National Cattle Feeders' Association

Finance Pre-Budget Consultations
2016

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EXECUTIVE SUMMARY

About the National Cattle Feeders' Association

The National Cattle Feeders' Association (NCFA) was established in 2007 to represent Canadian cattle feeders on national issues and to work in collaboration with other cattle organizations and government to strengthen and improve the cattle feeding sector. NCFA membership is comprised of provincial beef organizations from the major cattle feeding regions of Canada and funding contribution levels are based on provincial fed cattle populations. Through NCFA, Canada's cattle feeders speak with a unified voice.

The Opportunity

Canada's agriculture and agri-food industries are responsible for 8% of Canada's GDP. The beef industry alone generates $6.8 billion worth of income annually. This vibrant industry is a result of innovative and sophisticated production technologies that result in some of the most affordable, nutritious, and safest beef in the world.

The Canadian beef industry has tremendous potential to increase its contribution to the national economy and create new jobs — especially given new emerging export markets, recently signed free trade agreements, and growing global demand for high quality and trusted protein sources.

If Canada's beef industry is to realize its potential and remain competitive globally, sufficient and reliable public infrastructure must be in place to support day-to-day operations and the rural communities in which the industry operates. In short, investments in infrastructure that support agriculture will serve as an economic driver, a job creator, and a rural community builder.

The challenge lies in the fact that much of the infrastructure investment required to support agriculture is located within small municipalities that cannot afford — even with matching funds — to make the required investments. This is particularly the case with the maintenance and rehabilitation of rural roads and bridges that provide the national benefit of moving Canada's agriculture goods.

The Minister of Finance's Question

What infrastructure investments can best help grow the economy, protect our environment, and meet your priorities locally?

NCFA Recommendation

NCFA recommends that the 2016 federal budget provide leadership by directing funds for rural infrastructure investments required to sustain and grow Canada's agriculture industry, particularly the maintenance and renewal of roadways and the rehabilitation and replacement of bridges.

FULL SUBMISSION

The Opportunity

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Growth of the sector rests on the ability to undertake long-term business planning and this requires reliable infrastructure systems for the long-term.

As Canada's economy struggles, the agriculture and agri-food sector stands ready to realize its full potential as an economic driver. The sector's extensive untapped economic potential, combined with the necessary support via reliable infrastructure funding, will ultimately produce tremendous growth, wealth, and jobs in Canada's rural communities.

However the public infrastructure needs for the agriculture sector fall on the shoulders of the small municipalities within which their operations are located and these municipalities do not have the tax base to undertake these infrastructure projects — even with matching funds. This is particularly the case with the maintenance and rehabilitation of rural roads and bridges that provide the national benefit of moving Canada's agriculture goods.

The Need

Roads

The economic and social health of rural Canada is depends on well-maintained road and bridge infrastructure that connects rural and urban — linking our highly productive agricultural regions to the national transportation network and then to global markets. Because Canada exports up to half of all its agricultural and agri-food production, rural roads and bridges are vital — they are the only transportation conduits for agricultural producers to move their products to national and global markets.

However, one of the key infrastructure challenges for agriculture — including the beef sector — is that the communities they operate in have small populations, large land bases, and growing responsibility for facilitating the movement of Canada's resource exports. These small municipalities simply cannot afford the infrastructure investments required — investments that spur national economic benefits.

NCFA encourages the government to consider establishing a federal infrastructure fund — in partnership with provincial and municipal governments — for the maintenance and rehabilitation of rural roads and bridges. As it is currently structured, infrastructure funding does not provide realistic opportunity to address rural road conditions.

Railways

While new technologies and approaches have modernized the agriculture sector, railways continue to be of critical importance. Cattle feeders depend on a reliable railway system to ensure they have a consistent source of inputs for their cattle. Policies and regulations must create a competitive environment in the rail transport sector, with open access to all rail lines for all rail companies. This ensures agriculture producers can access efficient rail transportation at the best price. Changes to the rail system, rail policies and regulations, and freight rates, should begin with stakeholder consultations that consider the needs and interests of agricultural producers.

Border Infrastructure

North America's beef industry is highly integrated — significant numbers of live cattle are bought, sold, and then moved across the Canada-U.S. border. Not only does the free movement of cattle allow producers to secure sufficient numbers of feeder cattle, it also allows them to take advantage of better or more profitable feeding opportunities and better prices for fed cattle that accrues from competition between Canadian and U.S. processors.

In 2014, approximately 44,600 head of live cattle were imported into Canada, primarily from the U.S. However, Canada exported 1.245 million head of live cattle into the U.S.

Ensuring infrastructure at border crossings is sufficient to meet the increasing demands of the sector is essential. Delays at the border are extremely costly to cattle feeders and place them at a disadvantage to their U.S. competitors. In addition, animal welfare is put at risk when infrastructure at these crossings is not maintained. The federal government must commit to the highest standards of infrastructure and technology at U.S. border crossings in light of increasing demand.

Canada realizes significant gains from trade within the integrated North American beef market. A significant portion of this gain is related to improved access to more purchasers of finished cattle. Cattle feeders are always better off when there are more purchasers bidding on fed cattle.

Telecommunication

Telecommunications infrastructure is key to ensuring the current and future competitiveness of Canadian agriculture. Cattle feeding operations are innovative and sophisticated, making it essential that producers have access to modern communications technology equal in price to services in urban areas. This includes reliable Internet access, private lines with the capacity to handle faxes, competitive long distance and cellular services, and touch-tone and other customized services.

While once a world leader on this front, without new federal government investment in the development of new and emerging telecommunications technology for rural communities, the Canadian agriculture sector will continue to lag behind in its ability to compete globally. Looking forward, the role of the farm will become less attractive as a career path for the next tech-savvy generation. This lack of infrastructure is costly, time consuming, and reduces the opportunities for growth.

Energy

Energy infrastructure and affordable availability of energy is essential to rural communities and cattle feeding operations. The importance of energy costs to the profitability of farm businesses cannot be underestimated — this includes all forms of energy, such as farm fuels, natural gas, electricity, propane, and others.

Social Infrastructure

Equally important are the social infrastructure needs of rural communities that can do much to attract and retain labour for local agricultural operations. This includes childcare, health care, social services, recreation, and education infrastructure. Small rural communities face greater challenges than large urban communities in their efforts to ensure such services. Without support to provide this much needed social infrastructure, agriculture will find it increasingly difficult to attract and retain the required labour, further exacerbating labour shortages that are already a chronic problem for cattle feeders.

EXAMPLE: Rural Infrastructure Issues in Manitoba

Repeated flooding and excess moisture events have severely taxed both Manitoba's beef industry and government treasuries alike. Gaps and deficiencies in Manitoba's water management system have created vulnerabilities in many rural areas of Manitoba that are well suited to cattle production.

For example, residual work remains to upgrade Highway 75. This roadway is the major north-south transportation link through the Port of Emerson. Further work is necessary to ensure Highway 75 is less prone to flooding during years when the Red River overflows.

Without effective long-term water management strategies — including investment in infrastructure — further beef industry downsizing in Manitoba is a very real threat.

In April 2013, the *Manitoba 2011 Flood Review Task Force Report* was released. The report notes the following as a result of the 2011 flood disaster:

- Three million acres of cultivated farmland in Manitoba was left unseeded in 2011 due to flooding. The problem was so severe it spilled over into the spring of 2012 in many areas;
- Tens of thousands of cattle had to be relocated, and some sold, because of flooded pastureland. The largest numbers were from the area around Lake Manitoba and Lake St. Martin, some of the most productive cattle-producing regions of the province; and
- The flood affected 154 provincial roads and highways and 500 municipal roads.

In January 2016, the *Assiniboine River and Lake Manitoba Basins Flood Mitigation Study* was released. This 1,600-page report identified a series of upgrades to mitigate the risk of future flooding and to address vulnerabilities in the system. The upgrades were estimated at a cost of $1.159 billion.

The Government of Manitoba has accepted the recommendations of the report, but has not outlined a timeframe for acting upon them. It is expected that the Manitoba government will likely pursue federal investments in some or all of these projects. Infrastructure funding should be committed by both levels of government now to swiftly action the required infrastructure upgrades and improvements.

EXAMPLE: Rural Infrastructure in Lethbridge Country, Alberta

The County of Lethbridge in southern Alberta is home to Canada's most productive agricultural land for both crops and livestock. The region's unique climate — marked by higher than average sunshine and significant heat units — results in a productive and longer than average growing season. Significant federal investments in the irrigation infrastructure have levered these natural conditions and established southern Alberta as Canada's most valuable agricultural region.

Southern Alberta's mild climate, abundant natural grasslands, and its suitability for growing forage and feed grains have also established the region as North America's fourth largest cattle feeding jurisdiction after Texas, Nebraska, and Kansas. The region is also home to two of Canada's largest federally inspected beef processing facilities.

In 2014, Alberta held 4.7 million head of beef cattle and was responsible for 72% of the total fed cattle production in Canada. The province has a significant number of cattle feeding operations with a standing capacity of 1.4 million head and an annual output of 2.0 million head. In 2014, the province's total farm cash receipts for beef were $4.8 billion. This represents almost 40% of all provincial farm cash receipts and 50% of all Canadian beef farm cash receipts. A significant amount of this activity is centered in the Lethbridge area.

At the same time, municipal governments in southern Alberta are hard pressed to make the infrastructure investments required to continue supporting the needs of Canada's most valuable agricultural region, particularly as it relates to rural roads and bridges. The County of Lethbridge has undertaken significant research into its annual unfunded infrastructure liabilities:

- The county has 110 miles of haul roads that need to be maintained and rehabilitated. Completing 20 miles each year will cost $1.5 million annually;
- The county has 124 miles of hardtop roads that require $500,000 annually; and
- A review of the county's bridges show maintenance, rehabilitation, and replacement costs of $1.5 million annually.

Thus, the County of Lethbridge has an annual infrastructure-funding shortfall of $3.5 million for its roads and bridges. Because of the funding shortage and its limited property tax base, the county has increasingly resorted to road bans and bridge restrictions and closures.

Future infrastructure programming and federal funding must not ignore the needs of Canada's rural areas. This is especially the case for those areas marked by critical agricultural production and resource development. Past federal infrastructure funding has often included a separate rural component. Examples include the federal Prairie Grains Road Program (2000-2005) and the Municipal Rural Infrastructure Fund (2003-2014). Together, these two programs provided approximately $1.5 billion in federal funding for rural infrastructure.

In the next budget, NCFA believes the federal government should make a funding commitment to Canada's rural communities with a particular focus on rural roadways and bridges, which can consume up to 70% or more of a rural municipality's annual budgetary expenditure.

Key Federal Infrastructure Programs (1994-2024)

Program	Year	Funding
Canada Infrastructure Works Program	1994-1997	$2.425 Billion
Residential Rehabilitation Assistance Program	1994-2006	$1.190 Billion
Infrastructure Canada Program	2000-2007	$2.050 Billion
Prairie Grain Roads Program	2000-2005	$0.175 Billion
Green Municipal Enabling Fund	2000-2007	$0.050 Billion
Green Municipal Investment Fund	2000-Present	$0.200 Billion
Strategic Highway Infrastructure Program	2000-2006	$0.600 Billion
Canada Strategic Infrastructure Fund	2001-2006	$4.300 Billion
Border Infrastructure Fund	2001-2013	$0.600 Billion
Cultural Spaces Canada Program	2001-2004	$0.080 Billion
Affordable Housing Program	2001-2007	$1.000 Billion
Municipal Rural Infrastructure Fund	2003-2014	$1.200 Billion
Public Transit Fund	2005-2006	$0.400 Billion
National Recreational Trails	2009-2010	$0.025 Billion
G-8 Legacy Fund	2009-2011	$0.050 Billion
Infrastructure Stimulus Fund	2009-2012	$4.000 Billion
Building Canada Plan	2007-2014	$33.000 Billion
New Building Canada Plan	2014-2024	$53.250 Billion
Total Federal Infrastructure Funding		**$104.595 Billion**

Beginning in the mid-1990s, the federal government has come to play an increasingly larger role in the renewal of the nation's critical economic and social infrastructure. Since 1994, the federal government has invested at least $105 billion in various infrastructure projects. Since much of the federal investment is also leveraged with provincial and municipal dollars, the overall investment over the period goes well beyond the federal funding. Given the growing role of the federal government in infrastructure and the growing needs of many of Canada's rural communities, NCFA believes the next budget must include a funding commitment for investment in the nation's rural infrastructure that supports critical economic sectors such as agriculture and agri-food.

The Recommendation

NCFA recommends the 2016 federal budget provide leadership by directing funds for rural infrastructure investments required to sustain and grow Canada's agriculture industry, particularly the maintenance and renewal of roadways and the rehabilitation and replacement of bridges.

Conclusion

NCFA represents only one sector of a very large agriculture and agri-food industry, all of which depend on a reliable infrastructure system to sustain and grow the sector.

The federal government has actively invested in the agriculture sector through opening new trade markets, supporting research, disease surveillance, and other targeted programs. However, these steps forward are all for not if producers cannot efficiently and competitively move their goods to market.

While past federal infrastructure programs have benefitted many sectors, they have not been designed in a manner that has allowed rural infrastructure to receive the required support. Primarily, this is due to the fact that many of Canada's farms are located in small rural municipalities that cannot afford their portion of various tri-partite infrastructure programs.

If new infrastructure programs continue to be exclusionary, this will severely compromise the agriculture operations and the rural communities that surround them. There is an acute need for the federal government to develop and implement infrastructure programs that apply a "rural lens" which acknowledge the fiscal limitations of Canada's rural municipalities and the pressing realities of their infrastructure needs.