Mr. Penner understood that he had asked for something to be done hastily but also asked that we wait for the Hansard. Just so we all know that is something that we may be dealing with.

Mr. Jack Penner: I appreciate what you are saying. I think, though, if the Premier (Mr. Doer) would go to Hansard, or the Premier's office would go to Hansard, and suggest that this receive priority treatment, they would, in fact, do this in a very hasty manner. We have seen that before, and it has been done before, so I would truly encourage the minister to approach it in that manner and ask Hansard for an immediate—at least as soon as possible, the transcripts for these meetings, and it should not take a week.

Mr. Chairperson: I believe that the commitment of the committee is to do these things as quickly as we can.

Mr. Cummings: To the same point, I would make the observation that this is probably urgent

in relationship to the other work that Hansard will have, other than Question Period of course. If the minister, and as Chair of this committee you, would make that recommendation, then perhaps we can achieve more that way.

Mr. Derkach: To that point, Mr. Chair, I do not think we can wait 10 days. I think we have heard through the course of these hearings that this is a matter that requires an emergency response from us as members of the Legislature and members of this committee and also of government.

Therefore, to that end I would strongly encourage that somehow we find ways in which Hansard can be made available sooner than the 10 days that you are suggesting. I know that there are ways that that can be accomplished, and we should make every effort to ensure that happens.

* (02:20)

Mr. Chairperson: Just to clarify. I was only pointing out what the regular time turnaround would be. I do not intend to raise a bunch of red flags here, but I just want people to understand that would be asking Hansard to do something over and above. Just so that we know that we are all committed to being hasty.

I do have a speaking list here: Mr. Pitura and then Mr. Ashton.

Mr. Pitura: If I could just make a suggestion. I am not so sure that when we meet we require Hansard to be at our side to refer to at this point in time. I think our next meeting has to involve exactly what are we going to do, what is our strategy and lay out a critical path in terms of when we are going to do things and how. The Hansard, although a very important document, could be at the following meeting after that, in terms of laying out a presentation that we would like to make to the federal government.

Mr. Chairperson: Right, and the only reason I mention that was Mr. Penner had made that connection, so I wanted to make sure everybody understood what the time frame may have been. I have Mr. Ashton next.

Mr. Ashton: One of my points is very similar to Mr. Pitura's. I do hope, though, when we do get

the Hansard that we can maybe send a bound copy to the Prime Minister, and the federal Minister of Agriculture, and anyone else we can think of. What I was going to just remark on, before we get into procedural matters, I was actually going to suggest on that that we do get the House leaders to do what the House leaders do, and work out the dates in combination with the minister.

I thought the hearings were extremely worthwhile. I mentioned this in some discussions I had with some of the presenters earlier tonight, and at the other hearings. It is not often you get three parties in the Legislature all working in common cause. Some of you may have, and I am talking about the presenters here, may have been here at committee hearings where we have debate on bills. It is usually not quite this atmosphere, so I wanted to actually give a lot of the credit for that, not so much to the people at this table, but the fact that I think in Manitoba we all recognize what is going on out there.

I particularly wanted to note that I give credit to a lot of the presenters. I know it was not easy for people coming forward. In a lot of cases talking very personally about their own personal situation, family situations. If there is one thing I hope will be reflected in the proceedings—you know, the Hansard that I do hope will be sent on to any and every person that could make a difference on this—the fact is that this is a lot more than dollars and cents. I appreciate all the information, coming from a non-farming area myself. A lot of it does come down to that but it is much more of a human situation.

I was particularly struck by how many people tonight were saying that they either were looking themselves or currently looking at selling out and members of the family not continuing, and what that is going to mean for rural Manitoba. I just wanted to note while we are still here tonight and while there are still some of the presenters here, it was something that I wanted to give people credit for, for sticking around to the end, that it sends a real message about why this is taking place. This is not just another difficult situation in the agricultural sector. I think we can all agree it is a crisis and that is the message we have to get through.

Ms. Wowchuk: Mr. Ashton covered the issue that I was going to raise and that was that we could work with the House leaders to come to some agreement, and certainly we would want Hansard to have the report ready as soon as possible. There was the issue raised with discussion with other provinces, and I want to report that those discussions are taking place with my counterparts in other provinces, particularly Saskatchewan and Alberta. I also want to indicate to the committee that I have been in contact with federal representatives, and I have shared with the critic and with the Leader of the Liberal Party that I have written a letter to the chairman of the Standing Committee of Agriculture and invited them to come to Manitoba to receive our report and also hear some presentations, and we would have the opportunity to discuss that in greater detail when the committee meets. I just wanted to share with you that there are steps being taken with the other provinces, and the federal government is aware of this committee hearing.

Mr. Jack Penner: We appreciate the comments from the minister and the efforts that she is making in dealing with the other provinces and trying to encourage them to join with us. However, I would strongly suggest to the minister that we not take the approach of inviting the Standing Committee on Agriculture to Manitoba, nor make a presentation to them. I think we need to supersede the Standing Committee on Agriculture and move directly towards trying to meet immediately with the Prime Minister and not waste time dealing with standing committees because this is not a standing committee matter. This is a matter that needs some direct attention by the highest authority of the land and to deal with it immediately.

Mr. Maguire: The only comment I would like to add is that we put this committee together, going out to the country the last week of April, shortly before the farmers are going to the fields. All of these farmers that are here tonight and have presented throughout the last week to us should virtually be on the land today in a normal spring. I think if there has been one thing in all of their voices that we should hear and respect tremendously, if we were really sincere in putting this effort forward to try to take it to the Prime Minister. I agree with my counterpart

from Emerson that that is where we should be targeting. The sincere approach to this whole process would be that we have to deal with this expeditiously, that we have to meet shortly to, at least, get the direction that we need to go in and determine what, beyond the resolution that we have from the presentations that have been made, we can add, and then finalize that and get the ball rolling. These people have shown what the desperation of the circumstances is. They need to go to the field now and many of them need financial resources before they can do that.

Mr. Chairperson: Thank you, Mr. Maguire. We have officially closed off the list of presenters tonight. I am willing to ask for leave of the committee to hear from—is there some advice that you would like to give? Do we have leave to hear from Mr. Andrew Dennis? Do we have leave? *[Agreed]*

Mr. Andrew Dennis (Private Citizen): I have a question for Rosann and a comment. The question to Rosann kind of got passed over because of this gentleman's speech kind of running a little bit overtime. He asked the question about whether, if we are going to Ottawa, whether Murray Downing and some of his guys could go along.

I also have a comment. I want to comment that this is very urgent. It should be looked at as very urgent. Farming is in a pretty desperate state right now. Last year, myself, I run a high clearance sprayer to offset losses on my farm. It was not uncommon for me to be in the seat of that thing 50 hours straight. I did three 50 hours in 10 days last year. If you do not get the business, it either rains and does not get done, or somebody else gets it. This is the kind of pressure we are under to try to subsidize that farm, so I would really like it—I know we are staying late. The meeting in Brandon was the same. This is an urgent matter. We are all putting in a lot of extra overtime. We are all very busy. That is the kind of pressure we are under. I would urge you to give us the same back. Thank you.

Ms. Wowchuk: All of us here recognize the urgency of the situation. We would not have called a standing committee, we would not be

taking the steps that we have taken if we did not see it as an urgent matter.

With respect to the question that you raised, those are issues that the committee will have discussion on as we make plans as to where we are going to proceed from here.

* (02:30)

Mr. Chairperson: Thank you. I just want to wrap up by thanking all the committee members here tonight, and the members of the public, and also the staff of the Legislature and Hansard for the work that they are doing. I thought I better thank Hansard before I put some pressure on them to do these things quickly. With that, committee rise.

COMMITTEE ROSE AT: 2:31 a.m.

WRITTEN SUBMISSIONS PRESENTED BUT NOT READ

It is the stated purpose of the South Norfolk–Treherne Community Development Corporation "to promote and develop both human and natural resources in order to maintain and enhance the economic and social well-being of residents in the Treherne–South Norfolk area." This is a very challenging mission in an area where agriculture is the main economic activity, and the agriculture economy is experiencing very difficult times.

Current Farm Situation.

Our area in central Manitoba has traditionally produced crops with average to above-average yields and quality. This has created stability in the past for most farmers in the area. However, recent low grain prices and high input costs are making it almost impossible for most area farms to show a profit. This situation is resulting in well-established farms losing equity each year. Farming is not sustainable on this basis. A number of area farmers, many in their 50s, are not prepared to sacrifice any more of their net worth that they have worked so hard to build over the years. Their decision is to quit farming. Also, they are not encouraging their sons or daughters to carry on the farming operation. The lack of young

people entering the farming industry will be disastrous for our already shrinking rural communities.

A number of farmers in the area have, or are considering diversifying into other higher-value crops such as potatoes or field beans, or into livestock production. Diversification is being encouraged by our governments, but it is costly and brings a new element of risk and management to today's farm managers.

Our committee realizes that there are no easy solutions to this current agriculture crisis, but proposes the following recommendations:

1. Immediate additional financial support from the federal government of \$500 million for grain and oilseed producers.
2. The federal government needs to be more aggressive in their negotiations with other agricultural-producing countries to have them reduce their level of agricultural subsidies.
3. A long-term stabilization program needs to be developed to provide higher price support levels for grain and oilseed producers. Premiums should be shared by federal and provincial governments and farmers.
4. The burden of high input costs could be reduced through tax reductions on some input costs such as fuel, fertilizer and farm machinery.
5. Governments should encourage more farm diversification through additional financial programs, to help make the agricultural industry more sustainable.

The following issues are of significance to the farm/rural population. Agricultural diversification and the future sustainability and/or development of rural communities will be largely influenced by factors such as natural gas availability, irrigation infrastructure, and high-speed Internet access.

Natural Gas Availability

The recent focus on agricultural diversification is hindered in southcentral Manitoba by the lack of natural gas service. Potential agriculture-related businesses such as hog barns,

food processing and agricultural processing are more economically viable with a low-cost energy source. Lack of this service in southcentral Manitoba is a detriment to industrial development and the job creation and economic spin-offs which industrial development generates.

Irrigation

There is potential to develop a large number of irrigated acres in the rural municipality of South Norfolk. Much of the land is suitable for irrigation, and proximity to the Assiniboine River makes it possible to develop irrigation systems in the area. Availability of irrigation creates the opportunity to diversify agricultural production to include potatoes, other vegetables, and forage crops. Irrigation infrastructure is costly and additional government support programs to develop this infrastructure would be beneficial.

High-Speed Internet

Utilization of modern technology enables some businesses, which previously would have required an urban location, to operate in rural areas. Unfortunately, many rural areas do not have "high speed" Internet service. This creates an unsatisfactory business situation, and does not make rural areas an attractive location for such businesses to operate. This service is also very important in our schools and educating our youth. Frequent upgrading of Internet infrastructure is very important to the future development in rural areas.

As the farm economy struggles, our rural communities are threatened. The continuing trend of depopulation leads to decreasing numbers utilizing our schools, health care facilities, retail outlets, professional and commercial services. This, in turn, leads to downsizing. Eventually, the community loses essential services and becomes a less desirable location for business development. A strong and vibrant agricultural economy is necessary to maintain our rural communities. The various types of government support outlined above would be beneficial to the agriculture/rural community. Additional financial support to

agricultural producers would address the primary problem in rural Manitoba.

Sustainability and prosperity of agriculture is the most significant factor in maintaining the population, services, and vitality of rural communities.

Ben Groening, Chairman,
South Norfolk-Treherne Community Development Corporation
Treherne, MB

* * *

Honourable Members,

I would first like to say, that having been at the Brandon meeting, I do commend the committee on their willingness to work on behalf of producers as a united power and their tenacity to put in the hours that day to hear from grass roots. It seems ironic to ask for grass-roots input and then condemn for getting our needs fulfilled. It was refreshing.

Having spent my life in agriculture and rural lifestyle, I found myself very interested in the presentation but frustrated that few offered clear facts or solutions, in fact, minimal. I also find, to my dismay, that where blame is being pointed by so many is really a myth. Since retiring from the dairy business, I spent nearly a year travelling the world. I hear so much about subsidies, but when in Germany, Britain and other countries where subsidies are heavy, the producers were not better off. To my surprise they were saying the same as home. The difference was I sometimes needed an interpreter to be told there is nothing left in the year end. It is so tough. Subsidies are not for producers and an insult to be told we are being subsidized, but wealthy, at the expense of the few. Farmers are just a medium of exchange for government handouts.

If it is so great in U.S.A., why are 79 auction sales listed in the Dakota paper, *The Peddler*? Same last year. Why, just a short time ago, was there a farm bankruptcy every eight minutes? There, subsidies relieve until it is picked off by costs. Keeps the producer on line to produce cheap food simply because they know he loves the lifestyle. A nice payout, increased prices for input, followed by a crash.

When one travels and only meets chosen few it is one thing. Put on a backpack and visit a real community where reality is, meet the Native population then make a judgment call. Same here. Many fear ridicule in our communities if they disagree with the rally crowd. Walk the streets anywhere and listen to seniors who toughed the Depression, the part-time worker or even farmers who decide to make changes rather than protest.

I listened closely as producers flippantly tossed \$40 to \$60 and even \$70 an acre. Reality check. If a producer lost \$70 an acre, they were either very wealthy before, which I doubt or the bank has a bottomless handout program, which I doubt. Facts are they did not really have a clue. I understand the low prices and the high costs. I realize our system is failing, and every civilization in history that forgot agriculture has failed disappeared.

Another myth and greatly misinterpreted is diversification. One must remember that there will not be any support for a business or individual who diversifies. For most it is too late, as you must do this in advance of troubles. There are penalties to diversification. A business like ethanol is a different and positive approach. There is not a chance of help when things go wrong. No help like the grain industry asks for. Diversification, like the hog industry, portrays both sides. We lose producers and gain investors and employees. Tough call. We are up to our eyeballs in fancy terms; subsidies, diversification, value added. Trivial to the producer, introduced by those who farm the farmer, infiltrate our universities to sell their products and allow producers to be victims.

I heard of tough times. As I walked through the myriad of new trucks to attend this meeting, I thought of other scenarios of folks who were trying, of an employee in Hartney as she left one job and literally ran to the next to try and support a family as a part-time worker. Testimonies. I thought of neighbours who refused the payments that year and instead of rallying, donned rubber boots in the wet, heat and mosquitoes to hand weed large fields. They realized a small profit but with a smile of independence. These are the backbone of agriculture. Strong, beautiful people

who deserve to have a tool to build our communities and make them viable.

One thing never mentioned was the fact that producers never speak about personal and financial responsibility. I heard this only when Mr. Gerrard asked Mr. Whetter, and he broke down the Wheat City Seeds situation into personal company misjudgment of markets and what was market conditions because of a turndown. So, too, the producers. I am a product of '30s parents, for I was taught to be aware of my financial picture. I also had a young banker in Deloraine teach me that there is a ratio between debt and net worth. I never had a banker pull a gun on me to sign a loan, I always applied.

The dilemma, how to keep machinery current and manageable. That is the challenge in any business. New top line trucks do not fit the picture of those I heard that evening. Now they are on the leasing treadmill. Must keep up an impression. My young banker had a rule: If it don't pay, don't play. A rule I never forgot, as I refused a loan with MACC who suggested that I needed a new tractor and a Harvestore silo. Had I followed that advice, I would not have survived the droughts of '80 and '81. I had to make decisions. So do the producers of today. In the southwest, this wet problem is a drought for tomorrow. Do these same people deserve a drought payment when they drained the land? They enhanced the problem with drainage to cause flood problems in other areas. Should a fee be put on drainage for a fund so that tax dollars are not always being used to help these situations? More entangled concerns.

Now what to do for the short term. Yes, the situation needs aid. Yes, it also needs future support. Provincially, we have to balance an agreed budget rule. Sometimes great, sometimes it prevents important positive investment. It is there. I do not oppose the province putting in what we can at any point regardless of what the feds do. We can do this at any time, whether they comply or not. Just what we can afford, I do not know that figure. Federal support is needed. A united front is needed with the other provinces. To disregard responsibility to how much and use figures that show such is the guide for fairness.

The long term is so important to all, especially the young producers. I am willing to bet all the land will be sown and they will show faith in you. Our knowledge dwindles as fewer enter the business, and I question how the corporates will help the producers of tomorrow. We can.

In my business we had one tool. It was our marketing board. At one time it was a dirty word, cost of production. Today it is more understood. Room for enhancement and room for failure. Producers choice. I also had crop insurance but I was not a grain producer. The producers need one tool today. If it is in place, then no more ad hoc situations. It makes farming a business, whether to participate or not. It gives right of choice very popular with farmers. Maybe this is an improved crop insurance, which is a joke and bill of expense today. Maybe it is Mr. Downing's version. I feel this has a merit and as he says, the figures are negotiable. At least he offers a choice. Times do change and so must programs.

Work and work together to offer even that one viable tool. I realize we are victims and not partners in free trade. I realize we lost the Crow. Both decisions that past governments betrayed us on. I do not think they probably ever read the original agreement. They just believed in Santa too much.

Yes, RRs are gone, schools, elevators, small towns and shortly hospitals too will follow from larger centres. It is a seniors mecca here. Farm communities are made of amazing people and have an amazing talent to survive. Give them the tools and challenge them, and they will deliver their end of the bargain. That you can take to the bank. Thank you for listening to the grass roots.

Neil Hathaway

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Rural Community Crisis

The Rural Municipality of South Norfolk would like to take this opportunity to express their concerns about our agriculture community and the crisis that our area is now facing.

The agriculture crisis is having a very real impact on producers and rural communities.

Farmers are struggling to make ends meet and many cannot afford to put in a crop this spring.

This is already having a profound impact, not only on the producers and their families, but also on their communities and the rural economy. This agriculture crisis is threatening the social fabric of rural Canada.

Farmers are being forced off the land. Grain elevators are closing. Local businesses are suffering. Schools are closing. Municipalities are losing their tax base.

As immediate infusion of financial assistance to farmers was clearly needed in the short term, and we are appreciative of the \$500 million earlier by the federal government to address the short-term problem. However, it is not enough to fix the problem, even in the short term. The federal government has taken approximately \$2 billion in support payments away from the agriculture sector in western Canada, through removing the Crow rate subsidy and reducing the amount spent on research and development. Even with the aid package recently announced by the federal government, this reduction in funding has not been recovered.

Canadian farmers still only receive 9 cents on every dollar from the federal government, compared to the 38 cents that American farmers receive, and the 56 cents that European farmers receive. Canadian grain and oilseed producers are among the most competitive in the world, and on a level playing field, could compete successfully against the farmers of any other nation. Canadian farmers cannot compete against the treasuries of the United States and the European Community without a greater contribution by our federal government.

The Rural Municipality of South Norfolk believes that our farmers want to be responsible stewards of the land. If it is a priority for Canadians to ensure that our rural areas are managed in an environmentally responsible manner, we believe that a moral and financial commitment needs to be made by the federal government, on behalf of all Canadians, to make sure that a sustainable model is developed and put in place.

In addition to dealing with the farm crisis in the short term, an effective long-term strategy needs to be developed to ensure healthy farms and, more importantly, to ensure the long-term sustainability of rural communities for future generations.

A crisis in the farm and rural communities is surely upon us. If decisive action is not taken soon, rural areas of Canada will never be the same. Only the federal government has the resources to make an impact on the financial crisis that is devastating the rural economy.

The agriculture and rural community crisis in Canada is one of the most important public policy issues facing our country in the last 50 years. It is vital that the federal government renew their commitment to Canada's producers and rural communities by taking steps in support of a long-term plan for the future sustainability of agriculture and rural communities.

The Rural Municipality of South Norfolk thanks you for the opportunity to write to the Standing Committee on Agriculture to express our concerns about the rural community crisis. Everyone depends on the agriculture industry. It is time the federal government recognized the importance of this industry to all Canadians.

Yours truly,
Tom Kelly - Reeve
Rural Municipality of South Norfolk.

* * *

Dear Committee,

I am a 44-year-old third-generation farmer. I am writing to you in regard to our current "Farm Crisis" which has had a negative effect on every Canadian citizen, (if one should choose to look at the big picture). As a lot of farmers do today, I have land spread out all over so my Crop Insurance is not as helpful as it was in the past when farmers' land was mainly all in one area. If I have a severe crop failure in one area and a successful yield in another, it averages out. Therefore, little or no financial assistance is received. I would like you to know what I believe to be the "Heart" of the matter. Please read on . . .

Ever since I was a young boy, I followed my dad around on the farm,
 Fell asleep beside him in the grain truck, stood behind him in the combine.
 My dream was to one day be a farmer, just like him . . .
 My dream came true as I became my father's partner and
 Together, we developed quite a successful operation.
 I was very proud of our accomplishments.
 I was also proud of the fact that my son, too, was as interested
 In the farm as I had been.
 He took his turn, sitting close by my side,
 Riding in the tractors and big trucks.
 I couldn't wait for the day when he would join me on the family farm.
 The day has come, my son is grown and his interest is still keen
 When it comes to agriculture.
 Except now, I don't have a lot of hope for our business.
 As a father, it is my duty to guide him in the right direction.
 So here I stand at a crossroads.
 Do we just give up on a fourth-generation farm operation?
 Do we hang in there and trust that our government will come up with a solution that will actually solve this crisis?
 I hope that a solution is waiting around the corner for me and my boys.
 You see, I have a new grandson, Hunter, who was born this April.
 I pray that he gets a chance to be standing next to his grandpa,
 Smiling from ear to ear, maybe beginning a dream of his own . . .

Sincerely,

Perry VanHumbeck
 Laurier, MB

* * *

Honourable Legislative Members, Public Service Members, and those of you of the public kind enough to give this some thought,

The only way I can tell you about what is needed for farm policy in this country and

province is to tell you about our farm, where it is situated, our neighbours, our community and our country, not necessarily in that order. I have a lot of difficulty with any policy that depopulates the countryside.

What I am about to say is rather dangerous, because it leaves me rather vulnerable and could be construed and used against me. I was born and grew up in the Deloraine area. I left home, went to Winnipeg, worked at various jobs, as well as being a student again. I met my wife, Margaret, in Winnipeg. After we married we moved to Brandon where she taught for two years. I became manager of a financial institution. We moved to Hartney, where we began to play at farming as a leisure thing. Then we bought some land bordering Whitewater Lake and got much too serious about farming and agriculture and conservation and raising children and seeing they had the best education and, most serious of all, lately, survival.

We live in what is normally a negative 10- to 15-centimetre (4- to 6-inch) rainfall area. We live in an area usually short of moisture. Because of this, tree rows were planted to catch as much snow for use by the crops the following year. Finding means of saving as much moisture by whatever means in the soil is critical.

We presently farm about 1200 acres by the fence lines and the roads (but that is lying right now because nearly 500 acres is under water and not easily drained, especially with the present provincial and municipal climate on drainage.

We keep about 50 Char-cross cows and raise the calves out to finished, or short keeps. It is a closed herd with bulls being the only change in genetic stock, other than the roll-over of replacement heifers from calves we raised. I have seen one calf born this spring and have had one birth loss, a typical year for calving. Having a closed herd also limits our disease problems, since we are not importing potential diseases. We try to keep a year ahead in barley, hay and straw in case of drought or flood. Lately we have been able to keep the straw ahead and the barley and hay has become a hand- to-mouth effort.

One of the things I bring to your attention is under the new manure management guidelines being established by the Province, we are going to have some problems burying our solid manure. That practice does not fit into 0-tillage. If someone can tell me the difference between spreading manure and a cow defecating out on stubble, I would like to know. I have no argument with burying liquid manure in a 0-till system, I am only stating there are some potential problems with solid manure management and 0-till. We prefer leaving as much stubble and organic matter as is possible on top of the soil to retain moisture. It is also close to where roots are picking up nutrients. There needs to be another look.

We generally grow wheat, barley and Canola. In the past we have grown peas, sunflowers and mustard. Our home farm has been in what could be called conservation tillage since 1937 when my father and grandfather quit ploughing. 1970 was the last year for summer fallow in any form until 1999. Our farm was one of the first in the province in 0-tillage. Although we quit for a few years, we realized its worth and have been back in for the past 10 years. We are now attempting pesticide-free production on a few crops and fields. We are trying to leave more than we were given.

We are still suffering the effects of 1999. In our immediate area, the water table is similar to the spring of 1999. Unseeded acreage insurance helps a little. I cannot stress on you enough the provincial assistance in the spring of 1999. Thank you. However, farms in the area are still under financial stress and when farms are in financial stress, so are businesses.

Small and medium businesses in southwest Manitoba are in some financial distress, and this will continue until some kind of stability is found. Our communities are in danger of collapse. One implement business closed its door, and others are in trouble. Several local businesses have closed and will not reopen in the present climate.

Present programs as a farmer sees them:

AIDA 1998-99: I am told civil servants think this program works well. It possibly could if the scenarios are right, but they are not always. I

will give you an example that hits a number of producers in southwest Manitoba. Regardless of the fact prices had improved somewhat in the '90s, because of the additional rainfall, sloughs were full and incomes remained much the same. At the time there was no unseeded acreage insurance, which could have helped a little. Also, when the federal government removed the Crow, they were hit again. The income of those farmers who have undrainable land stayed flat and in some cases decreased during this period. The result has kept them from receiving AIDA, in many cases for both '98 and '99. No amount of stating this has dented the stone brains of AIDA program organizers. AIDA administrators and other civil servants have written those farmers off as "has beens" and "ne'er do wells" because they did not fit the program.

There are some other glaring problems with these two programs. They left out or nearly left out a whole group of people with flat incomes for the period. If you scaled back your operation you got, in some cases, a very large payout, especially true in AIDA '98. But you left out a whole group of us who have worked very hard to keep their operations going. I cannot say strongly enough, if CFIP even smells close to this, it is very unfair. You can have two almost identical farms side by each, one gets a \$60,000 payment; the other gets nothing. This happened too many times in our community. Some people definitely do not have their beds facing the right direction. We will be getting in our neighbour's decorator right away.

CMAP: Most of us who got a few dollars out of this program were very glad to get it and grateful for it. Thank you to those who were a part in its construction. The program's weakness was it left out farmers who had quit, and it also left out those who had taken over their land. One or the other should have got some money. I know one specific instance and no amount of appealing did any good.

CMAP: 2: Most of what I have heard sounds reasonable and thank you for the funds so far as they go. Some of us feed livestock. We are not large enough to have separate companies for grain and livestock to sell grain from one to the other. So go penalize the small farmer again for 1/4 to 1/2 of the payout. Livestock prices are not

so good that we are becoming stinking rich out here and can support the grain side of our ledgers forever. I find it incredible that when the Safety Nets Committee met, there was complete agreement that livestock fed grains would be left in the program, and now after it is announced, farm fed grains got left out.

CFIP: I hope this works better than AIDA 1 and 2, but I have not done the paperwork to find out.

NISA: A program that generally works. According to statistics I have for the year 2000, Manitoba has 20 082 participants with a total value of \$441,043,164 in their accounts, or about \$22,000 per account. Of the total number, 15 574 were capable of taking a total of \$173,212,719, or about \$11,000 each. Withdrawals were taken by 5233, amounting to \$55,381,109, or about \$10,580 per withdrawal. Deposits were made by 10 899 to the amount of \$30,584,899. I have heard there are alarms about the large amount of money in accounts. I guess it depends on where you sit; what I see is a program in danger of collapse. If you use equity as a base, the total amount in the plan is quite small. Also, if you consider the plan for its intended use, one catastrophic disaster could wipe out most of it in a couple of years. I know where my portion is sitting at and with the present economic climate, it will not last two more years. I have put in every dollar the plan would allow. Unfortunately, I have pretty much had to remove what the plan would allow. The plan is capped per individual. The real problem is getting young and newly enrolled farmers started.

Recommendations:

There is an immediate need of more money than I see at present coming into the rural economy. Thank you to those who in some small way had something to do with this spring's payment.

To those of you establishing programs, whether they be agricultural or otherwise, keep these three thoughts in mind: Programs must be predictable; they must be fair; and they must be simple. People want to know how much they are going to get and when. It is called making a bankable program. (GRIP was one). Quiz games

look like fun on television, but when your livelihood depends on it, which is very unfortunate, there is no joy. A PhD in accounting should not be a prerequisite to triggering a payment. The KISS principle comes to mind: "Keep it simple, stupid."

If adversity is the mother of invention, mother needs a little help right now. There are almost no young farmers and entrepreneurs. As I look around, too often I ask myself, who will farm this land, and who will live in this town providing service to agriculture? It does not need to be this way.

My wife and I had a very unique opportunity—and believe me, it was not paid for by agriculture dollars—of going to Japan this past March. When 139 million people live in an area about one-sixth the size of Manitoba, every few square metres become important. Any few square metres are used to grow a garden. Beef are fattened in the middle of cities. They need and buy more than wheat, barley, pork and a few pounds of beef. About one-half the food they eat comes from somewhere else. There is a real opportunity here, if we have the unmitigated gall to take it. What could we be coerced to grow and manufacture for this market? This is where there has to be research, policy guidelines, and a created awareness. Private industry can do most of this, but if the climate is not created and the awareness not made, nothing will happen. (I sure could have fun with this one.)

There is a practical problem in southwest Manitoba that has to be solved. Our land is undrainable. We are not alone. Any fool can drain water, but it takes some ingenuity how to make best use of it. We need a program in place now:

1. to lower the normal level of Whitewater lake. NOT DRAIN IT!
2. systematically drain sloughs into catchment basins that would be better suitable to waterfowl and wildlife as well as for irrigation projects. We could have a thriving horticulture industry in southwest Manitoba. Many farmers know the value of water. Give them the chance to use it. Three things are missing: initiative, licensing and money. As government, give us a hand.

If this country wants to have an economy rich and diverse, it is going to have to consider more than large metropolitan centres in a few places in Canada, most especially the St. Lawrence Valley and the Great Lakes and take note of the vastness of our land. Establishment of primary and secondary manufacture will have to be promoted in other parts of this country. For example, we should be building ethanol plants, whatever the market will bear in strawboard, and a multiplicity of service industries. These should be owned where possible by closed co-ops, community-based companies and private companies. Where it is not possible, bring in the multinationals and encourage the communities to buy their shares so there is some clout at annual meetings. Large companies do not like dirty laundry at annual meetings. These kinds of engagements cannot go on in a vacuum. There has to be some encouragement and willingness on the part of governments for this to happen.

Some observations:

Have you people lost your minds?

To get this kind of agreement is no mean feat. And to allow time for an opposition party member to go to see his daughter graduate; quite astonishing!

If you are the Opposition, do not become distracted by some irritant pestering you about what one of the leaders on the government side has done to the point that you miss what they, the governing party are doing, or nor doing, to the economy of the people who feed the nation. Too late, you may find yourself hungry; and the whole country, including farm families with you. I cannot stress strongly enough that no food policy for this country could leave it near starvation only 120 days from now.

AND WE DO NOT HAVE A CANADIAN FOOD POLICY! Unless not having one is having one.

If you become leader of a state, country, province, municipality; by whatever means, elected, devious or otherwise;

Do not run around telling everyone what a terrible turmoil the economy has been left in. It

is incredible how quickly fools follow your words, assets of multinational companies to mom and pop operations turn to shredded paper, tens of thousands become jobless overnight, and the wisest financial wizards in the land are left tearing at what little hair they have left, trying to get the financial ship straight again. If you are lucky, you might get to the end of your term of office. We are not though this one yet!

If agriculture is to continue in this country, there has to be a reason for its existence, or it will wither and die like the plant it produces. If I were the McCains, I would be seriously concerned about the future of the hog industry in this province. Why would any farmer today grow barley if he does not have his own livestock to feed? The only reason a crop is going in the ground this spring for many producers is there is no crop insurance if you do not try. This is not the first year. Land is going unused and growing weeds. This situation is as close as my next door neighbour. There is little price stability and no price guarantee. And there is absolutely no look of desire that as a farmer you are wanted.

There definitely is an element in government, both bureaucracy and elected, who deliberately or unwittingly are trying to depopulate rural Canada. And someone (plural) is close to winning. We do not need another New Zealand experiment here, thank you.

Concluding Notes:

I was told by others, that because of my position in the community, I had to present this to you. Well, I figured that left me off the hook, as I never considered I had any position in the community. Then I was told that I am a citizen, as is everyone else. Whilst sitting in our library, pondering what to say, thinking about getting my income tax statement finished and performing other paperwork duties of the day, an accident of major proportions occurred. There was a candle burning in the library and by some slight movement on my part, unbeknownst to me, paper was set aflame, and before I understood what was happening, the library was gutted, incinerating in almost a flash every book we own, three editions of Uncle John's Bathroom reader, by that reckless act. As a

result, that left me to my own resources and what I have been able to glean from life.

In a moment of irresponsibility, western Canada could be a barren wasteland. With some creative thought, it can be a place for people to live and prosper for generations.

Living where we do, we have a very unique view of our community. Constantly, in our presence is the Town of Deloraine and the Turtle Mountain. In the heavy morning air we see Whitewater Lake to the east, the Medora hills to the west and the hills northward to the Souris River escarpment and sometimes beyond. We live in a treasured place in the centre of North America!

Glen Franklin,
Deloraine, MB

* * *

Mr. Chairman, & Hon. Members of the Committee,

I am writing this letter to your committee because I had the opportunity to attend the meeting held in Brandon at the Keystone Centre, April 23, 2001. I did not make a presentation but after listening to the many speakers, I felt compelled to let you know that I feel the agriculture disaster that was referred to numerous times that evening is one that has been man-made.

By this statement, I mean each person in the agricultural industry, or any business, or any person, for that matter, makes decisions. Some are good and some are not so good. When an agricultural businessman, farmer, makes a good decision and profits from it, I have yet to hear a farmer publicly announce to the government: My decision was profitable and I want to willingly share because I made a good choice. But when a not-so-good decision is made, and sometimes it is made over and over again, the farmer is the first to announce to the government: You fix this! It is not my fault! Give us money now because we will not be able to continue to make poor decisions if you do not!

Please do not think that I am insensitive to the farming situation, but I believe that the

farming industry must be accountable for decisions that have been made, paying high chemical costs, buying equipment that is not perhaps within their budget, et cetera. Farmers must be accountable for the decisions they make to manage their business, and the Government must be accountable for decisions that they have made—taking away the Crow rate—and continue to make.

When I look back to the early 1970s, the family farm was very sustainable, with thriving communities. Most farms profited from grain, livestock, cattle, chickens, pigs, horses, et cetera, and hay. Each farm had a garden which fed the family for most of the winter. There was little fertilizer used, as many farms spread the manure from their animals back onto their land and fewer chemicals were used. Farming was hard work. It was diversified. And it was profitable. What happened?

Grain prices began to jump and many farmers decided to break up pasture and hay ground to sow more grain. They sold off some, and in many cases, all of their livestock. They wanted every acre to make a profit, so they began to drain off sloughs to get those acres. The fertilizer and chemical companies began to expand. Natural fertilizers were being replaced with manufactured fertilizers. Chemical use grew quickly, no longer did the farmer have to wait for the weeds to germinate before they could seed their crops. This was and still is technological progress, or perhaps greed.

This technological progress that has been brought to the farming industry today has driven away the farming knowledge, especially land management knowledge. The farming industry has allowed technology to interrupt and destroy the cycles of nature. Drainage is destroying the land, wildlife habitat and, most importantly, the water cycle. Herbicides and pesticides are destroying insect life and micro-organisms that are vital in the soil and biological communities. The mineral cycle is interrupted by the manufactured fertilizers. My feeling is when you break the laws of Mother Nature, she will break you, the farmer. Farmers make the decisions and choose to manage their industry in this fashion. They continue to pay high input costs to produce more grain for less return.

My question is why? Why should government feel they need to put money into this type of farming practice? Farmers need to look at where their costs are and question themselves: Do I need more acres, bigger equipment, to use more chemical, et cetera. Again, I say farmers must be accountable for their decisions. Perhaps they need to look at their costs and say have I made the right decision?

As I see it, we as farmers have three choices: to continue to do what we are doing, to continue to do what we are doing only do it harder, or change.

Our family has chosen the latter. We have made changes to our farm and our farming practices. Our philosophy is that land is something we have inherited from our fathers and are borrowing from our children. It is our intent and will that we give to our children land that is sustainable, thus profitable. These changes were not made overnight, and we will continue to make changes because nothing is guaranteed. We try to look to the future in our decision making and not dwell on the past or the present. We test our ideas. We ask is it profitable, is it working for a better environment, is it bettering soil quality, will it harm the community, et cetera. If one answer is no, then we look for a new idea.

Our family farms 1750 acres. We work in hay, livestock, grain, fruits and vegetables. We, like others, carry a large debt load, but we find ours to be manageable. We have three children ages 10, 12, and 13 and not once have they thought that farming cannot be a profitable business. If they choose to farm, and it will be their choice, we feel that the opportunity will be there for them.

What are the solutions then you ask? My feeling is they can be as difficult or as easy as we choose to make them. I believe that the \$500-million cash injection will help farmers, but it is only a short-term solution. They will be back for more when they cannot pay for the choices they make in their farming practice for the 2001 crop year. Or, looking ahead as I like to do, they will be asking for drought assistance, a drought that farmers chose to create by draining every slough and runway on their land. Why should the

government pay for the greed of those businessmen, farmers? It is their choice, and I promise you it will be a not-so-good choice, and they will be back for more money.

I do not think subsidization is the answer. The farming businesspeople who choose to look ahead and make change will not benefit from their initiative if subsidization is put into place. There are very few subsidies to help any other private business. Why should farming be any different?

I believe that farming is a cycle. Not all markets, be it cereal grains, livestock, oilseeds, hay, et cetera, are all strong markets at the same time. There is a cycle for everything. Because many farmers have chosen to put all their investment into one sector of the farming industry, they are putting all their eggs into one basket and thinking this sector will have no down cycle. Now reality has hit and they are desperate for a cash injection. If the government incorporates long-term subsidies, they will only delay and prolong the natural farming cycle.

My solution is do not bandage the sore, agricultural disaster. Put value-added industry into the farming communities so that farmers can choose to market their products as they see profitable, be it the Canadian Wheat Board, a pasta plant, flour mill, an ethanol plant, et cetera. Again, this needs to be done over time, not overnight. Start small. Let the agricultural cycle do this thing.

The government has three choices. They can continue to do what they are doing, hand out subsidies; they can continue to do what they are doing only harder, hand out long-term subsidies; change, no subsidization, value-added industries, make farmers accountable for their choices.

It is very commendable to see members of government, all parties, showing concern for the agricultural industry. Thank you for the opportunity to submit my views. I look forward to speaking to anyone on the committee in regard to my submission.

Sincerely,

Shannon F. Combs

* * *

Manitoba Chambers of Commerce

Introduction:

The Manitoba Chambers of Commerce welcomes the opportunity to provide a written submission in response to the all-party resolution entitled "Federal Support for Agriculture."

This submission will first outline our position in relation to the all-party resolution. We will then proceed to explain the "message" that the Chambers' position should be sending to all levels of government.

The Position of The Manitoba Chambers of Commerce:

Each year, the agenda of the Manitoba Chambers of Commerce is largely set by the resolutions that are passed at our Annual General Meeting. The resolutions are essentially policy positions that are directed towards either the Government of Manitoba or the federal government. The policy position has to relate to an issue that is timely and either provincial or federal in scope.

This year our Annual General Meeting was held in Russell, Manitoba, from April 6 to 8. While agriculture has always been a fundamental issue for the Manitoba Chambers of Commerce, thereby inspiring a number of resolutions each year, this year we were struck by the number of resolutions that sought to address the challenges facing agriculture. Indeed, this year 25 percent of the proposed resolutions related to agriculture. This is the highest percentage of resolutions dealing with agriculture in recent memory. We interpret this fact, in and of itself, as confirmation of the growing concern in relation to the vitality of our agricultural sector.

The majority of the resolutions on agriculture were adopted as policy for the Manitoba Chambers of Commerce. We would like to take this opportunity to set out those resolutions that are germane to the issues before the committee. Again, please bear in mind that these resolutions were adopted by the Manitoba Chambers of Commerce on April 8, 2001.

Resolution: National Farm Policy

Preamble: Canadian farmers are increasingly being squeezed by low global commodity prices and escalating input costs. Farmers in other countries receive financial support from their national treasuries to compensate for this. This discriminatory advantage is forcing Canadian farmers from their land in increasing numbers and undermining the social and economic fabric of rural communities.

Resolution: That the federal and provincial governments should co-operatively work towards a national farm policy that strengthens the viability of Canadian farms and assists in establishing value-added processing. Such a policy would help stem the tide of farmers abandoning the land and improve the interdependent economy of rural economies across the nation.

Resolution: Agriculture

Preamble: The low prices for grains and oilseeds in international markets, along with ongoing trends in the food processing and marketing channels have caused producers to face significant financial pressures. One of the strategies for overcoming these challenges involves producers becoming owners of value-added processing/marketing businesses. The management, financing and marketing skills and expertise required for these businesses differs dramatically from those management skills required to successfully produce commodities.

The provincial Department of Agriculture and Food released "Destination 2010—A Strategic Roadmap for Agriculture and Food" in early 2001.

Resolution: That the Department of Agriculture and Food and the Department of Industry, Trade and Mines work together so as to shift the primary focus of the provincial government's agricultural strategy, as it is outlined in the "Destination 2010—A Strategic Roadmap for Agriculture and Food," to one which enhances the desire, knowledge and skill sets that will enable Manitoba's producers to participate more effectively in value-added processing/marketing opportunities.

Resolution: Removal of Barriers to Trade

Preamble: Many of Manitoba's products face increased competition from jurisdictions that subsidize local production, while simultaneously instilling trade impediments to the receipt of Manitoba's products. If such subsidies and trade impediments are to be removed, Manitoba must ensure that provincial and federal regulators not only fully understand but fully embrace the principles of free trade, both as a set of obligations and as a right of rights.

Resolution: The provincial government:

- (a) Reaffirm its commitment to removing trade impediments;
- (b) Require a report from all provincially authorized regulators as to whether or not trade impediments exist and take steps to have such trade impediments removed;
- (c) Continue to study and provide informed reports regarding trade-related issues that affect, or may come to affect, Manitoba's industries;
- (d) Develop and implement communication strategies to promote a better understanding of the principles of free trade within Canada and with our foreign trade partners.

We were pleased to note that the all-party resolution embraces these very concepts, the need for immediate federal action to counter the devastating effect international subsidies and escalating input costs are having upon our grain and oilseeds sectors, the need for provincial policies that emphasize the growth of value-added initiatives and the ultimate need to eliminate all international subsidies.

Accordingly, the Manitoba Chambers of Commerce strongly supports the all-party agricultural resolution.

The "Message":

Let us now try to explain what message our approval of your resolution should send to all levels of government. The Manitoba Chambers of Commerce is unique in a number of aspects. Consisting of direct corporate members, as well as local chambers, we represent 74 communities and over 10 000 businesses across Manitoba. As

such, we are the largest business lobby in Manitoba.

We are also unique in that our mandate is not restricted to a particular area within Manitoba. Nor is it restricted to a particular size of business or to a particular sector of business. Therefore the Chambers' support of the all-party resolution confirms that businesses across Manitoba, from Altona to Winnipeg, from Churchill to Morden, from within the agricultural sector and from without, from sole proprietorships to the largest corporations in Manitoba, are recognizing the plight of our oilseeds and grain producers and are calling for the types of solutions that are set out in your all-party resolution.

Just as this issue transcends all locations within Manitoba and all types of business, so, too, does it transcend political stripe. That is why we commend our provincial government, our Official Opposition and the provincial Liberal Party for putting aside "politics" in order to bring this resolution forward.

Let the message then go forth:

This is not just a "farmer issue." The bitter harvest endured by the grain and oilseeds sectors has brought together Manitobans of all stripes, of all political affiliations, united in their call for a resolution to the crisis that threatens a sector that is crucial to the economy, the vitality and the very identity of our province.

The Manitoba Chambers of Commerce is honoured to join this chorus, and committed to ensuring that it is heard.

* * *

Manitoba Pork Council

Introduction:

The Manitoba Pork Council understands and views with regret the suffering that the current crisis in grain prices is inflicting on farm families and rural communities throughout the province. The hurt is obvious. The calls for added support from the various levels of government are increasingly intense and clearly result from genuine despair in many quarters. Many farmers are saying that 2001 is truly a make it or break it year: it is evident that this is not a negotiation stance or a ploy for public

attention. It is a statement of fact that, as an agricultural community, we must heed.

The Manitoba Pork Council therefore welcomes this opportunity to come before the provincial Standing Committee on Agriculture and applauds the intent of this initiative on the part of all parties in the Manitoba Legislature. We hope to contribute in a meaningful way to the dialogue that must take place in order to find practical, long-term remedies to what ails agriculture in this province. We applaud the standing committee for embarking on this initiative and encourage the adoption of ambitious, innovative approaches to addressing a serious matter.

Background:

Low grain prices are nothing new. With the exception of an extraordinary period of prosperity in the late 1970s, cereal grain prices in particular have been at levels that have forced governments, both provincial and federal, to intervene in a variety of ways. The Western Grain Stabilization Agreement, the Special Grains Payments in the late '80s, GRIP, AIDA and the various adjustment and ad hoc payments like CMAP are some of the most noteworthy examples. Although it is beyond the scope of this brief submission to examine in detail the workings of these various programs, a certain number of conclusions can be drawn from the ongoing need for intervention in the grains sector:

- The problem has not been fixed;
- It is possible that these programs are actually part of the problem;
- Developing and funding programs that do more of the same will not solve the problem.

While cyclical downturns in market prices for livestock have occurred during the same time period, livestock enterprises have, for the most part, fared much better. This has been partly as a result of ongoing weakness in grain prices. However, many other factors are clearly at work as well: demand for animal protein is up, our trading partners want to buy the high quality product that is produced here and the Canadian dollar continues to make our meat products competitive. Furthermore, we are told over and

over that subsidies in other grain-exporting nations of the world, and, specifically, the U.S. and the E.U., are distorting international market prices for commodities like wheat, coarse grains and oilseeds and that we must deal with this issue in order for prices to rebound locally. The livestock sector, therefore, has not created the problem that grains and oilseeds producers face. Its growth is simply a practical and rational response to factors at play in the international marketplace that show no signs of changing any time soon.

While growth in the livestock sector in Manitoba has been substantial (an annual average increase of the beef cow herd of 6 percent through most of the '90s with the number of hogs on farm almost doubling during the same time period), there remain significant opportunities for additional production in this industry.

Although the Government of Manitoba is clearly aware of this potential, allow us to point out a few statistics that underscore the opportunities that exist:

- Less than 30 percent of the calves produced in Manitoba were fed to slaughter weight in 1999 (Manitoba Beef Prospects – *A Range of Opportunities for Growth*);
- Approximately 1.4 million weanlings were exported from Manitoba to the United States in the year 2000;
- Approximately 2.9 million hogs were slaughtered in Manitoba in the course of 2000; slaughter capacity in the province is over 5 million hogs annually;
- Approximately 900,000 Manitoba-origin hogs were slaughtered outside of the province;
- We continue to import large numbers of sheep and lambs into Manitoba (68,000 head in 1999) as well as close to 700 tonnes of lamb and mutton.

Strategy:

The need for immediate and substantial assistance for the grains and oilseeds sector is great, and the suffering that will result if this need is not addressed is quite real. However, payments, whether acreage-based or based on net eligible sales figures or even cost-of-production formulas, will not fix the problem on

a long-term basis. What is needed is a realistic vision for agriculture in this province coupled with the political will to *make it happen*. Failure to deal with this key question of where we should be headed and failure to commit to the realization of this vision will keep us on the income crisis treadmill with no hope of ever getting off.

The vision for agriculture in this province that we wish to propose to the Standing Committee on Agriculture is one of sustainability. Ad hoc payments cannot continue to occur year after year. A diverse agricultural industry that fully benefits from the partnership that can and should exist between crop and livestock production, on the other hand, is sustainable and the Manitoba Pork Council believes that it is the goal that we, as an agricultural community, must pursue.

Partnerships between the crop and livestock sectors can be on a micro scale (within one farming unit) or at a macro level where specialized units share in each other's risks and profits. Either way, there are numerous ways in which the partnership can be beneficial:

- Opposing profit cycles (when livestock is very profitable, crops are likely to not be and vice versa);
- Nutrient cycling (manure returns organic matter and nutrients to the soil);
- Cost efficiencies (lowering of transportation costs for feed, opportunities for reduced inputs when forages are included in the crop rotation);
- Prevention of environmental degradation (inclusion of forages in rotations to build soils and utilize manure, elimination of annual cropping on sensitive soils);
- Opportunities for asset transition and entry of young farmers into the profession (beef and swine operations can provide employment and/or equity-building opportunities for the next generation) thus better protecting retiring farmers against loss of equity.

The mixed agriculture model is neither new nor unproven. Producers have long known of its benefits and have recently found ways to adapt it to the challenges of today's highly specialized and highly competitive marketplace. The

Manitoba Pork Council would like to highlight one of these success stories: south of Steinbach, cattle producers have entered into arrangements with several hog producers whereby manure from the hog barns is spread on intensively-grazed pastures. Cattle are backgrounded on these pastures at very high stocking rates and sold as short-keep feeders in the fall. The partnership is profitable, environmentally sound—as attested by the numerous provincial officials who have been monitoring the system—and socially acceptable from the point of view of its impact on the surrounding area. Livestock, grass and annual feed crops, these elements can be configured into a model whose adoption we need to disseminate and encourage throughout the province.

Recommendations:

The Manitoba Pork Council wishes therefore to use this opportunity to call on the provincial government to continue to lobby the Government of Canada for additional support for the farming sector.

Whatever measures that are considered must not raise eyebrows south of the border. Manitoba's expanding livestock industry depends on free trade with many countries, including the U.S. Any form of support must not jeopardize that relationship nor lead to costly investigations.

In the short term, we understand that support may have to take the form of ad hoc payments. In order to ensure that these dollars send the right message to Manitoba farmers, we call on the Province to include farm-fed grains in the calculation of any short-term payout formulas. We believe that this will enable farmers to make decisions in the best interest of their families and the sustainability of the industry.

However, we also wish to urge the Province to devote substantial resources, both from within its own Treasury as well as from any monies received from Ottawa, to work towards a vision of sustainable agriculture based on partnerships between the grain and livestock sectors. The types of policy initiatives that the Pork Council believes should be undertaken in this sense include the following:

- Incentives through MACC, built along the lines of the Young Farmers' Rebate, for operations diversifying into livestock;

- Increased research into fusarium-related issues so as to allow for the feeding of Manitoba-raised crops to Manitoba livestock;

- Interest-free cash advances for beginning livestock producers, similar to the spring cash advance initiative that is available to crop producers;

- Streamlining of the approval process for family farms wishing to diversify into livestock; clarification and standardization of zoning and conditional use issues;

- Streamlining of the Technical Review Committee process as well as the approval process to ensure that all applications are dealt with in a prompt and fair manner;

- Incentives for new and expanding livestock operations to assist farm families in complying with environmental regulations;

- Removing the 7% PST on agricultural buildings.

Many of these recommendations closely resemble those included in the Livestock Stewardship Panel Report that was tabled in January. Furthermore, such policy initiatives would be GATT-green, as they must be, given the agriculture industry's reliance on trade. Perhaps most significantly, however, they would be an important step towards affecting real change in some of the underlying factors behind this crisis in the grains and oilseeds sector.

We trust that the Province, in its pursuit of policies that will allow us to avoid being in the same place next year debating the same issues, will give due consideration to some of the alternatives that we have advanced today. Thank you very much.

Marcel Hacault, Chair
Manitoba Pork Council

Alternate Land Use Services (ALUS)

Broadening the base of Agricultural Income

1. Background

Canada is at a crossroads in the evolution of its agricultural policy. Income and transportation subsidy programs have been largely eliminated in the wake of the development of current World Trade Organization (WTO) rules, leaving Crop Insurance, the Net Income Stabilization Account (NISA), provincial companion programs, e.g. wildlife damage compensation in Manitoba and the new Canadian Farm Income Program (CFIP), as the baseline agricultural safety net programs. In addition to these safety net and income disaster programs, other ad hoc programs have been developed in the past to address specific financial issues. (1) The common characteristic of past and current agricultural support programs has been to base benefits on traditional agricultural commodities, especially grains and oilseeds, or to respond to area-specific natural disasters such as flood or drought.

The dream of the current trade rules—global trade in agricultural commodities free of subsidy—has not materialized, as Europe and the United States have found other means, permitted by the WTO, to support their rural communities. Much of this support has been based on the policy rationale of paying farmers for their provision of public benefits in the form of ecological services. This reflects the recognition of the nature of agriculture whereby farmers produce products for the marketplace (food and fibre) and affect public resources such as soil, air, water and wildlife. In the absence of this policy approach in Canada, farmers have again been left attempting to compete with other nations that provide substantial support to their agricultural producers and rural economies.

Farmers continue to face low commodity prices, high inputs and transportation costs, and concomitant rising levels of personal debt. The strategy of reacting to decreasing profit margins by increasing production is being called into question, and the approach of restricting commodity supply to boost prices is being seriously debated within the farm community.

In the domestic policy arena, agricultural issues are becoming dominated by the environmental agenda, as the urban electorate increasingly demands new products—cleaner water and pastoral landscapes—from rural producers. For example, current discussions on future development of the livestock industry in Manitoba are dominated by environmental concerns. Expanding the regulatory and planning process is proposed by many as a preferred policy approach to achieving these public goals in the face of further intensification and diversification of the agricultural economy.(2)

Government supported resource adjustment and related rural income enhancement programming is not a new concept on the Canadian prairies. Under the 1966 federal Agricultural and Rural Development Act (ARDA), a number of federal-provincial programs provided for land inventories and subsequent resource adjustment programs, e.g. Canada Land Inventory, Alternate Land Use Program. ARDA was complemented by the Fund for Rural Economic Development (FRED) to deal with severe regional situations of low incomes and problems of economic adjustment. The Interlake area of Manitoba was one of the five regions in Canada specially designated for aid under FRED. Much funding for land-use adjustment was provided, with many projects further supported by non-government stakeholders such as Ducks Unlimited, e.g. Oak-Hammock Marsh.

More recently, programs have been targeted to address land and water management challenges on the landscape, and to support more sustainable land use. The Permanent Cover Program (PCP), for example, was delivered by the Prairie Farm Rehabilitation Administration (PFRA) from 1989 to 1993, and spent a total of \$50 million in incentives for the conversion of 1.1 million acres of prairie land to permanent cover.(3) Contracts committing land to permanent cover are beginning to expire. PFRA's original mandate in 1935, in the midst of the Dirty Thirties, was to aid in the adoption of farm practices and land utilization to provide for greater economic security of prairie people. The overall goal of this paper is to describe an alternate land-use-services concept that delivers environmental benefits, is non-trade distorting, and that is capable of attracting grassroots and

political support, in both urban and rural constituencies across Canada. It is intended to provide a basis for dialogue among a broad range of sectors on the concept of alternate land use services and how it can be incorporated into Canadian public policy.

II. Objectives

Canada needs a new approach to agricultural and resource policy that achieves national objectives of economically, socially and environmentally sustainable communities. Implementing alternate land use services would recognize the societal benefits from agriculture beyond the traditional commodities of food and fibre.

The specific objectives of alternate land use services are:

1) Conservation and environmental enhancement:

Canada's vast agricultural landscape is home to a number of ecological processes and products that benefit our quality of life—clean air and water, carbon sequestration, and wildlife—to name but a few. These are among the most altered landscapes in the world, and many are under significant stress. Policy responses to date have failed to deal with fundamental causes of the degradation.

a) Soil quality

The agricultural land base of the Prairies consists of 52 million hectares, which represents approximately 80 percent of the total land available for farming in Canada. The prairie agricultural land base is effectively developed. Land and water management on the Prairies is paramount to the long-term sustainability of the agricultural industry and to rural areas in western Canada. In addition, the continued health of the prairie landscape is important to all Canadians with interests in clean air, water and natural habitat.

In 1983, PFRA published *Land Degradation and Soil Conservation* (4), an assessment of the state of the prairie soil resource. It concluded that the prairie soil resource was at risk from erosion and other forms of degradation. It also

estimated the annual cost of soil degradation to prairie farmers was in excess of \$100 million dollars.

Since the 1983 report the combined efforts of governments, private agencies and farmers have established the understanding that agriculture operates as one component within various ecosystems. The concept and acceptance of sustainability has emerged into the mainstream of the agriculture industry.

Many factors influence the ongoing health of the soil resource. Key indicators of soil health include salinity, organic matter, water quality and the status of riparian areas. These factors reflect among other things, the way in which soil is managed. In 1995, Agriculture and Agri-Food Canada released *The Health of Our Soils*, which concluded that in some cases soil quality had improved, but that the trend was small and not general to all soil in Canada. The report also noted that while improved farm practices such as conservation tillage have made some soils less susceptible to degradation, further policy and programs need to recognize soil as part of a broader ecosystem.

Using soil for agriculture production is inherently risky. Many factors will continue to pose a threat to soil health that must be addressed on an ongoing basis; for example, soil salinity remains an issue on approximately 1.4 million hectares across the Prairies, and organic matter has declined in prairie soils as a result of cultivation. Recent estimates are that 14 percent to 40 percent of the soil carbon originally in prairie soils has been lost.

b) Water quality

Water quality in rural areas continues to be influenced by agricultural developments. In May 2000, Agriculture and Agri-Food Canada released the "Health of our Water" Report (6) to complete a series of publications showing how agriculture interacts with natural resources. As stated in the report preface, the assurance of an adequate supply of clean water is essential not only for agriculture, but also for human health, ecosystem integrity and the viability of many economic activities.

The main water pollutants of water coming from farmlands are sediment, nutrients, especially nitrogen and phosphorus, pesticides, bacteria and salts. Both surface and groundwater can be affected. These substances can make water unfit for humans, crops, livestock and wildlife. Agriculture can also change the physical presence of water on the landscape through impoundments, water distribution systems, drainage and levelling and sedimentation. Notable examples include: sediment loads averaging 435 kilograms per hectare per year have been measured in the South Tobacco Creek watershed of southern Manitoba; excess nitrogen and phosphorus in the Boyer River, Quebec, reached levels of 317 tonnes of P and 630 tonnes of N annually, well above provincial guidelines for protecting aquatic life in surface waters; pesticides are often detected in water courses, lakes and wetlands; pathogens in drinking water exceeding provincial guidelines have been frequently noted, and the recent Ontario situation has focussed public concern on this issue.

3) Greenhouse Gas (GHG) Carbon sequestration

In 1992 in Rio de Janeiro and again in 1997 in Kyoto, the Canadian federal government has committed to limit and reduce GHG emissions. Through the Kyoto Protocol, Canada committed to a target reduction in GHG emissions to a level of 6 percent less than 1990 emissions, to be achieved during the 2008-2012 period.

Approximately 9.5 percent of Canada's GHG emissions are attributed to agricultural production activities, primarily nitrous oxide from soils and methane attributable to livestock; at the same time, agriculture has a large physical potential to provide carbon sinks for the reduction of net emissions.(7)

In order to develop its action plan to fulfil its Kyoto commitments, the Government of Canada set in motion 16 Issue Tables to examine options for reducing GHG emissions. One of these, the Agriculture and Agri-Food Table, tabled 11 recommendations for government action on this issue. Particularly relevant to alternate land use services is Recommendation 2:

In recognition of the public benefits where cost-effective technologies are well known and an economic incentive is required for their adoption, governments should provide public

incentives for the adoption of GHG-reducing technologies. These incentives should stay in place until markets for emission reductions in agriculture are established. For example, governments should work with industry to develop financial incentives for the planting of shelterbelts.(8)

Clearly, public incentives for agricultural carbon sinks stand to play a significant role in Canada's strategy for reducing GHG emissions.

d) Fish and Wildlife

A tremendous diversity of wildlife species depends on habitat areas provided by private landowners in agricultural Canada.(9) Signalling the changes taking place within the agricultural landscape, several wildlife species dependent on agricultural lands for all or part of their life cycle are either in decline or have been classified as species at risk as a result of habitat loss and the change in predator communities.

In response to these population trends, a variety of policy approaches have been delivered by wildlife and conservation agencies to maintain and develop permanent cover and habitat on private land. The North American Waterfowl Management Plan (NAWMP) uses an incentive-based approach, spending \$25 million per year in the Prairie region to establish and develop nesting cover for waterfowl and other wetland-dependent wildlife. On the other end of the spectrum, the federal Fisheries Act and proposed Species at Risk Act(10) have taken a regulatory approach, creating offences and associated penalties for disturbing or destroying fish and wildlife habitat.

All of these programs have failed to level the playing field for landowners producing public benefits at their own cost. For example, while significant when measured against the standards of previous wildlife programs, the NAWMP acknowledges the need to effect change in agricultural and other policies in order to truly effect change on the landscape.(11) Even regulatory approaches, despite their current popularity at the federal and provincial levels, have acknowledged the need for complementary incentives for stewardship if they are to be successful.(12)

The lesson from these programs is that significant, positive changes to the landscape are unlikely to occur until fish and wildlife goals are incorporated into mainstream agricultural policy and programs.(13) The rationale is clear—public benefits from fish and wildlife productions are only rarely captured by the landowner responsible for the costs of production, and this market failure is an appropriate basis for government intervention.

2) Sustainable Rural Communities

The key to ensuring and sustaining the prairie rural economy lies in broadening the base from which farmers can generate income. Work needs to continue to identify and develop non-traditional commodities that can be produced and add value to on the Prairies. Ecological goods and services produced on Canadian farms and ranches are an emerging example of how the economic base of rural Canada can be broadened.

A successful rural community has a thriving economy, well-managed soil and water resources, and a vibrant social fabric. All three must be present for success and all are interrelated. A diversified and growing economy creates the "critical mass" necessary to support a vibrant social life. Similarly, clean air and water are cherished by all Canadians for both economic and "quality of life" reasons. The recent events in Walkerton, Ontario, forcefully remind us that clean water can literally be a "life and death" issue.

Rural economies dependent upon grain and oilseed commodities are threatened by declining world prices. This sets a chain of events in motion which sees a decline in the social fabric and, possibly, overuse and misuse of soil and water resources as farmers and their supporting communities try to survive. A major goal of an environmental services approach to farming is to provide for a broader source of income for rural communities. Income would be provided to rural landowners for the delivery of ecological services to the rest of society. This income would be in addition to the existing farm safety net and would contribute to economic and environmental stability in rural regions.

3) Agricultural income enhancement and adaptation

Canadians need to re-evaluate how landowners are compensated for the production of agriculture commodities and for the other services to society that their lands provide. Prairie farmers are expected to meet the challenge of competitive international markets, supplying safe, nutritious and affordable food domestically, while at the same time ensuring land and water resources can provide additional public benefits through clean air and water, abundant wildlife habitat and protection of native species.

In general, the cost of maintaining land in condition to meet all these objectives is not considered by society, and by default, becomes the responsibility of the landowner. Falling commodity prices, increasing costs and other constraints are driving changes in the agricultural industry, and in the way landowners manage land. Much has been done within the industry to adapt to new market realities, and to alter the range of crops and livestock produced. However, the fact remains that farmers are not making sufficient returns, even with significant adaptation, to afford the cost of ensuring the continuation of public benefits from their land and water.

Growth in the agriculture and agri-food industry is an objective shared by producers, industry, and governments and by all Canadians, and several analytical works and reports predict the production of traditional agricultural commodities will increase. For example, hog production on the Prairies is on pace to double within the next five years, and beef production continues to grow steadily. Other sectors such as potatoes, forage seeds and other special crops are providing a solid economic base for many producers who are able to adapt in those directions. Value-added opportunities for agricultural commodities add to the growth and stability of the rural economy, however, these are not universally available because of a host of social, economic and resource factors.

In order to survive, producers will be forced to extract maximum economic benefits from their land base in the short run. Without additional options and sources of revenue, the

result will be additional risk to the sustainability of land and water resources. The ability of land and water resources to generate benefits for the general population of Canada will be compromised.

III. Program Concept

1) Operating Principles

The following fundamental principles guide the development of the program:

Voluntary: Based on incentives to achieve its goals that will be accepted by the landowner. Much more likely to succeed given the independent nature of farmers.

Capping: A 20% participation limit is placed on participation.

Integration to existing delivery systems: Could be piggybacked on existing crop insurance programs. It would, of course, have to use expertise from existing conservation agencies for on-farm consultations.

Targeted: It will encourage stewardship of environmentally sensitive sites and remove marginal farming areas from production.

Flexibility: The nine-year term in three-year blocks allows for a level of flexibility and response to changing needs.

Trade: Such a program is production neutral as it favours no particular commodity. It also reduces overall production to some degree, and as such should be viewed positively by our trading partners.

2) Qualifying Practices

National objectives of economic, environmental and social sustainability can be achieved by implementing a range of practices on the landscape, ranging from permanent changes to annual management:

a) Annual

i) **Grazing Management:** Use of rotational practices reduces stocking pressure on tame and native pastures resulting in better waterfowl and wildlife cover.

ii) **Green Manure Crops:** The use of biennial or short-term perennial legume crops has good soil

improvement and also has positive wildlife benefits. Even annual crops can be used as green manure crops.

iii) Residue Management: Management of land to enhance crop residue and use of winter annuals have many positive benefits for soil and water conservation.

b) Multiyear

i) Conservation Cover: Land converted to forage pasture or wooded cover for longer than one (1) year.

ii) Forage Reserve: Creation of areas of forage that are not a necessary part of a producer's annual harvested area. Allows for a surge capacity in an area when weather conditions warrant harvest.

iii) Deferred Harvesting of forage areas to accommodate waterfowl hatching.

c) Permanent

i) Riparian Areas: Changes to management of land adjacent to an intermittent or permanent waterway to protect and enhance water quality or aquatic and terrestrial habitats. This can be several things including off-stream watering and fencing of riparian areas.

ii) Wildlife Management and Endangered Species Zones: Introduction of management practices that improve habitat for wildlife in general or an endangered species in particular.

iii) Carbon Sinks: Establishment of area for carbon sequestration. This could include woodlot management areas.

iv) Water Storage Areas: Creation and protection of seasonal or permanent water storage or wetlands.

3) Program Design and Administration

A range of tools could be used to encourage the adoption and retention of the qualifying practices, including easements, contracts, and property tax incentives. Different tools could be applied, depending on the particular qualifying

practice and whether existing or new land use is being supported.

The program design envisioned in this paper would encompass the following:

a) Eligibility/participation: Either the landowner or operator could make the decision to participate, depending on the qualifying practice.

b) Enrolment: Producers would be eligible to enrol up to 20 percent of their land, resource base, in the program. Enrolment would be for up to nine (9) years in three (3) blocks. Percentage enrolment in a given area would be affected by:

i) Areas could be targeted for higher or lower participation based on special environmental or wildlife factors;

ii) Availability of funding: Overall area of participation in each region could be limited by funding available.

c) Price/payment: Originally the price/payment for permanent practices could be set using several factors:

i) Productivity rating (Crop Insurance soil ratings, Canada Land Inventory classifications);

ii) Competitive land rental rates in an area.

Final establishment of a price per acre could be done by an offer and acceptance system, e.g. producer would be offered \$35/acre for land of a specific class and either accepts or rejects. If not enough offers are accepted from other producers or a higher offer could be made, e.g. \$40/acre, until sufficient enrolment is achieved.

For multiyear annual practices, or optional use, payments could be based on a proportion of payment for permanent practices on similar quality lands.

d) Duration of contract: Length of the program would be nine (9) years broken down into three (3) year blocks that producers could use to opt in or out based on perceived market returns. This would allow a flexible response to market conditions.

e) Administration: Fulfilling the fundamental principle of integrating administration with existing delivery mechanisms would require

processes that may vary from province to province. In Manitoba, for example, each producer's annual commitment to the program could be reported through the use of the Manitoba Crop Insurance Corporation data base at the time that Seeded Acreage Reports are completed, June 30, and a percentage of payment could be paid to participants at that time. In the case of optional use, e.g. cutting hay or grazing pastures, 50 percent of the payment could be paid, with the remainder, depending on actual use, paid after the Harvest Production Reports are completed, November 30.

iv. Implications

1) Trade Neutral: As a non-production related program, it is currently in the "green box" area. Both the U.S. and Europe have somewhat similar programs and as such they are unlikely to target one.

2) Market: The reduction in acreage, up to 20 percent, will have some effect on reduction of potential production. This will send somewhat of a message to the market, although it is obvious that this alone will not have much effect on prices of most commodities.

3) Production: Experience in the U.S. with the Conservation Reserve Program (CRP) shows that most producers enrol their least productive land in this type of program. Thus, in fact, production only drops 5 percent to 8 percent despite a 20% enrolment. This ensures that businesses beyond the farm gate are not dramatically impacted by sudden shifts in demand and supply.

4) Inputs: A reduction of acreage devoted to annual crops does, of course, reduce the demand for inputs and will reduce costs. In addition, payments could be made early in the season to provide cash flow for other operating costs on the farm.

5) Transition: Farm demographics are such that a significant number of farmers will be retiring in the next 10 years. The U.S. CRP encouraged a phased retirement by allowing farmers to enrol their lower quality land, and, further, to rent the remainder of their land to neighbours who wish to increase farm size. These neighbouring

operations will have surplus capacity as they too may have chosen to idle their poor quality acreage.

6) Financing: This program should reduce demand by farmers on financial institutions and as payments are predictable in nature, it should be well received by bankers.

7) Environment: Positive environmental aspects are many, and include more wildlife habitat, decreased soil degradation, improved water quality and enhanced ecosystem function. The whole aspect of carbon credits as they relate to agriculture could be incorporated into this type of program.

8) Other Impacts: A number of effects will be generated by the new program, including:

a) Value-added processing: Livestock products, including non-traditional livestock;

b) Water quantity and quality: Waste management infrastructure, flood damage reduction;

c) Recreation and tourism: Enjoyable landscape.

9) Existing Practices: In recognition to those producers who have already committed all or portions of their farm to program and stewardship objectives, various options exist. For example, conservation easement legislation could be used to permanently set aside existing woodlands or riparian areas on private lands; property tax reductions could be granted to those producers with forage acres in recognition of enhanced water retention and reduced sediment yield.

V. Next Steps

Pending acceptance in principle of this conceptual approach, the following steps would need to be conducted:

1) Budget Development: Cost estimates and program scale by province need to be generated.

2) Benefits: Monetary and non-monetary benefits need to be identified and quantified.

3) Consultations: Public discussion is required to test acceptability of concept, develop administra-

tive options and refine program design, identify stakeholders, review implications and generate support for the final program.

Notes:

(1) In Manitoba, for example: 1999 Manitoba Farm Disaster Assistance Program (MFDAP), 1997 Canada/Manitoba Jobs and Economic Recovery Initiative (JERI), 1992 Farm Support and Adjustment Measures (FSAM), 1998 Canada-Manitoba Greenfeed Program and Canada-Manitoba Livestock Drought Assistance Program.

(2) For example, the proposed Species At Risk Act tabled before the current Parliament.

(3) PCP Final Report, March 31, 1994.

(4) Land Degradation and Soil Conservation Issues on the Canadian Prairies, Soil and Water Conservation Branch, PFRA, 1983. Also see *Soil at Risk: Canada's Eroding Future*, Report on Soil Conservation by the Senate Committee on Agriculture, Fisheries, and Forestry, Ottawa. Sparrow, H.O., 1984.

(5) *The Health of Our Soil: Toward Sustainable Agriculture in Canada*, 1995, D.F. Acton and L.J. Gregorich (ed.), Research Branch, AAFC.

(6) *The Health of Our Water: Toward Sustainable Agriculture in Canada*, 2000, D.R. Coote and L.J. Gregorich (ed.) Research Branch, AAFC.

(7) *Options Report: Reducing Greenhouse Gas Emissions from Canadian Agriculture*, January, 2000. Agriculture and Agri-Food Climate Change Table, AAFC.

(8) *Ibid.*, page 30.

(9) See discussion in Chapter 3, *Current State of Land & Water Resources, Riparian Areas. Agricultural Landscapes: A Land Resource Review*. PFRA, AAFC, 2000, pages 61-69.

(10) Bill C-32: Proposed Species at Risk Act: as presented to the House of Commons Standing Committee on The Environment and Sustainable Development, by the Hon. David Anderson,

P.C., M.P., Minister of the Environment, September 19, 2000.

(11) NAWMP Update.

(12) See SARA position paper re: stewardship.

(13) NAWMP Update, Brundtland Report.

Ian Wishart,
Keystone Agricultural Producers Rural
Development Committee

* * *

Members of the Standing Committee on
Agriculture:

My name is Robert McLean, and I am the Reeve of the Rural Municipality of Pembina. This municipality is located 100 miles southwest of Winnipeg in south central Manitoba. Our municipality is in an agricultural-based economy, which is comprised of approximately 200 000 acres under cultivation and approximately 70 000 acres of uncultivated land. The majority of cropland is seeded into cereals and oilseeds with some limited acres to special crops such as high quality hay, beans, grasses, et cetera. We are also very diversified into livestock production such as cow-calf, farrow-to-finish hog operations and broiler chickens. With the elimination of the Crow freight rates by the federal government a few years back, livestock operations have been steadily increasing.

I am also a farmer. I, along with my wife Marina, son Don and daughter Lisa crop 1900 acres of mainly cereals and oilseeds, some of which are pedigreed seeds. We also have a 30-head cow-calf operation, custom-feed market hogs and have a small greenhouse operation in the spring. So, as you can see, we are as diversified a family operation as can be. By the way, my wife has taken on a part-time job which helps pay some of the household bills.

So I believe I bring to you not only my perspective from a municipal government point of view but as a farmer.

As our municipality is an agricultural-based economy, when the agriculture industry suffers

our region suffers tremendously. We are facing elevator closures, rural depopulation, school enrolment declines, local businesses are hurting, our churches have fewer and fewer people and our region is suffering. As an example, in 1990 the Pembina Valley and Tiger Hills School Divisions total enrolment was 2044 students. In 2000, under the amalgamated Prairie Spirit School Division which now includes a much larger area, student enrolment totalled 1832. Projected for 2005 will be 1697 students and in 2006, 1639 students.

People are the greatest natural resource. With people come jobs, growth, healthy communities, energetic communities and vibrant communities. I believe strongly because of the state the farm sector is in, especially the grain and oilseeds, we are losing those people, the growth, the energy and the vibrancy.

I believe stress is becoming a real issue in the rural communities. Due to the low commodity prices for cereal and oilseeds combined with the huge increases in fertilizer, fuel, chemicals, repairs et cetera, no wonder families are finding it so difficult and so discouraging. No wonder the young people we need so badly to keep our communities alive and vibrant are unwilling to stay. Even our federal government is unsure what the future holds for this industry. No wonder people are fleeing the rural areas. They need the stability and the opportunity equal to the rest of society.

This agricultural climate has not happened overnight. This has not happened in the last six months. Agriculture is going through massive change. Technological advancements with computer and machinery, government policies, the need for farms to have economical sustainability and the need to stay competitive, have forced farms to become larger and larger. Over the years this trend has been building; however, margins have become smaller and smaller until these historically low prices have caused things to come to a head.

I believe that when we look back years from now, we will be astonished at the changes that have occurred. Manitoba has been hurt as badly as any province since the removal of the Crow freight rate. We all knew there would be change

but I do not think we, and especially the provincial and federal governments, understood then or do they now how dramatic the change has been. Bring in also the fact that we are dealing in a global economy and also competing with foreign government subsidies, subsidies which our federal government cannot seem to fully understand the effect on us, a federal government that pins its hopes on global trade agreements as our salvation.

World trade agreements are a good step, a step in the right direction but just a step, one that takes many years to form an agreement and many more years to implement. As a province and a country, we must understand the time elements of those agreements and also understand countries such as the U.S. and the European Union are not going to reduce their support programs.

What can and what should government do? I believe that the federal and provincial governments need to take immediate action. The governments need to realize that because of their short-term policies and lack of vision, good programs have been nickel-and-dimed to a point where they are not meeting the needs of the producer that they were meant to help, a lack of vision that has not responded to the speed of changes in the industry and has therefore resulted in poor direction and ultimately poor programs. As an example, the bureaucracy that takes place, i.e., Stats Canada information that combines off-farm income with farm income and distorts the information to say that net farm income is higher.

We need a long-term vision, a vision that creates a climate in which industry can grow. A vision that sees a strong agricultural industry results in strong communities. We need a federal government that stands up for agriculture and the agricultural industry, a federal government of which the ministers responsible, along with many government members, spend time in every region of the country and work with the people.

Here are some main points I think government needs to take action on:

- 1) Immediate cash injection—due to historically low commodity prices and skyrocketing input costs, producers are in need

of immediate cash to meet some of these obligations. The CMAP program is definitely a good start, but it is only a start.

2) Long term programs that ensure a sustainable healthy industry for now and future generations of family farms. We have some excellent programs, namely, crop insurance, NISA and cash advances. However, these programs need to be improved and funded by governments on an ongoing basis. They need flexibility to adapt to changing times and changes in the industry. The federal and provincial governments need to increase their financial responsibilities to these programs. Fund these programs to the level they need to be funded and this could likely reduce the government and taxpayers' risk for ad hoc programs.

3) (a) Tax incentives – we need to create a climate of industrial growth and jobs in the processing of raw agricultural goods in Canada. It is time to quit discussing how to do it, but to do it. We need to create a climate whereby investors and governments work together to build these industries. Some examples of these would be ethanol plants, canola-based industrial oils and fuels, pasta and flour mills, et cetera. These jobs are needed in our communities and are needed now.

(b) Elimination of all input taxes used in the production of food. Producers are spending thousands of dollars in taxes for fuel, chemicals, fertilizers, et cetera, to plant a crop even before they know if that effort and expense is going to pay off.

(c) The elimination of education tax on farmland. The tax structure was always based on fairness. This worked when there were three families per section of land. Now there are three sections per family. This land-based tax is a very large financial burden that is being asked from fewer and fewer people.

Finally, I would like to address a couple of points:

Food Freedom Day, the meal in the Legislature which totalled \$23.60, of which the farmer's share was only \$1.67, is an excellent way of telling the story. How fortunate we as

consumers are to have such high quality, nutritious and safe food at such a reasonable cost. When you buy a meal in a restaurant and the tip is usually larger than the farmer's share of the meal, this really brings home the point.

Industries believe they need a high return on investment or else they choose another product or service which will return a substantial profit. Chemical, fertilizer and machinery companies processing and distributing all take their share and pass on the costs, either by reducing the price they are willing to pay to the producer for the product or by passing on the higher costs to the consumer. The farmer can do neither. They are price takers not price makers.

How do we handle the cheap food policy?

Well, probably the fairest way for government and the fairest way to deal with the problem is to eliminate, I believe, all federal and provincial taxes on products and services used in the production of food. It is the most equitable solution and not commodity distorting.

Governments need long-term management not crisis management, and if you want multinationals controlling agriculture, not the family farms, then all governments need to do is continue the direction they have been going. Thank you.

Robert McLean – Reeve
R.M. of Pembina

* * *

Agricore

Introduction

Recent announcements of short-term assistance are appreciated. However, Canadian producers continue to suffer the effects of massive support payments to their main competitors in the United States.

Agricore appreciates the attention that the government of Manitoba is giving to the very significant income problems that exist in the grain and oilseed industry in Canada. Agriculture is of critical importance to the province of Manitoba, as it is to Agricore as a farmer-owned agribusiness co-operative.

Agricore's elected officials first brought the looming income crisis in grain and oilseeds to the attention of federal ministers and members of parliament in the fall of 1998. At that time, we were warning of a severe drop in income and were making a number of longer-term suggestions for measures to lessen the effects of the expected low prices and rising costs.

The short-term assistance announced by the federal government and the agreement to participate in the program by the provinces is appreciated. This assistance will help farmers to produce another crop this year. However, we recognize the efforts of farm organizations to work towards parity of support between Canadian and U.S. producers. It is extremely difficult for our producers, who are working so hard to "subsist" on world prices and minimal support programs, to see their main competitors continue to receive outrageous support payments. Add to that the fact that the subsidies paid to American farmers are increasing the cost of some farm inputs, such as machinery, that Canadian producers are forced to buy and Canadian producers are doubly affected.

Short-term emergency assistance was and still is much needed in the grain oilseed industry. However, it is very important that emergency assistance is accompanied by a commitment by governments to longer-term measure which will help to reduce the need for emergency action in the future. Agricore submits that measures must address both costs and income.

Cost-Farm Fuel

Reinstatement of the federal rebate of excise tax on farm fuel would return over \$170 million to farmers. A direct rebate to farmers of the federal fuel tax paid by the railways to move grain could reduce farm costs by at least \$7.8 million.

The rising costs of fuel have significantly increased operating costs for farmers. Governments should take immediate steps to reduce or remove the costs that they impose on farm fuel. If the federal government restated the excise tax rebate on farm fuel, farm costs would be reduced by over \$170 million annually.

In addition to the taxes charged on fuel used on the farm, steps should be taken to rebate to farmers the portion of the excise taxes paid by the railways to move grain. Farmers pay this cost through their freight rates. Agricore estimates that farm costs could be reduced by at least \$7.8 million.

Provincial governments should also rebate provincial fuel taxes on grain movement. Federal and provincial governments should also rebate the portion of excise tax used by commercial truckers to move grain.

While, for the most part, provincial governments do not tax fuel for farm use, provincial taxes on rail fuel are significant, and the prairie provinces charge the highest taxes. Figures published by the Canadian Chamber of Commerce show that provincial taxes on rail fuel in Alberta are 9 cents per litre. They are 15 cents per litre in Saskatchewan and 6.3 cents per litre in Manitoba. As with federal taxes, the portion of the provincial taxes on grain movement is reflected in the farmer freight rate and should be rebated directly to the farmer.

Both federal and provincial governments collect taxes on fuel used by commercial truckers to move grain. The costs to farmers using commercial trucking should be quantified, and a formula should be developed to rebate the farmer's portion of the excise tax bill directly to farmers.

Fertilizer

Because royalties are linked to gas prices, natural gas-producing provinces have received a windfall, and producers have received a financial blow. Agricore requests that provincial governments rebate all or a portion of the royalty to producers who purchase nitrogen fertilizer.

Energy from natural gas is the largest component on the production of nitrogen fertilizer. Ninety percent of the energy used to produce urea fertilizer (46-0-0) is natural gas. The dramatic increases in natural gas prices have resulted in equally dramatic increases in the price paid by producers for nitrogen fertilizer. As the royalties received by natural gas

producing provinces are linked to the price of natural gas, there has also been a significant increase in revenue to these provinces due to the increase in gas prices. Agricore estimates that the natural gas royalty collected by the Alberta government accounts for \$62.32 of the cost of every tonne of urea fertilizer, and the Saskatchewan government royalty accounts for \$59.48 per tonne. Producers in Alberta and Saskatchewan purchased over a million tonnes of urea fertilizer in 2000. Assuming that all of the fertilizer purchased in Alberta was manufactured with natural gas from Alberta and all of the fertilizer purchased in Saskatchewan was manufactured with natural gas from Saskatchewan, the total cost of provincial royalties for producers in these provinces was \$60.98 million.

In addition, farmers in Manitoba and B.C. purchased 230 200 tonnes of 46-0-0 in 2000. It is most likely that the fertilizer purchased in those provinces was also manufactured in either Alberta or Saskatchewan.

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Property Tax

Prairie farmers pay more than \$250 million annually in provincial education taxes. This is way out of proportion to the taxes paid by urban citizens and must be corrected.

Fully 60 percent of the taxes paid by Manitoba farmers are education taxes which are paid on farm property. Farmers in Saskatchewan pay 45 percent of the total Saskatchewan education tax bill, and Alberta farmers pay between \$55 million and \$60 million annually in education tax. In total, prairie farmers pay more than \$250 million annually in education taxes. Not only is this a difficult financial burden to bear, it is way out of proportion to the taxes paid by urban citizens. Agricore appreciates the efforts of some provincial governments to address this situation, but it is still an inequity that adds to the costs paid by farmers. We urge

provincial governments to take immediate steps to reduce the education tax burden on farm property.

User Fees

In 1998, federal government cost recovery reduced the net farm income of a Saskatchewan benchmark farm by 4.5 percent. While fees imposed by the federal department of agriculture have been frozen, other departments and agencies continue to allow increases, seemingly without any recognition of the impact on farmers, who ultimately pay.

In addition to freezing or rolling back any provincial user fees, provinces should urge the federal government to freeze and roll back fees charged by all departments and agencies.

The grain and oilseed industry pays about \$62 million annually in fees for federal government services. This is more than three times the amount paid by any other single agrifood sector. A study conducted by Agriculture Canada indicated that in 1998 federal government cost recovery reduced the net farm income of a Saskatchewan benchmark farm by 4.5 percent. We appreciate that the Minister of Agriculture has frozen user fees charged by his department and agencies within his jurisdiction and that the government has made up the immediate funding shortfalls of the Canadian Grain Commission. However off-loading of the costs of services either provided by or required by other departments or agencies of the federal government continues. We are very concerned to see that some of these departments and agencies continue to allow increases in cost recovery, (e.g. increases in pilotage and port fees) seemingly without any recognition of the impact on farmers, who ultimately pay and who are not able to pass the costs on in the price of their product. Agricore continues to urge the federal government to immediately freeze all user fees which have an impact on grain and oilseed producers. In addition, many of the services required by government, such as quality assurance and pilotage, provide a benefit to all of society, and their costs should be borne by all taxpayers. We would appreciate the support of provincial governments in our efforts. We also encourage

provincial governments to examine any user fees on services that they provide and to freeze or roll back where possible.

Farm Debt

Agricore encourages all governments to work with the Farm Credit Corporation and farm organizations to develop, implement and finance programs to assist farmers to deal with debt.

Total farm debt in Canada has increased by 44 percent since 1994. Almost half of the farm debt held in the country is held by farmers in Alberta, Saskatchewan and Manitoba. Debt servicing is a very large fixed cost for farmers. The drop in commodity prices combined with weather disasters in many areas in western Canada has caused a serious problem. Given the prospects for commodity prices over the next few years, it is not likely that producers are going to be able to "catch up" with their debt. Once again, we encourage all governments to work with the Farm Credit Corporation and farm organizations to develop, implement and finance programs to assist farmers to deal with debt.

Income-Safety Nets

The other component of the approach to dealing with the farm income situation is adequate measures to address income. Given the massive support provided by our competitors and the impact on world grain and oilseed prices, it is extremely important that producers have access to meaningful risk protection and income support programs.

Agricore is an active participant on the National Safety Nets Advisory Committee. However, we find our efforts frustrated by the lack of funds to design a truly useful set of programs to provide the necessary risk management tools for all producers of all commodities.

Current programs were not designed to cope with a serious and prolonged drop in income such as is being experienced now. However, limited funding prohibits the design of meaningful safety net programs. Governments should trust the NSNAC to design responsible,

sound and meaningful risk protection and income safety net programs, without the constraint of a set funding number.

It cannot be stressed too strongly that current programs, crop insurance, NISA and AIDA/CFIP, were not designed to cope with a serious and prolonged drop in income such as is being experienced now. As long as our competitors continue to provide massive and, we submit, trade-distorting subsidies to their producers, Canadian farmers are going or require a meaningful income safety net in addition to crop and production risk protection.

Limited funding limits the ability of the farmer members of the National Safety Nets Advisory Committee to "think outside the box" of current programming, to design the programs that farmers need. Governments should trust the committee to design responsible, sound and meaningful risk protection and income safety net programs without the constraint of a set funding number.

Industry Renewal

Farm consultation and mediation services are appreciated. However, they would be much more useful if they included financial assistance to help farmers implement the adjustments required to make their operations competitive.

Agricore appreciates that federal and provincial governments farm consultation and mediation services for farmers who may require assistance to make decisions about their farming operations or to deal with creditors. We submit, however, that these services would be much more useful if the plans developed with the consultants or mediators included financial assistance to help farmers implement the adjustments required to make their operations competitive.

Conclusion

The grain and oilseed industry made a large contribution to the efforts by the provinces and the federal government to reduce deficits and create budget surpluses. It continues to contribute significantly to the country's balance of trade and to the economies of the provinces and Canada. Now our industry is suffering. We ask governments to make an investment in the

future of the industry by addressing government-imposed costs and taking steps to provide meaningful risk and income protection programs.

Neil Silver – President
Agricore

* * *

Hello, my name is Tom Kieper and I, along with my wife Cindy, own and operate Kieper Farms Ltd. We are located in and around the Russell, Manitoba area. We run a mixed farm consisting of 3000 cultivated acres and another 2500 acres of pasture. We also run a herd of purebred Horned Herefords, consisting of approximately 180 females. We grow wheat, barley, oats, linola, flax, Canola, peas, and sometimes, lentils and borage. We also grow alfalfa and Timothy hay. So you can see that we have tried to become more diversified.

Now, a bit of history, so indulge me, if you will. My ancestors came to this country in 1884 and began farming in 1886, because the government of the time wanted to open up the west so that a travel link or corridor could be established that would connect British Columbia with the rest of Canada. They thought that if they could populate the vast expanses of the Prairies with farming, then trade and travel would help pull the country together into one united entity. They introduced the Crow rate, which helped farmers deliver their product to market at less expense to those farmers (and incentive to keep them there).

Well, we have stuck it out here through thick and thin for the last 115 years, and have been farming the same ground for 103 years. Through all of the ups and downs in farming over the years, the down that has caused my wife and I the most consternation, is the crisis in which we find ourselves today. We are under sever financial stress, and things have been progressively getting worse over the last 3 to 5 years.

The worst part of this crisis for my wife and myself is that we seem to be falling through the cracks, as far as the safety nets are concerned. My accountant, upon completing my AIDA

application, stated that we would be getting a cheque in the amount of \$40,000. I received nothing. The program does not work properly. People have been getting cheques who did not need the money. For example, a seed grower decides to get out of the seed retail business and wants to start slowing down. He receives a payment based on the fact that he is no longer growing a higher value commodity. I am not arguing the fact that a payment was triggered. What I am having trouble with, is the fact that he did this voluntarily and is now being rewarded for it. Not only has he received a payment from AIDA, his income tax has gone down due to his decrease in sales, and that, in return, brought his income down to a triggered level because of his three year average.

In my case, we had just finished a large expansion to both the grain and livestock sides of our business. They say that it can take as long as seven years before your expansion will start to pay dividends. I do not know if this is true or not. I do know that the money borrowed to pay for the expansions is hurting our cash flow. To make things work out, and to cover our payments, my inventory was being drawn down faster than I could produce it, so accrual losses and compound losses were beginning to show up.

On the cash side, however, I was showing profits, and being that principal payments are not tax deductible, I was ending up with a large tax bill. Because this showed up on AIDA as an increase in margin, it rendered me ineligible for benefits. So I ended up with no AIDA, no inventory, a very large accrued loss, and a large tax bill to pay. I have enclosed some of my farm ratios over the last several years, which show the trend that has brought me here today. My NISA, on the other hand, has performed flawlessly. I have triggered a payment in my NISA account every year for the last three years. There is no money left in that account.

Now let us take a look at the world picture and how it has helped us get to the inequities that I have just been talking about. I have streamlined this crisis into one main problem: narrowing profit margins. These narrowing margins have been caused by:

a) A large increase in input costs:

Fuel was the first of the necessary inputs to go up just over a year ago. This was followed by fertilizer (nitrogen for the most part) due to large increases in the price of natural gas. So here we have the scenario for this spring, where fuel is up by at least one third, and fertilizer has nearly doubled from the fall of 1999. Chemical prices have remained relatively flat, but one could argue that they are already too expensive.

For the most part, our inputs are bought based on the American market, due to the large amount of movement between the borders. The Americans have been subsidizing their farmers in larger amounts, in terms of real dollars per acre, than has Canada. This is not lost on the companies who are producing the input products, who price their products based on a perception of what the market can bear. Now, if they perceive that with government subsidies a farmer's margin will increase by 5 percent, then that company will increase its product to the point at which they think the farmer will spend with his new windfall. The only winner in this scenario is the input companies. This problem is compounded in this country, because the products are priced based on the American subsidies. A further illustration of this would be to compare prices for inputs in Brazil, a country giving out very little in the way of subsidies. The inputs for some of the same crops grown in the U.S. (soybeans and corn), are a lot lower, mainly because the manufacturer knows that he will not be able to get that increase that he can in the North American market.

b) Input companies have been merging for the last few years, which has created a warped sense of competition, which has sped up the increases in prices. There is also a certain amount of parity between these companies, so that one will not try to undercut another in order to win market share. One could almost say it is an oligopoly, and if it is not now, it will be in a few more years.

c) The farmer is not totally blameless in this game. When a farmer receives a subsidy, be it whatever, it means they tend to capital invest it, either into land, machinery or rent. This creates an atmosphere of artificial competition, which raises the price of land or rent.

d) The policy of the government is to have cheap and abundant food. How can I, as a business man trying to earn my living from farming, expect to make a profit on the production of food, when the very government that is sticking to its policy of cheap and abundant food, on one hand, cannot or will not reimburse the farmers who are being hurt by that very same policy. Tom Brodbeck said in his column in the *Winnipeg Sun* a few weeks back, that the taxpayer should not be subsidizing an industry that always seems to be in trouble. I would like to make the argument that it is the farmer, by his very existence, that is subsidizing the consumer.

The farmer's actual return on their raw product is very low. However, once the actual farmer has been paid for the raw product, that product can increase in price by a very large amount. For example, a loaf of bread at the store costs roughly \$1.15 per loaf, but the farmer's share only equates to about \$.03.

Consumers will spend money on three things without balking. They will spend money to buy a house. They will spend money on entertainment, and they will spend money on fuel. They may not like it if it goes up, but they will spend it: the price of gas goes up, people still travel; the gate price at Disney goes up, they still sell out; the price of housing goes up, but building does not stop.

A box of Wheaties returns 5 cents to the ag economy per box, yet you stick Tiger Woods' face on the cover, and he gets 10 cents per box to endorse it. He gets twice as much out of it than the farmers who made it possible for the raw product to make the Wheaties in the first place. Arguably, he does not need the money. He is subsidized by the people who watch him in pursuit of recreation. Those same people will cry foul and say it is unfair if the price of their favourite cereal goes up by 2 cents per box.

e) Sharp reduction in export commodity prices:

Weather has played a pivotal role in world grain production in the last 3 to 4 years, in that there has not been any. No significant poor weather in the key crop growing regions of the world has increased our stocks and made import nations complacent with what is out there. In a way, we, as farmers, have followed this law of supply and demand on the wheat front. As world production increased, world plantings decreased,

so much so that predictions are that ending stocks could fall to their lowest level in 30 years or more. Has this equated into higher returns?

f) An increase in new technology has also advanced the rate of production of food product, both in machinery and in biotechnology (hybridization, gene modification and manipulation, higher yielding varieties). These are very useful technologies to the producer to farm in today's world. However, they are expensive and are usually priced so that there is no increase in margin to the producer. I also think that these new technologies were developed to help feed the increasing numbers of people on the planet, but it has somewhat backfired, in that the rate of production increase has occurred more rapidly than the world's capacity to consume them.

g) The continuation of and increase to subsidies in the U.S. and the E.U. have distorted world prices by their very existence. By artificially raising the prices farmers receive for a particular commodity, the old law of supply and demand begins to break down. Instead of reducing production in these products, the farmer may actually increase production, which, in effect, distorts prices worse and creates a snowball effect. For example, the amount of soybeans going into the ground in the U.S. is ridiculous. There is no signal coming from the market saying that this number of soybeans should be going into the ground, but because of the high amount of money being paid to the U.S. grower through loan deficiency payments, it is in the farmer's best interest to grow soybeans, regardless of the strong market signals telling them otherwise.

When the U.S. government sets up its Ag subsidies for the year, deciding if it is trade green or trade amber is not even considered. The programs are put in place for one reason, to protect their market, domestic or export.

Now let us take a look at our own situation on the Prairies:

a) We have an Ag economy that is returning fewer dollars per acre in net profit. Therefore, we need more acres to live off of. At the same

time, the value of Ag in the export of raw products is going up.

b) We have a standard of living that is going up in the urban areas, but is going down in rural areas that are agriculturally dependent.

c) When banks first appeared in this country, back before the turn of the century, they were considered a service industry. Today, they are a for-profit industry. Right now, agriculture is in a very significant downturn. Agriculture has become very risky for banks and they are definitely backing away in a significant way. For example, last October my bank manager and I, along with our accountant, came up with a restructuring proposal for our farm enterprise. This proposal worked. To the chagrin of my manager, it was rejected. The reason was that this was a bad time to be asking for money in agriculture.

When this sort of thing starts to happen in an industry, the banks are no longer part of the solution but, in fact, have become part of the problem.

d) We are losing our rural infrastructure, i.e., rail line abandonment, elevator abandonment, deteriorating roads, loss of communities.

Most farmers have to travel further to delivery product to an elevator. This means more and heavier road traffic. Farmers do this because their local elevator has shut down or their rail line has been abandoned, sometimes both.

There are fewer people working for the elevator companies. There are fewer people working for the railways. There are fewer people working for the service sector. There are fewer people working for the chemical companies. There are fewer people working for the Ag equipment sector, and there are fewer people working on the farm. These areas in agriculture are all decreasing, because the entire ag sector is losing profitability.

e) The loss of the Crow rate benefit was another nail in the coffin of Prairie Ag producers. It took 750 million dollars per year out of agriculture. There were problems with this benefit which was paid to the railway companies to offset the cost of getting our raw grain into an export

position. This problem was that there was no incentive for the railway to run efficiently, because the federal government would pay for the inefficiencies through the Crow benefit. Some argued that with the Crow rate out of the way, the railways would have to become more efficient. Now, to keep the railway from running away with charges for hauling freight, a price cap was put in place. This cap has a problem in that the railway is now using this cap as a standard amount that they can charge, regardless of how much their actual costs rise. They have also worked a 20% profit into the formula ahead of time, virtually ensuring that they would always make money.

This is not the only industry in the world trying to make a profit. Everywhere you go, everything you do, everything you buy or consume, there are some kind of mechanisms to ensure, at least, the chance of profit. Now there are many factors that go into pricing a product, so that there is some profit to be made by the sale. However, costs are always going up, so to ensure profitability, companies have to pass on these costs to the next level. The next level, in turn, passes on the costs to the next level, and so on, until the product reaches the consumer.

As primary producers in agriculture, as in just about any form of primary production, bit mining or oil exploration, or forestry, we have no one that we can pass our costs on to. Each link in the chain beyond primary production can pass its costs onto the next level. We cannot. If we were allowed to factor in our costs of production to ensure ourselves even a small profit, the price of food would go up, perhaps, dramatically. I say to you: Is it the taxpayer who is subsidizing the farmer to keep him on the land and produce cheap and abundant food, or is it the farmer who is subsidizing the consumer by absorbing all the losses in agriculture so that they can keep buying cheap food?

Subsidies paid out to farmers in Europe are not considered farm subsidies, but rather consumer subsidies. These extra monies are used to keep the rural population rural. They do not want any more people to come into their already congested cities. Another purpose is to keep the countryside looking clean, productive and neat for the urban people when they travel.

In this country, we, as farmers, are paid in wholesale dollars, buy in retail dollars and pay the freight both ways. Why as a farmer do I have to pay shrinkage to an elevator company? Shrinkage is what an elevator may or may not lose in material that falls through cracks in the floor, spillage that may occur, and so on. No one pays for my shrinkage, which would include harvest losses, such as spills while filling trucks and bins.

Why, as a farmer, am I charged for things happening to my grain after I have already sold it? I have to pay for the freight to get that grain to port, which I have no control in. If the grain is late getting to the ship, then I have to pay demurrage charges. These things are out of my control, yet I have to pay for them anyway.

This financial crisis is very real, I am afraid, and it can either get worse or get better. That is up to the powers that be. By doing nothing, or at the most, doing very little to address this problem, it will go away on its own. All problems, big and small, correct themselves in the end, but it is what we do as individuals and government that will determine whether the outcome will be productive for everyone, or if it will collapse on itself. It really is up to us.

There is a very real problem with some media reports out there that state we are receiving approximately 67 percent of our net income through government programs. The only way to arrive at this figure is to deduct gross expenses from gross income and then add on the programs.

If, however, you were to add these programs to the gross income, and then deduct the gross expenses, you would find that we receive approximately 9 percent of our net income through these programs. These misleading stories by the media can hurt us as much, or more, in the public eye than the crisis itself can.

Approximately 85 percent of all the money that Canada spends on subsidies goes to the supply-managed agricultural sector, mostly dairy and eggs. Most of those producers are located in Ontario and Quebec. The subsidy value is then misrepresentative of the grains and oilseeds sector.

Some would say that we should diversify into other Ag related areas or improve our efficiencies. I would argue that the old diversification argument has run its course and that our efficiencies in production are already second to none, because they have had to be. The finances needed to front large diversification projects like the Peacan plant, or the Ethanol/feedlot, are scarce at best and are sometimes non-existent. Due to past economic burdens, or perhaps due to an unwillingness to let go of the little bit of equity that we have built up over the generations, or simply because there is no money—these are some reasons why you have not seen new generation Co-ops pop into existence all over the Prairies.

Now are there solutions to these problems? I would have to say that there are. We just have to find them. One answer might be to develop an Ag policy that would take in all of North America. One set of subsidies to all three countries would level the playing field somewhat, at least on this continent.

Subsidies do not work over the long term. The money is usually capital invested, leaving the farmer no better off than he was before. Land prices on the U.S. side of the border are on average higher than comparable soil only a stones throw across the border in Canada.

Why? Because the U.S. producers have been subsidized at a higher rate than their Canadian counterparts, which has artificially raised the price of their farmland, leaving the U.S. producer no better off than the Canadian producer.

However the U.S. and the E.U. have already said that they will not be backing down on the amount of subsidies they are paying their producers, which leaves us with very little choice as to what to do with our own subsidy situation. The Ag sector needs more money put into it by all levels of government, if we are to remain viable over the short term.

With the Ag economy slowing down, it is only a matter of time before the rest of the economy follows. There is a lag between the time when Ag slows down and the rest follows. That amount of time is hard to gauge, but it does happen.

I think we can agree that the amount of money being offered by the federal government is not enough. So why can we not have the money all at once in the spring, instead of waiting until October to pay out the rest? One could argue that that money is needed now, to get a crop in the ground.

In conclusion, I would like to say that firstly, the policy of cheap and abundant food is not working. It is turning some grains and oilseeds producers into second class citizens. Secondly, the price of food must rise, or we are going to have to stop producing it. If we stop, we will lose our market share, and once lost, market share is very difficult to regain.

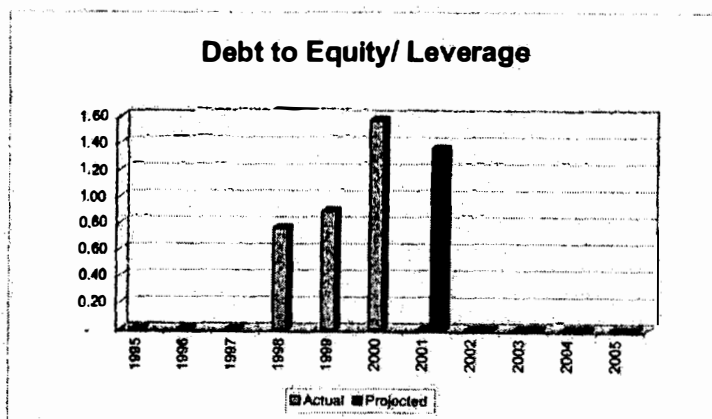
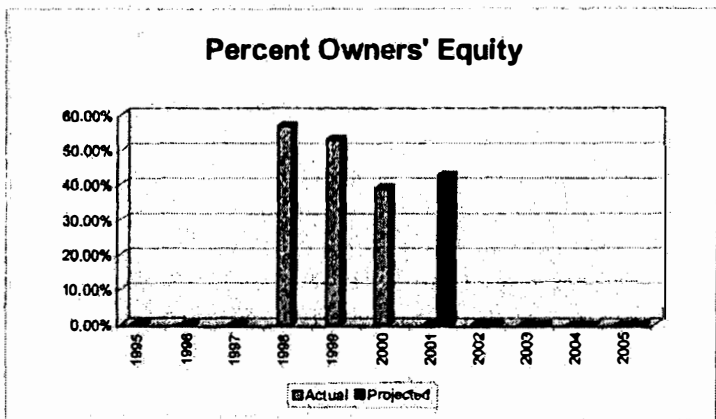
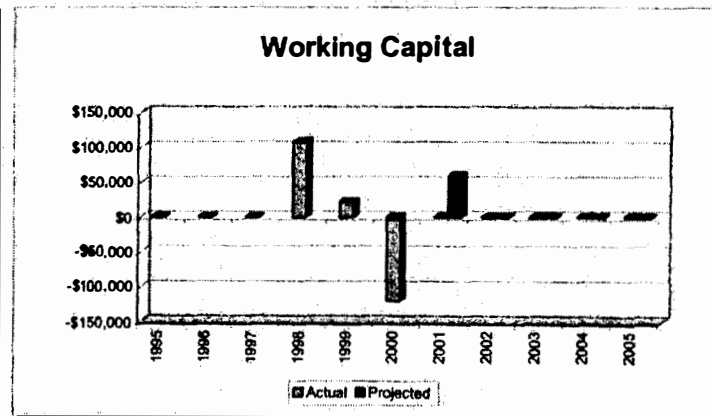
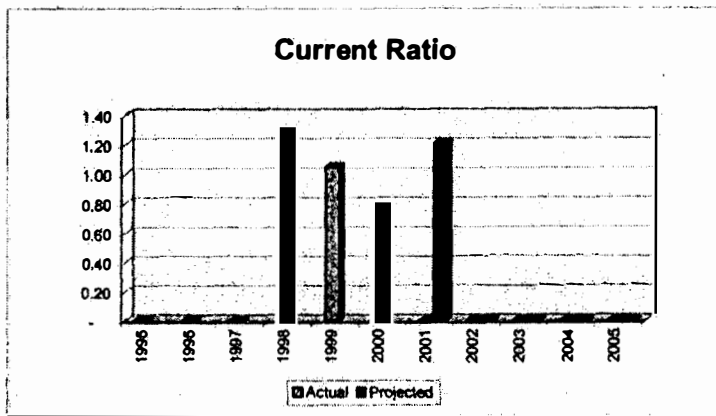
Food will keep coming into this country, however, at what price? What will happen to the farmers that were once on the land? We have always been a resourceful group, so I am guessing that some would adapt and stay, but the rest would move to the city, where they would have to find jobs, or be subsidized to live.

This is happening throughout the world. When rural depopulation occurs, the first place these people go is to the cities, where they find little, if no, work. They set up shanty towns on the edge of the city. Is this what we want to see happen here? It probably will not here, not to that extent, anyway. This is a warning to heed. It may be more costly to the taxpayer in this latter scenario, than it would be to keep us out of the cities and on our farms doing what we do best, producing food.

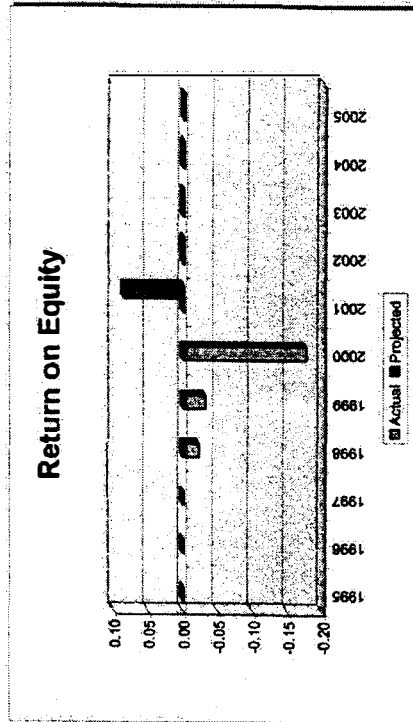
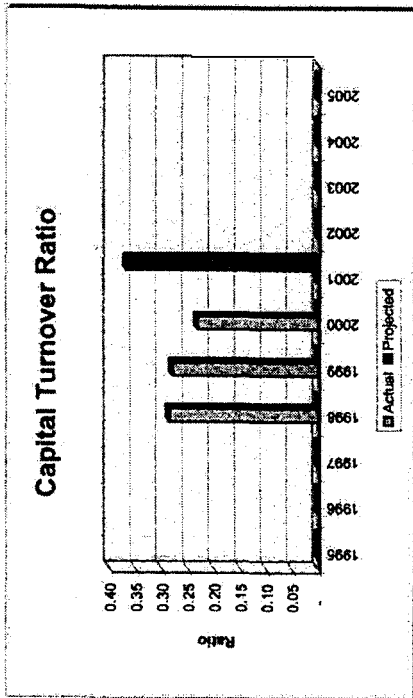
Tom Kieper
Kieper Farms Ltd.

BALANCE SHEET/ NET WORTH ANALYSIS

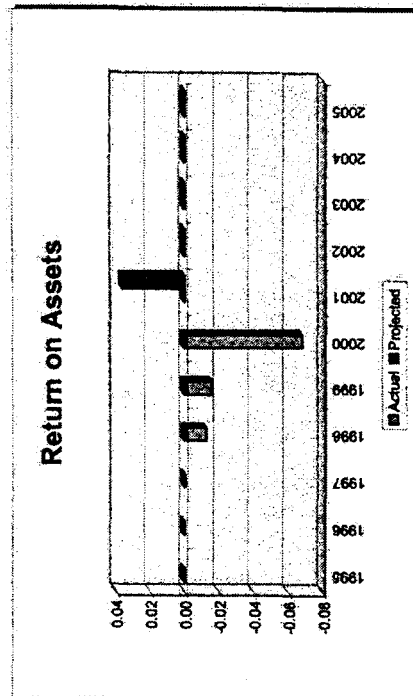
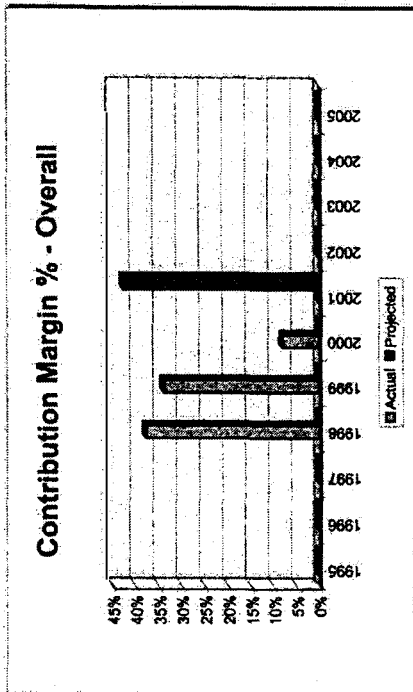
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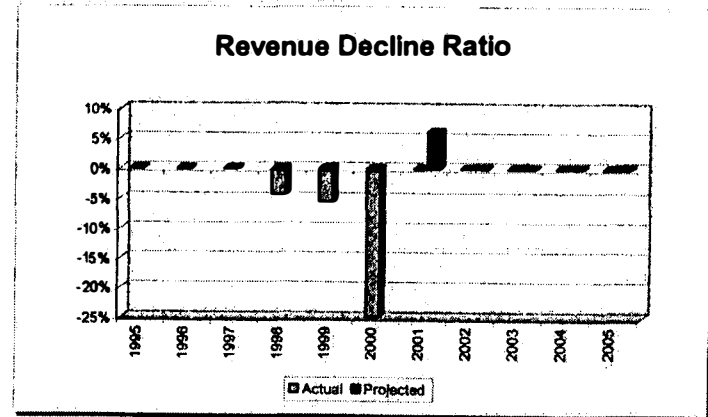
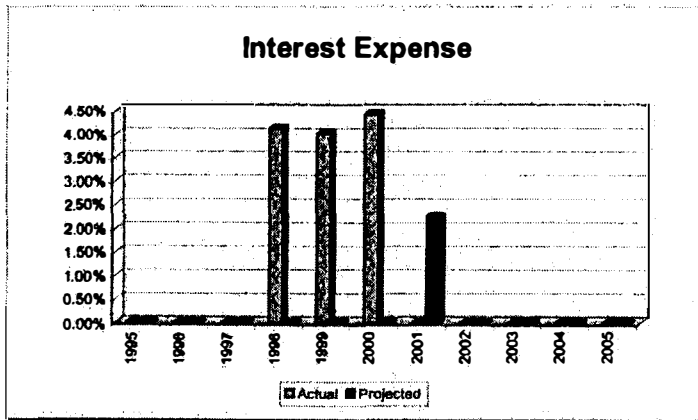
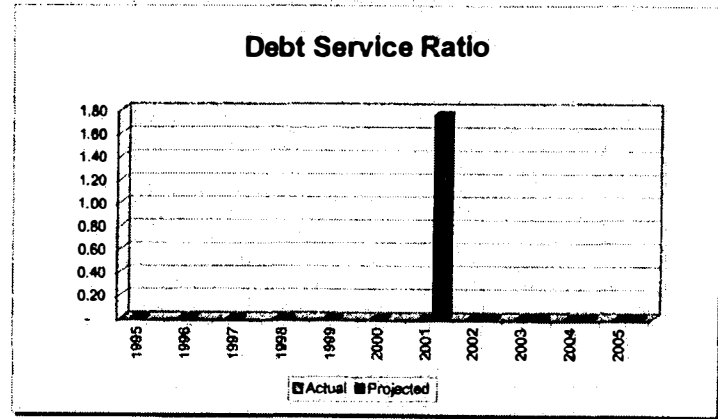
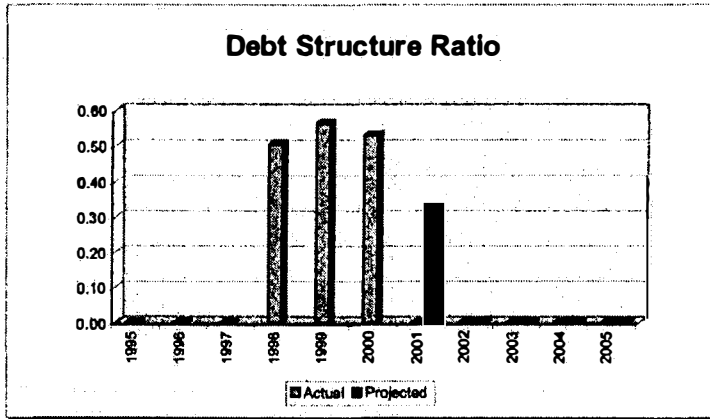


INCOME STATEMENT ANALYSIS



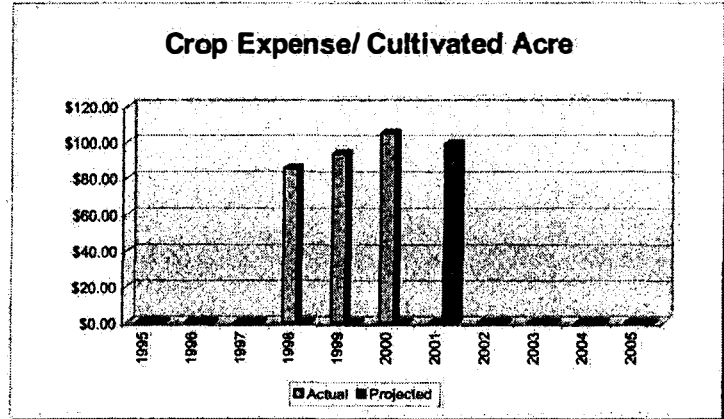
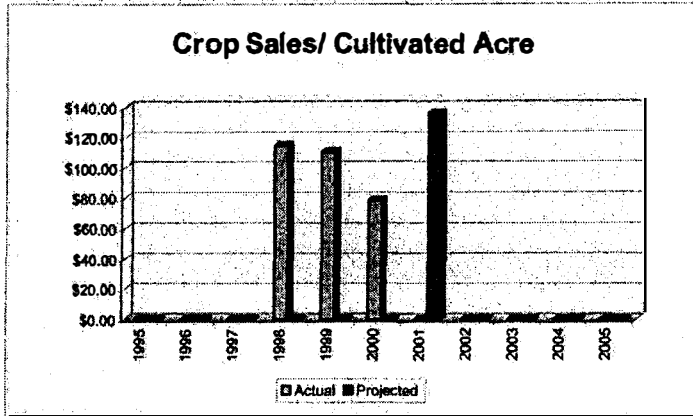
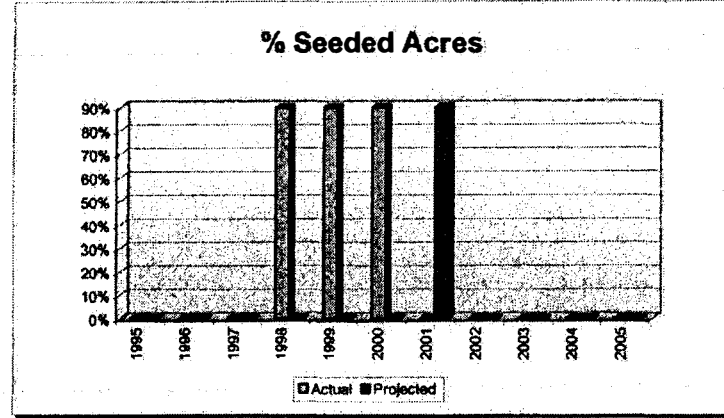
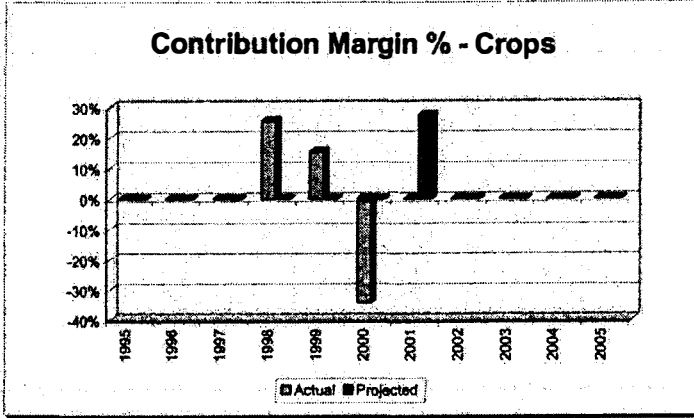
DEBT SERVICING ANALYSIS

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CROPS ENTERPRISE ANALYSIS

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ENTERPRISE ANALYSIS CONT'D.

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