



PATHS TO PROSPERITY

RESPECT FOR RURAL ONTARIO

An Ontario PC Caucus White Paper

March 2013



Ontario's farming origins have become part of our rich history. But the central importance of agriculture to our province, and to bringing good jobs back for its people, is very much a part of our present – and our future.

It seems, though, that the current government needs a reminder of the importance of agriculture. After all, it rivals the size of Ontario's auto sector. And the extent of the role that innovation, entrepreneurship and technology play in farming today is remarkable: In my own riding of Niagara West-Glanbrook – where agriculture is the largest industry – I've seen how our wineries, greenhouses, farms and research facilities have embraced new technologies over the years, reaching out to markets across Canada and the world. I'm tremendously proud of that.

It's clear that modern, sophisticated farming can drive job creation in every corner of Ontario. In addition to being a mainstay for jobs across rural Ontario, thousands of jobs in the Greater Toronto Area depend on food processing alone.

So don't let anyone tell you agriculture is some quaint antique from the 19th century: A recent study by McKinsey & Company, the management advisory firm, anticipates that by 2025 the world's emerging economies will develop middle classes of such size that consumers in these countries will spend \$30 trillion annually in global markets – markets for the things we grow, harvest, forge, mine, invent and build, right here in Ontario. McKinsey calls this “the biggest growth opportunity in the history of capitalism”.

Ontario cannot let this coming boom pass us by – especially in agriculture. We can be the breadbasket to the world, and ignite a comeback for our rural communities. But to get there, we've got to get our economic fundamentals back in shape to enable our farmers and agri-food businesses to compete and expand their markets: Lower taxes. More affordable energy. An end to red tape in which political science trumps verifiable science.

In short, no one can afford to be indifferent to our farming communities. We must continually develop new agricultural technologies and expand export opportunities. We need bold, confident action to help make Ontario farmers world leaders again in innovation – heralding more of the breakthroughs that have seen fewer farmers feed so many more people here at home, and around the world.

Ontario farmers started with a challenging northern environment and became leaders in global agriculture and a pillar of our economy, while building thriving rural communities. The ideas you'll find in *Paths to Prosperity: Respect for Rural Ontario*, are designed to build an even brighter future.



Tim Hudak
Leader of the Official Opposition



Ernie Hardeman, MPP

MPP FOR OXFORD

As Critic for Agriculture, Food and Rural Affairs, I've been pleased to undertake an extensive consultation to hear from farmers, food processors and agribusinesses about the challenges they face and how we can strengthen their industry. Too often agriculture and rural Ontario have been treated by the current government as an afterthought rather than being included in the decision making process. There is growing concern about a rural-urban divide. That needs to change.

We need to work together to address the challenges that rural Ontario is facing – red tape in the agriculture industry, lack of local say in energy projects and the need to attract more young people into agriculture and food manufacturing.

In order to succeed, our farmers and food processors need the right environment – with lower taxes, more skilled labour and less red tape.

Ontarians increasingly understand the importance of local food. We propose increasing access by creating a new regional food terminal and increasing market access for Ontario wines, beer and spirits.

In this document we have put forward some of our ideas to strengthen the agriculture industry and build strong rural communities.

I want to thank everyone who contributed to this white paper, including the many people who took the time to share their expertise through our surveys, roundtables, meetings or our policy advisory committee. We hope people will take the time to read this discussion paper and share their thoughts. Please let us know what you think by contacting me at ernie.hardeman@pc.ola.org or **416-325-1239**.

A handwritten signature in blue ink, appearing to read "Ernie Hardeman". The signature is fluid and cursive, with a large initial "E" and "H".

Ernie Hardeman
Ontario PC Caucus Agriculture, Food and Rural Affairs Critic



51,950
farms in Ontario

164,400
Ontario jobs generated
by the farming sector

13 per cent
value of rural economy to Ontario's GDP

\$7 billion
*value of wages and salaries
tied to Ontario's farming sector*

\$3.4 billion
Ontario farm sector's contribution to
federal and provincial tax revenue



Over Thirty

pieces of provincial legislation governing Ontario agriculture

386,251

provincial regulations on the books in Ontario

154

hours a year spent by the average farmer filling out government forms

\$11 billion

cost to business to comply with Ontario's regulatory burden

77 per cent

the percentage of farmers who reported that government red tape and paperwork is increasing

REPORT ON CONSULTATION WITH THE AGRICULTURE INDUSTRY

In 2012, the Ontario PC Caucus launched a broad consultation with farmers, food processors and agribusinesses to hear directly from people in the industry about what was working, what challenges they face and their views on government – what the priorities should be and where government is making it more difficult for them to succeed.

We launched the three surveys with the recognition that the sectors are interdependent and therefore challenges affecting one sector impact the industry as a whole. For instance, Ontario food processors purchase 65 per cent of Ontario's agricultural products. The closure of the CanGro cannery facility in St. Davids alone left 150 farmers and 2,600 acres of tender fruit without a market.

During the consultation process, we found there were a number of common themes between the three sectors, such as the overwhelming response that government red tape and paperwork is increasing. In fact, 77 per cent of farmers, 76 per cent of food processors and 86 per cent of agribusinesses surveyed reported increasing levels of unnecessary or duplicate forms and paperwork that add to the workload and hinder operations without adding value.

Significantly, when asked what would allow them to sell more of their product, almost 70 per cent of food

processors said a reduction in the volume of government regulations. The reports of government red tape were particularly high from small abattoirs.

In addition, all three sectors reported challenges from increasing input costs, particularly the increasing cost of electricity.

The availability of skilled labour also emerged as a challenge for food processors with over 65 per cent saying they had difficulties with staffing. The two main issues were ability to recruit and finding people with the required skills.

We want to extend our thanks to everyone who took the time to share their experiences and the challenges they face. The information we received was essential in developing this white paper and determining the issues that need to be addressed to ensure a strong future for Ontario's agriculture, food processing and agribusiness sectors.



REDUCING RED TAPE TO HELP AGRICULTURE GROW

Red tape is still one of the most significant issues for our farmers as shown by 77 per cent of farmers reporting in the PC agriculture survey that red tape is increasing. They spent an average of 154 hours per year just dealing with government red tape and paperwork. That is the equivalent of almost four standard work weeks per year on red tape.

Food processors and agribusinesses reported even more red tape – agribusinesses spent, on average, about 5 ¼ weeks per year just dealing with paperwork.

The Canadian Federation of Independent Business' report, *Fostering Ag Competitiveness*, found that 65 per cent of farmers reported an increased burden of regulatory requirements between 2006 and 2009 – more than any other type of small business in Canada.

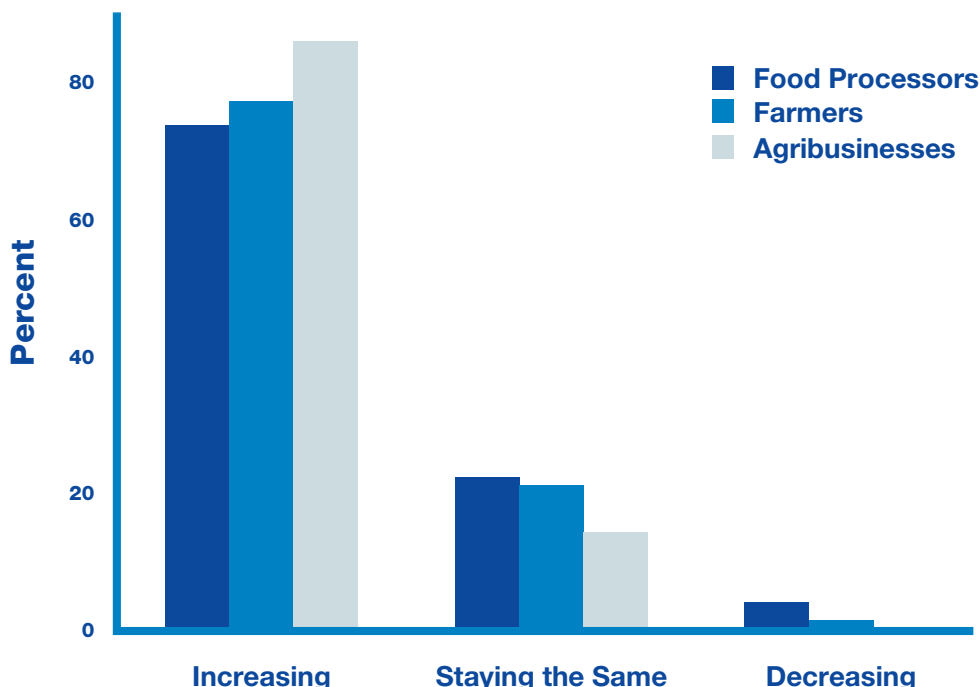
In fact, the Ontario Independent Meat Processors reported that in 2011, the number one reason they were contacted by their members was for help with regulatory questions.

Other jurisdictions such as Quebec, Alberta and Saskatchewan are all competing with Ontario for international investments. If red tape and skyrocketing hydro costs are forcing up the cost of doing business, we will lose out on these new opportunities as well as drive existing companies out of business.

In our survey of Ontario agribusinesses, they reported an average of over seven different licences or permits were required to operate their business. One agribusiness reported they are required to have 20!

Across Ontario, you can walk into agribusinesses and

Government Red Tape is:



Source: Ontario PC Agriculture Survey

find a bulletin board like this one pictured below with all the different licences, permits and certificates that they are required to obtain and post. Some of the different licences actually come from departments located in the same building but each one requires a separate application form and a separate fee.

One of the other issues raised through our survey is that government programs often ask for similar information but require it in a slightly different way, which means the information needs to be recalculated for each form. We would review program applications



Typical bulletin board found in agribusinesses across the province, representing the different licenses, permits and certificates required.

For instance, a company that sprays pesticides commercially is required to have separate licences for storing the pesticides, applying the pesticides to their own land, applying the pesticides to someone else’s property and a vendor’s permit. In addition to all of this, they have to navigate through a series of confusing rules, such as the fact the type of building required for storage is different depending on whether they are spraying the chemicals on someone else’s field or their own.

and requirements to determine where we can make calculations on applications more consistent.

Reviewing licences and permits would be part of our commitment to significantly reducing the regulatory burden in this province. We would investigate which ones could be combined or eliminated to streamline the system and reduce paperwork.

Too often farmers have to deal with multiple ministries and receive conflicting direction or answers to their questions. It shouldn’t be up to a farmer to resolve a difference of opinion between the Ministry of Environment, the Ministry of Agriculture and Food and the Ministry of Rural Affairs. We would create one-window access to government for farmers and agribusinesses so they can obtain information efficiently and get one straight answer from government. This will ensure ministries work together rather than in silos.

Four months after we proposed one-window access

for the industry, the current government made the same commitment. A year and half later they have taken no action on it. We would implement it.

In 2008, the Auditor General released an audit of Agricorp which found, among other problems, that its computer system had a number of weaknesses, such as having limited web technology and requiring significant manual processing. We heard from commodity groups that farmers are inputting the information online and submitting it to Agricorp, but because Agricorp's system is so out-of-date, their staff end up printing it off and inputting it again themselves. Having to retype applications and manually process them is ineffective and results in errors.

Five years after the audit, some progress has been made, but the computer system is still out-of-date, resulting in wasted time and excess paperwork. To

upgrade the system quickly and efficiently, we should look at software options that other organizations are using. The Auditor noted that the programs being used by Quebec, Alberta and the federal government all had features that would be an improvement over Ontario's software. This would save farmers time and make Agricorp more efficient.

In 2008, the Auditor also identified there were \$24 million in overpayments made to farmers that had not been collected and recommended that Agricorp create a system to collect this money in a timely manner. However, Agricorp failed to take any action for an additional four years. Many of these farmers had not received any notice that they owed money since the initial advance payment or overpayment, some of which occurred as long as 11 years ago. A system that inefficient doesn't provide the best value for taxpayers and is unfair to farmers.

PATH 1

Too often farmers have to deal with multiple ministries and receive conflicting direction or answers to their questions. We will help Ontario farmers and agribusinesses by reducing regulatory burden by a minimum of 33 per cent over three years and creating one-window access to government for farmers.

PATH 2

We will modernize Agricorp's computer systems to save farmers time and make Agricorp more efficient.



DEFINING THE ROLE OF GOVERNMENT

After red tape, the next question that we need to address is the role of government in the agriculture industry.

No matter how well farmers manage their operations, they are subject to a unique set of risks such as weather, disease and market conditions. In the past, government has helped farmers manage risk and we believe that is still an important role to protect the future of the industry. However, as we face a \$30-billion deficit, we must recognize that government has limited resources and ensure that risk management programs are truly designed as insurance programs and function as intended. These programs must be based on actuarial principles and be funded by premiums from both the government and farmers.

Neither the government nor the agriculture industry can afford to have more one-off or ad hoc programs that result in payments to deceased or retired farmers, or miss entire groups of farmers. If we want farmers to use these programs, we have to make sure they work.

There was also a severe drought later in the summer that affected crops in many parts of Ontario. We should encourage farmers to participate in these insurance-type programs to manage their risk.

Forage Insurance is an example of a program that certainly has benefits but is in need of updating. One of the challenges identified during the drought last summer was that the current system of measuring rainfall for Forage Insurance is not localized enough. This is the program that insures farmers' hay crops and pastures against too little or too much rain. The problem is that compensation is only paid based on the amount of rainfall at the closest measuring station. Since some of the stations cover a large area, the measurements are not always accurate.

Many farmers said there was a significant variance

“As it is currently designed, [the Risk Management Program] is a so-called “risk-sharing” program, but the province assumes the lion’s share of the risk by assuming all the liability to compensate for any drop in commodity prices. A significant drop in prices could drive up the cost of the program by hundreds of millions of dollars, with no share being borne by the businesses.”

- Don Drummond, Commission on the Reform of Ontario’s Public Services, page 309.

While some programs are not working, there are others, like Production Insurance, that are invaluable to farmers. This program insures farmers against reduced yields and crop losses caused by weather and other natural hazards. Its importance became particularly evident during the extreme weather in 2012. Farmers experienced very warm temperatures early in the spring immediately followed by severe frost, which caused irreparable damage to the apple and tender fruit blossoms, destroying much of the crop.

between the amount of rain received at their closest rainfall station and the amount at their farm. We cannot expect farmers to enroll in insurance programs unless they work. We need to review how Forage Insurance is calculated to increase the number of rainfall stations or look at other options to calculate precipitation levels.

For many years, the Ontario PC Caucus pushed for a Business Risk Management Program for non-supply managed sectors based on cost of production and

modeled on the one developed by grain and oilseed producers.

In fact, in the two years before the program was introduced, the PC Caucus called for a business risk management program in the Ontario Legislature 25 times. Tim Hudak repeated our commitment to introduce the program at the Earlton and St. Thomas plowing matches and in speeches to the Ontario Fruit and Vegetable Growers, Ontario Cattlemen’s Association and the Grain Farmers of Ontario.

We believe the program is important to ensure farmers can continue to operate even if we have several years of bad market prices in a row, as with hogs and cattle in recent years.

In his report to the government, economist Don Drummond raised concerns about the government’s risk exposure through this program. We believe that risk can be reduced while strengthening the program. We would put both government premiums and farmers’ premiums into a dedicated fund that would help to balance the good years and the bad – reducing our risk and benefiting farmers.

Traditionally, agriculture programs are shared 60/40 between the federal and provincial governments. During the last round of negotiations, the federal government made it clear that all levels of government have limited

dollars and that available dollars must be more focused. Given this, it is more important than ever to ensure those dollars are going to programs that benefit Ontario farmers.

The recent federal-provincial agreement, Growing Forward 2, includes a mid-term review of the suite of risk management programs. We believe that Ontario needs to have a strong Minister of Agriculture, Food and Rural Affairs in those negotiations to ensure the programs meet Ontario’s unique needs.

The minister and the government as a whole must continue to be champions for supply management.

As part of the review of the role of government, we need to examine the operations of the Ministry of Agriculture, Food and Rural Affairs to reduce waste and excess bureaucracy that is not adding value. We also want to identify those programs which are significantly benefiting farmers and the agriculture industry to ensure they are continued, like the Environmental Farm Plan.

In our survey, one of the concerns raised by food processors was that the government is creating an unlevel playing field by giving grants to one business over another. This leaves all of the other companies at a competitive disadvantage and, in some cases, can put a competing farm out of business. This happened in Norfolk County to endive growers when one farm



was given a \$300,000 grant. Other farmers in the area were no longer able to compete with the lower prices.

Government should not be in the business of picking winners and losers. Instead, it should focus on creating an environment where all businesses can succeed and use the limited resources to make investments that will benefit the industry as a whole, such as research.

In addition to providing programs for the agriculture industry, another important role of government is protecting animals from abuse. However, it is a system that is not working.

OSPCA inspectors don't have enough training or knowledge of farm animals. As well, charges laid by the OSPCA are being dismissed because proper processes have not been followed. That doesn't result in fairness for farmers or protection for our animals. It wastes time and resources for farmers, the OSPCA and the court system.

We believe that we should have a new approach with proper farm training, independent oversight and increased consultation with veterinarians and commodity organizations to ensure professionalism, fairness and accountability.

PATH 3

Focus resources on insurance-type programs, such as Production Insurance, in which farmers pay premiums to manage their risk. Reduce risk and support farmers by putting all of the Risk Management Program premiums – farmers' and government's – into a dedicated fund to even out good and bad years.

PATH 4

OSPCA inspectors don't have enough training or knowledge of farm animals. We should have a new approach with proper farm training, independent oversight and increased consultation with veterinarians and commodity organizations to ensure professionalism, fairness and accountability.



SUPPORTING LOCAL FOOD

We believe in the advantages of choosing local Ontario food – both to support our farmers and for the health benefits of consuming fresh, nutritious food grown to high Ontario standards.

The desire to purchase local Ontario food is not new. In fact, Foodland Ontario, the government program to promote Ontario food, was established by the PC government in 1977. Today, the Foodland Ontario symbol is recognized by 94 per cent of grocery shoppers. We believe that we should continue to support this program and build on this recognition.

A recent study by Farmers Feed Cities found that only 41 per cent of 18 to 34 year olds claim to be aware of where their food is grown. Consistent with a proposal in our education white paper, to combat childhood obesity we need to increase food literacy by requiring more healthy food education in classrooms, including basic cooking skills. This will ensure that our children have the skills to maintain a healthy diet as well as increasing their knowledge of local food.

“ Making food literacy part of the mainstream school curriculum is supported by 95% of Ontarians. Such changes would provide students with the necessary skills to make healthy food choices and increase their self-efficacy to prepare nutritious meals for themselves. ”

–Sustain Ontario, Backgrounder on Food Literacy, Student Nutrition and Food Service in Schools, July 2012.

We recognize that local food has a number of benefits. In addition to contributing to our economy, it provides food that is fresher, grown to our own high standards and has a shorter distance to travel, thereby reducing the carbon footprint. That’s why we believe the Ontario government should lead by example by buying local food where possible. There are a number of other governments that have already implemented procurement policies to increase their percentage of local food.

Manitoba, British Columbia and Nova Scotia have done a lot of work creating policies and implementing programs and are already identifying best practices such as:

1. Incremental implementation – programs that began with a modest and achievable milestone, then increased local food sourcing percentages year over year were most successful in sustaining their program
2. Close consultation with local farmers – programs that clearly identified the supply chain and worked with local farmers to increase capacity year over year were most sustainable
3. Education and help – pricing issues were mediated to a great extent when buyers were educated on menu changes to reflect seasonal buying strategies
4. Evaluation – the most successful programs were ones in which a process improvement system was clearly defined and followed

Many further European examples exist, most notably in Britain and Italy, where public sector local procurement exists despite the confines of European Union legislation regarding non-discrimination of procurement.

As well, there have been a number of pilot programs in both government buildings and universities and hospitals in the Ontario broader public sector.

We believe that by using the results of these pilot programs and experiences from other jurisdictions, we can create an Ontario procurement policy that is fair, trade compliant and strong enough to have an impact.

Ontario directly purchases about \$13 million of food each year just for the province's correctional facilities and educational facilities for youth with special needs. This provides a significant opportunity for leadership.

To continue to promote Ontario food and grow our food processing sector, we need to ensure that retailers and restaurants can connect with small producers and processors. The Ontario Food Terminal in Toronto has been called the "stock exchange" for food. The facility is the largest wholesale fruit and produce distribution centre in Canada and the third largest in North America. Each year, almost one million tons of produce is distributed. This is also where local buyers come to purchase their produce directly from the sellers.

This food terminal works to create farm-to-city linkages and shortens the distance that our food travels. So this begs the question: Why aren't there more of them in Ontario?

We would encourage the creation of a new regional food terminal in an area where there is demand. It could be operated under the umbrella of the existing Ontario Food Terminal or be a new organization created by processors and farmers themselves.

One processing sector that has been limited by their ability to distribute is Ontario's wine industry. Over the past forty years, the Ontario wine industry has grown from less than 10 wineries to over 180, which means there isn't room to display them all on LCBO shelves. People in Ontario like to support these award

winning wineries by visiting when they can, but they also want the ability to purchase great Ontario wines closer to home. The same can be said for Ontario's craft brewers, which is the fastest growing segment in the LCBO. With 47 brewery locations, Ontario craft brewers represent over 700 jobs.

As we laid out in *Paths to Prosperity: A New Deal for the Public Sector*, we would look for ways to increase market access by allowing wine, beer and spirits to be sold in locations other than the LCBO. For example, the Ontario Wine Council has recently launched a campaign to promote the idea of new local wine stores, called MyWineShop.ca. We like this idea and it is one way we could expand market access.

At the same time, we would work with the LCBO to reduce bureaucratic systems that make it more difficult for our smaller wineries to operate.

We recognize that legislative changes are required to implement some of these initiatives. We would introduce a comprehensive *Ontario Food Act* that would support local procurement and help our farmers, food processors and agribusinesses by reducing red tape and supporting Ontario's food system. To have an impact, the legislation needs to address our entire food system from field to fork and contain real, meaningful changes. This Act would also include our proposals for a dedicated fund for the Risk Management Program and the one-window access to government for farmers and agribusinesses.

PATH 5

To ensure our retailers and restaurants can connect with small producers and processors, we would encourage the creation of a new regional food terminal. It could be operated under the umbrella of the existing Ontario Food Terminal or be a new organization created by processors and farmers themselves.

PATH 6

We will lead by example in supporting local food by increasing the amount of Ontario grown food purchased by the broader public sector and introduce a comprehensive *Ontario Food Act*.

DEVELOPING THE SKILLS NEEDED

The agriculture industry is increasingly becoming more high tech, requiring knowledge of science, mechanics and computers as well as animal care and crop management. For the industry to be successful, we need people who have the skills required and the confidence that there is potential in this industry for a rewarding and profitable career.

A recent study commissioned by the University of Guelph's Ontario Agricultural College found there is a large gap in the supply of graduates trained in agriculture and food programs. They also found that employers are having difficulty finding suitably trained graduates. The study found there are three job openings for every one student who graduates from the Ontario Agricultural College.

Similarly, the food processing industry now requires highly skilled labour. This is an example of where the government could make strategic investments that would benefit the industry as a whole instead of providing grants to individual companies. We should build on our existing excellent programs and facilities so that our agriculture and food processing sectors have access to the skilled labour they need. This is especially important for our abattoirs and meat processors who

are severely restricted by their lack of skilled labour.

However, training facilities alone are not the solution – for food processing or the agriculture industry. The average age of farmers is increasing. The most recent data from Statistics Canada reveals that the average age of a farm operator in Ontario is 55 years old. Only eight per cent of farmers are under the age of 35. Both the food processing and agriculture sectors are having difficulty attracting young people.

We would look at ways to encourage young people to consider careers in these areas. We could work with farm organizations to create new co-op programs that would allow students from cities to experience life on a farm.

The most important factor in increasing the number of young people choosing these professions is to create an environment where they can have a successful career. There is a significant investment required to start a farming operation. To have more young people consider taking that risk and for financial institutions to support them, they need to know they can succeed.

“ **Clearly, attracting new entrepreneurs to agriculture and the successful transfer of Canadian farms to the next generation of producers is one of the most important issues facing the Canadian agriculture industry today.** ”

–Canadian Federation of Independent Business, Fostering Ag Competitiveness, July 2012.

PATH 7

The average age of farmers is increasing and the industry is having difficulty attracting young people with the right training. We will encourage young people to consider careers in agriculture and food processing and build on our existing excellent facilities so that abattoirs and meat processors have access to the skilled labour they need.

CUTTING EDGE RESEARCH AND INNOVATION

We need to recognize that agriculture in Ontario is changing and evolving. Farmers are adapting not only to new technology but to market conditions and changing consumer preferences.

Over the last twenty years, we have seen a shift in the type of apples consumers prefer which has required the replanting of orchards. As we lost our canneries, tender fruit farmers had to adapt – removing clingstone peaches and planting freestone or semi-freestone to access new markets. Greenhouse growers who depend on the export market have to find new ways to compete with a Canadian dollar that is close to par with the American dollar.

As we move forward, research and innovation will continue to play a significant role in the industry, funded through private sector companies such as Shur-Gain, which operates its own research farm, and conducted through public institutions, such as our universities. Government has a role in supporting this research and we need to regularly review projects to ensure that public dollars are being spent in the most efficient way and to identify gaps.

For instance, the current government gives out \$425,000 a year in prize money at the Premier's Agri-Food Innovation photo-ops. These are prizes given to people who have already made innovations without requiring government money. Is that the best use of funds when we have other needs that are not being met? The Ontario Cattlemen have identified a need

for a beef nutritionist – a position that used to exist at the University of Guelph until 2010. The impact of that vacancy became more apparent last summer when, due to the drought, farmers were seeking advice on alternative feeds and how to safely use drought-stressed corn as grain feed.

Over 76 per cent of food processors said one of the reasons they source items internationally is the inability to find the same product grown in Ontario. We need to promote additional research into adapting crops for other climates and meeting the needs of multicultural markets.

While we must take advantage of these opportunities here at home, we must also develop markets around the world. In their report, the Jobs and Prosperity Council identified that the global demand for food is increasing and agri-food is an export industry where we have an inherent advantage. The Ontario Chamber of Commerce also recognized agriculture and agri-food as a sector that has significant potential for export growth. With a manufacturing “renaissance” on the horizon, we need to increase our export activity and develop these markets, particularly for value-added products to grow our food manufacturing sector.

PATH 8

The government plays an important role in research and development through institutions like our universities. We must make sure scarce dollars go towards initiatives that keep us on the cutting edge and increases productivity. There are new opportunities to meet the needs of new multicultural markets as well as service food producers who are currently sourcing internationally.

PATH 9

While we must take advantage of opportunities here at home, we must also develop markets around the world. We will develop these markets particularly for value-added processing products.

PROTECTING OUR ENVIRONMENT

Farmers are good environmental stewards because they depend on their land and respect what it can produce.

That has been recognized by the invitations for an Ontario Federation of Agriculture representative to speak at forums on sustainable agriculture all over the world. People who live in rural areas generally do so in part because they appreciate the land. We need to protect our environment but we need to do so in a way that is sustainable, based on science and developed in consultation with those who will be impacted.

Too often it seems that programs that affect farms and rural communities are designed in Toronto – with good intentions – but without talking to the people whose property is impacted by the program. The agriculture industry must be considered a stakeholder

when environmental policies are formed. By working together, we can find solutions that will achieve our environmental goals while allowing farmers to farm and rural residents to enjoy the use of their property.

However, we need to recognize that occasionally the use of private property is restricted to accommodate a public good that we all believe in. For example, by declaring it an environmentally protected area. We will ensure property owners get a fair deal from their government if their land is required for public purposes. We will offer fair and reasonable incentives or compensation to encourage Ontarians to protect sensitive environmental land.

“ Although agri-businesses are recognized as good stewards of environmental protection, they constantly face high compliance costs and are often not compensated for their contribution. ”

- Canadian Federation of Independent Business, Fostering Ag Competitiveness, July 2012.



The growing market for renewable fuels provides an opportunity for our rural communities that will benefit the environment and create new jobs. It is time for Ontario to catch up to other provinces that have built off of the federal mandate for an average two per cent renewable diesel in all diesel sold in Canada. Renewable diesel can be defined as a substitute made from renewable materials. Biodiesel is one common example.

Biodiesel is a safe, non-toxic, clean-burning, biodegradable and renewable fuel. It can be produced from a number of underutilized or waste products such as recycled cooking oils and animal fat, as well as from canola or soybeans. It is safe to use in all diesel vehicles and can also be used as heating oil.

When blended, its performance is similar to conventional diesel in automotive engines, but it emits significantly less greenhouse gasses and reduced tailpipe emissions. Biodiesel is also 10 times less toxic than table salt and as biodegradable as sugar.

We know this renewable diesel is going to be produced. The question is: In which province will companies choose to produce it? Manitoba, British Columbia, Saskatchewan and Alberta have already implemented provincial biodiesel mandates of two per cent or higher.

A two per cent mandate in Ontario will result in a cleaner environment, expanded markets for waste products, such as kitchen oil from restaurants, and

new manufacturing facilities that will bring more jobs to our rural communities.

We want Ontario to receive the benefits, opportunities for farmers and investment in our rural communities. We are proposing a two per cent biodiesel mandate for all diesel sold in Ontario. This mandate will require fuel suppliers to blend two per cent biodiesel in their overall sales of diesel fuel.

As recommended by the Canadian Renewable Fuels Association and Grain Farmers of Ontario, we would remove the biodiesel tax exemption which is currently benefitting oil and gas companies rather than Ontario biodiesel producers. This is forecast to save taxpayers an average of \$23 million a year over the next 10 years. We believe that a provincial mandate consistent with the two per cent federal biodiesel mandate will be more effective in growing the Ontario biodiesel industry.

Biodiesel Mandates in Canada	
4%	British Columbia
2%	Alberta
2%	Saskatchewan
2%	Manitoba
???	Ontario

PATH 10
 Too often it seems that programs affecting farms and rural communities are designed in Toronto without talking to the people whose property is impacted by the program. We will increase consultation with farmers and rural residents before implementing programs that will impact them. We will ensure property owners get a fair deal by providing appropriate incentives or compensation when their land is required for public purposes.

PATH 11
 We propose implementing a two per cent biodiesel mandate for all diesel sold in Ontario. It would be good for the environment and good for jobs.

TURNING ENERGY FROM A WEAKNESS TO A STRENGTH

Unaffordable subsidies for industrial wind farms have taken away rural say and divided rural Ontario.

They have also contributed to skyrocketing increases in electricity costs. Over 60 per cent of farmers who participated in our survey said the impact of increasing electricity costs has been significant. For food processors it is even more of a challenge, with 80 per cent of them saying they have been significantly impacted by electricity increases.

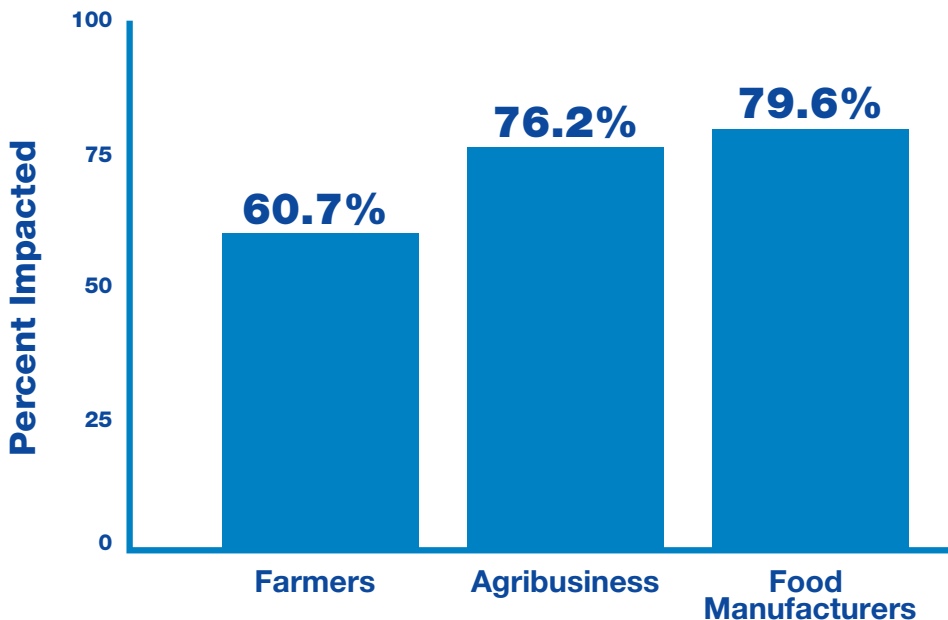
In order for our agriculture industry to continue, we need to protect our best farming land. As the Ontario Federation of Agriculture requested, we would prevent solar projects from being built on prime agricultural land.

As outlined in a previous Ontario PC Caucus white paper, *Paths to Prosperity: Affordable Energy*, we propose winding down the province's Feed-in-Tariff Program for both large and small power generators. We would immediately halt all new projects still in the approval queue. All existing projects that are connected to the grid will remain in place but we can't keep contracting for power that we don't need, at prices that we can't afford.

PATH 12
 Wind turbines should not subsidize a few farmers at the expense of the rest. We will wind down the non-competitive Feed-in Tariff Program and subject all future wind and solar projects to tests like demand assessment, competitive bidding and local approval.

All new power projects would be subjected to the test: Do we need the power, is the price competitive and is the host community willing to accept the project?

Significantly Impacted by Hydro Costs



Source: Ontario PC Agriculture Survey

STRONG RURAL COMMUNITIES

There is a stereotype of a rural Ontario full of nothing but farmers. While the agriculture sector makes up a significant part of the economy, it's small town Ontario that has provided our businesses, universities and colleges, and our manufacturers with the talent and skilled workers they need. Small businesses on the main streets of our province employ almost 30 per cent of the entire workforce in Ontario.

Yet small business owners haven't been able to reach their full potential. They've been over-taxed and over-regulated by a government that simply doesn't understand their business. If we want to create strong rural communities that are competitive worldwide, we need to move past antiquated views of rural Ontario.

To turn things around in this province, we need all of Ontario to be firing on all cylinders. The economic success of both rural and urban communities is inextricably linked – not separate as the current government would have you believe. Our rural communities innovate and produce products for markets around the world. One example is Iceculture in Hensall, ON. The company is a huge success story and boasts customers in 58 countries. They're recognized as an innovator in the industry and even produced sensitive ice components for a NASA shuttle.

The PC vision for Ontario is one where we innovate, build, grow, harvest, forge and mine – selling products in demand the world over. But in order to get there, we need to do more for small business. We have to make sure they have access to the skilled labour they need in order for their business to succeed and grow.

In a previous PC Caucus white paper, *An Agenda for Growth*, we committed to significantly reducing the regulatory burden. We will also tie individual ministers' cabinet pay to accomplishing these targets. And in order to prevent future regulatory creep, we would require that for every new regulation, at least one other must be removed.

We put forward 15 new ideas to grow the economy and kickstart job creation. We proposed a very different approach of smaller, more focused government and a level playing field for all to succeed through lower taxes, free trade and less government interference.

We recognize that an important part of creating jobs in rural Ontario is having the necessary infrastructure. Broadband internet access allows businesses to build

their base in rural communities but still access and sell to the world. Access to high-speed internet is an important tool. We would continue investments to bring it to rural communities.

Strong rural communities also need strong schools so they can they remain destinations for businesses and families. As we outlined in *Paths to Prosperity: Preparing Students for the Challenges of the Twenty-first Century*, declining enrolment across the province threatens schools in most boards, but particularly in rural areas where enrolment is often low already and the nearest school is far away in another community. Closing rural schools can have a dramatic impact in small centres where the school is often the heart of the community.

The economic impact of closing a school in a rural area should always be considered. As part of the solution, there is no reason why students from more than one school board can't be housed in the same building to save a community school.

The most commonly cited reason for closing a small school is that it lacks the size to offer the necessary breadth of courses. This is mostly a secondary school problem. School boards believe a secondary school should have 800 students to offer all that students want, but there is another way. Virtual learning offers more courses in schools without needing 25 people in a classroom or providing a classroom teacher. This approach would help to provide a choice of courses in rural schools comparative to that in the cities.

Schools are public buildings that are expensive to build and maintain. The public should get full value for its tax investment. The solution lies in the people of a community pulling together to share a school.

Another key element to building strong rural communities is making sure the needed transportation infrastructure is in place. The gas tax is supposed to help municipalities with this. For many people

in rural communities, owning a car or a truck and purchasing gas are not luxuries. Rather, it is essential to getting to work, buying groceries and allowing their children to participate in activities. They pay the gas tax in part because there is no public transit available and yet the proceeds from gas tax only go to urban communities with transit. That's not fair and it ignores the infrastructure needs of rural Ontario. We will allocate a portion of the gas tax to all rural municipalities.

When young people are deciding where to locate, one of the biggest factors is the availability of jobs. By creating an environment where businesses can succeed, encouraging more young people to consider agricultural careers and investing in rural infrastructure through the gas tax, we will help build the future of our rural communities.

PATH 13

We should think of our schools as community learning centres, but not all the learning has to be delivered by teachers. Schools that have day care centres attached are actually a first step in this direction. Schools should be real community hubs that attract money and offer services from other levels of government and community organizations.

PATH 14

Even though all communities pay the gas tax, those that are too small to have a bus or subway system do not get a share of the gas tax revenue. We will allocate a portion of the gas tax to all rural municipalities to meet their local infrastructure needs.



A BETTER PATH FORWARD FOR HORSE RACING

The horse racing industry is an essential component of Ontario's rural economy. It employs 60,000 men and women, giving them work they love, and helping to sustain towns and rural communities across the province.

Horse racing is simply an irreplaceable part of rural life, but all the good it creates has been threatened by an ill-considered government policy that will leave a much smaller industry with an uncertain future, if it has any future at all.

People across rural Ontario are rightly concerned about the current government's decision to end the slots at racetracks plan that has been in place since 1998, pushing aside rural Ontarians in favour of big international casino corporations. The current government has wrongly portrayed the program as a subsidy to horse racing. In fact, it is an economic development partnership that sees 75 per cent of the profits from the slots go to the province, 10 per cent to horsemen, 10 per cent to racetrack operators and five per cent to local municipalities. It is a plan that has worked well for the government and for the horse racing industry.

The government has created temporary deals with some tracks, essentially to pay a bit of rent to house the slots and keep some money flowing while it works on its big casino expansion plan. But that doesn't give the horse racing industry any certainty.

There is a better way. The Ontario PC Caucus has

proposed alternatives that would save thousands of jobs and revitalize a job-creating sector of our economy. Our critic for Economic Development Monte McNaughton has undertaken an extensive province-wide consultation with the horse racing and casino industries to look at long-term, sustainable alternatives to the current gaming strategy.

So far, we have heard overwhelmingly positive feedback on a proposal put forward in a previous discussion paper, *Paths to Prosperity: A New Deal for the Public Sector*, to give racetrack operators an opportunity to buy existing slots operations at fair market value, which could save their industry while still providing a good return to taxpayers.

We need to shelve the OLG's empire building plan to open up 29 new casinos. If we decide to expand gaming option, then why not build off of what is already working and successful in welcoming communities? This would provide the certainty necessary to make investments and create jobs in Ontario.

We will strengthen partnerships with the job-creating horse racing industry, not tear them apart. It's what rural Ontario, the horse racing industry and thousands of dedicated workers deserve.

PATH 15

Horse racing must be a key component of Ontario's gaming strategy. The government should cancel the Ontario Lottery and Gaming Corporation plan to abandon racetrack slots and spend money on new casinos. Instead, we will build partnerships with the horse racing industry, allowing it to thrive.

CONCLUSION

Rural Ontario is an important part of our province and our economy, but too often it isn't considered when decisions are made around the cabinet table. We believe that it is time for a new approach that includes more consultation and respect for rural Ontario.

When the government proposes legislation and regulations, it must consider the impact on all of Ontario – from our large cities to our small towns and our Northern communities.

Government must develop effective policies that support our rural communities and our agriculture industry. For instance, the government should demonstrate leadership on supporting Ontario food through procurement policies and by looking at initiatives such as creating a regional food terminal to help producers and processors connect with restaurants and retail operations.

Some people say the best way to support local food is by supporting our farmers. We agree.

We believe that working with the agriculture industry we can create an environment that will help them succeed here at home and be competitive with the world. This will require cutting red tape, increased consultation to determine the impacts of programs before they are

implemented, insurance-based programs to manage risk and an affordable, and reliable energy supply.

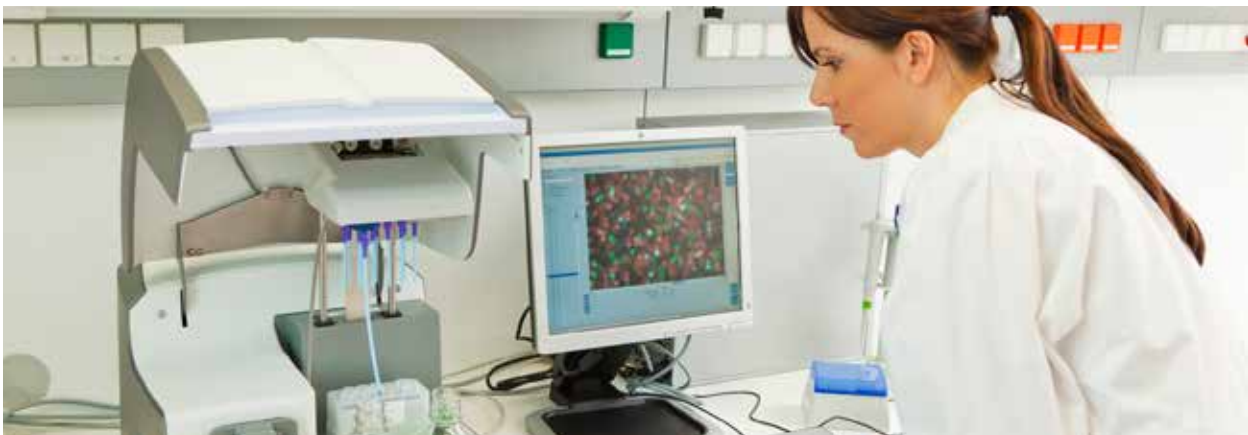
A recent economic impact analysis for the Alliance of Ontario Food Processors determined the food and beverage processing is a \$39-billion sector, with over 120,000 direct jobs and close to \$7 billion in exports. As the worldwide requirements for food continues to increase there will be more opportunities for both our primary agriculture industry and our food processing sector to grow.

As the industry grows, more skilled labour will be required which will create new opportunities for our young people. We need to encourage young people to consider careers in those fields, ensure they have the skills needed and create an environment where they can be successful.

Working together we can strengthen our rural communities and our agriculture industry to deliver a plan for prosperity and a bright future.

“The economic sustainability of rural communities is heavily dependent on their ability to attract and retain skilled and experienced trades-people.”

- The Monieson Centre, Queen's School of Business,
Promoting Skilled Trades in Rural Ontario, December 2008.



PATHS TO PROSPERITY

RESPECT FOR RURAL ONTARIO

PATH 1

Too often farmers have to deal with multiple ministries and receive conflicting direction or answers to their questions. We will help Ontario farmers and agribusinesses by reducing regulatory burden by a minimum of 33 per cent over three years and creating one-window access to government for farmers.

PATH 2

We will modernize Agricorp's computer systems to save farmers time and make Agricorp more efficient.

PATH 3

Focus resources on insurance-type programs, such as Production Insurance, in which farmers pay premiums to manage their risk. Reduce risk and support farmers by putting all of the Risk Management Program premiums – farmers' and government's – into a dedicated fund to even out good and bad years.

PATH 4

OSPCA inspectors don't have enough training or knowledge of farm animals. We should have a new approach with proper farm training, independent oversight and increased consultation with veterinarians and commodity organizations to ensure professionalism, fairness and accountability.

PATH 5

To ensure our retailers and restaurants can connect with small producers and processors, we would encourage the creation of a new regional food terminal. It could be operated under the umbrella of the existing Ontario Food Terminal or be a new organization created by processors and farmers themselves.

PATH 6

We will lead by example in supporting local food by increasing the amount of Ontario grown food purchased by the broader public sector and introduce a comprehensive *Ontario Food Act*.

PATH 7

The average age of farmers is increasing and the industry is having difficulty attracting young people with the right training. We will encourage young people to consider careers in agriculture and food processing and build on our existing excellent facilities so that abattoirs and meat processors have access to the skilled labour they need.

PATH 8

The government plays an important role in research and development through institutions like our universities. We must make sure scarce dollars go towards initiatives that keep us on the cutting edge and increases productivity. There are new opportunities to meet the needs of new multicultural markets as well as service food producers who are currently sourcing internationally.

PATH 9

While we must take advantage of opportunities here at home, we must also develop markets around the world. We will develop these markets particularly for value-added processing products.

PATH 10

Too often it seems that programs affecting farms and rural communities are designed in Toronto without talking to the people whose property is impacted by the program. We will increase consultation with farmers and rural residents before implementing programs that will impact them. We will ensure property owners get a fair deal by providing appropriate incentives or compensation when their land is required for public purposes.

PATH 11

We propose implementing a two per cent biodiesel mandate for all diesel sold in Ontario. It would be good for the environment and good for jobs.

PATH 12

Wind turbines should not subsidize a few farmers at the expense of the rest. We will wind down the non-competitive Feed-in Tariff Program and subject all future wind and solar projects to tests like demand assessment, competitive bidding and local approval.

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Please let us know what you think by contacting us at:

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Ontario