



## **GOVERNMENT OF ALBERTA 2021 BUDGET CONSULTATION ALBERTA CATTLE FEEDERS' ASSOCIATION RECOMMENDATIONS**

### **Recommendation 1**

Pursue meaningful improvements to *Agri-Stability* by removing the \$3 million cap on payments or increasing it to at least \$20 million, eliminating 'reference margin limiting' and increasing the payout from 70% to 85%.

### **Recommendation 2**

Take a proactive and comprehensive approach to labour challenges in Alberta's agriculture sector to ensure the fed cattle industry, and all of agriculture, has timely access to the necessary skilled labour needed to build the rural economy.

### **Recommendation 3**

Establish a dedicated line item in the budget for investments in rural infrastructure, particularly high-speed internet, rural roads and bridges.

### **Recommendation 4**

Ensure the success of rural Alberta and confined feedlot operations by modernizing the provincial property tax assessment and overall taxation system of farmland to reduce the implementation of unfair municipal taxes; and ensure that AOPA serves as the final word on permitting of confined feeding operations.

# ACFA Pre-Budget Consultation Submission

## Overview

The Alberta Cattle Feeders' Association (ACFA) is the voice of Alberta's cattle feeders. ACFA strives to champion innovative and collaborative solutions for a thriving Alberta beef industry on behalf of our members.

Cattle feeding is the cornerstone of the Alberta and Canadian beef industry, connecting the breeding and ranching sectors to the beef processing, wholesale, and retail sectors. In July 2020, Alberta held 4.8 million head of beef cattle, and accounted for 71% of Canada's fed cattle production. In 2019, cattle and calves generated \$5.2 billion in farm cash receipts representing 37.6% of all provincial farm cash receipts and 75.3% of livestock receipts.

Alberta's cattle industry is a critical part of Alberta's economy and has the opportunity to play an essential role in Alberta's economic recovery if provided the proper support.

## COVID-19 Impact

COVID-19 has presented multiple and severe challenges:

- 1) A slow-down in beef processing caused cattle to back-up in feedlots. This back-up peaked at 130,000 head in May and currently sits at approximately 75,000 head. These cattle are costing Canadian feedlots approximately \$300,000 each day.
- 2) Prices for finished cattle fell dramatically. Live market-ready fed cattle usually price between \$155 to \$175 per hundred-weight (cwt) during the first six months of the year. In 2020, prices started at \$165 and then plummeted to \$110. Prices have yet to recover and currently sit around \$135. This \$20 to \$30 drop from the average translates into a loss of \$300 to \$450 per head.
- 3) Increased costs of holding cattle back from the market, rising grain prices and feeder cattle prices continue to erode cattle feeder profitability. From mid-March to mid-October, estimated cumulative losses for ranchers and cattle feeders are \$450 million and growing.

## Looking Ahead

Prior to COVID-19, agriculture in Alberta was poised for growth. Like many sectors, the pandemic has created great financial strain and an uncertain future. ACFA believes that a return to growth is within reach for the beef industry, but only with the right policies, programs, and supports.

***Recommendation 1: Pursue meaningful improvements to Agri-Stability by removing the \$3 million cap on payments or increasing it to at least \$20 million, eliminating ‘reference margin limiting’ and increasing the payout from 70% to 85%.***

Federal and provincial government support to manage agricultural risk involves four programs (*Agri-Insurance*; *Agri-Invest*; *Agri-Recovery* and *Agri-Stability*). These programs provide about \$1.6 billion annually. However, little of this can be accessed by cattle feeders.

Approximately \$1 billion (63%) is paid through *Agri-Insurance* for crop failures. This has little relevance for cattle. About \$250 million (15%) is a government match for producers who make deposits into their *Agri-Invest* accounts. The average size of a cattle account is \$13,000. This does very little for a feedlot with thousands of cattle. And about \$350 million is paid annually through *Agri-Stability*, making it one of the most important risk management tools. Yet, a number of challenges work against participation by ranchers and cattle feeders.

This is why the beef industry appealed for special COVID-19 support under the fourth program, *Agri-Recovery*. While the response under *Agri-Recovery* is appreciated, it does not effectively fit cattle feeder needs, and they will be looking towards *Agri-Stability*.

Currently, only 31% of producers are enrolled in *Agri-Stability*. In 2012, the figure was almost 45%. For cattle feeders, the lower participation rate is due to the \$3 million cap.

A recent study commissioned by ACFA estimates a feedlot of 25,000 head will likely sustain a minimum of a loss of \$6.5 million this year, assuming current market dynamics hold for 2020. The second COVID wave could push losses upwards of \$25 million. In the very best-case scenario, less than half the anticipated loss is covered by *Agri-Stability*, which caps out at \$3 million very quickly leaving feedlots exposed to losses in the tens of millions of dollars.

### **The Cap on Agri-Stability**

The current \$3 million cap on *Agri-Stability* payments has not changed in 20 years. However, there has been a 47% increase in the consumer price index, a 50% increase in the average annual price for finished cattle, and a 70% increase in feedlot input costs.

There has also been growth in the scope and scale of individual feedlot operations. Because of continued concentration and consolidation in the cattle feeding sector, the scale of operations is larger. This has also diminished the relevance of a \$3 million cap.

Between 2011 and 2020, the number of feedlots in Alberta and Saskatchewan fell from 201 to 165. However, the size of the remaining feedlots grew considerably with the largest gains in operations of 10,000 head or more. These feedlots increased, on average, by over 3,300 head. This represents an additional \$8 million in gross sales per operation (assuming a 1,500 lb steer sells at \$1.60 per pound).

To make *Agri-Stability* work for cattle feeders, ACFA is asking for the \$3 million cap on *Agri-Stability* to be removed, or increased to at least \$20 million to reflect the effects of inflation and the growing scale of today’s modern cattle feeding operations.

**Recommendation 2: Take a proactive and comprehensive approach to labour challenges to ensure Alberta's fed cattle industry, and all of agriculture, has timely access to the necessary skilled labour needed to build the rural economy.**

A chronic shortage of labour is the single largest challenge facing Canadian agriculture. Each year, labour shortages cost the Canadian and Alberta beef industry \$435 million in lost sales.

Cattle feeders applaud the focus of the Alberta government in creating new jobs and helping Albertans find employment in this challenging new environment. For example, the introduction of the Agriculture Job Connector is a welcomed program to help employers find skilled workers. Still, finding people willing and skilled to work in rural Alberta is a challenge. Improvements to the rural environment including access to high-speed internet and available housing will help encourage Albertans to live and work in remote locations.

ACFA also encourages the Alberta government to give priority to building the skills required for growth in the agriculture sector. The recently launched Alberta 2020: Building Skills for Jobs task force is asked to review Alberta's post-secondary systems and develop an innovative strategy for the future. We support this initiative and ask the government to focus on excellence in agriculture. As an example, Class 1 Commercial Truck Drivers are not considered a skilled occupation. This means people attempting to achieve their commercial truck license, a skill sorely lacking in the fed cattle industry, are not able to seek Alberta student aid. A re-evaluation of the definition of a skilled occupation to include commercial drivers and other agriculture related positions, and making these courses accessible to all is a good step forward in building needed skilled labour for the agriculture sector.

In spite of recent investments by the provincial government to increase education and job opportunities for agriculture, access to temporary foreign workers (TFW) continues to be necessary to fill many agricultural positions, and then assisting these temporary workers to become permanent residents to build our rural economy. Alberta cattle feeders have had good success bringing in skilled workers, many of whom have found permanent residency in rural Alberta. They bring their families to live in our rural communities and become an essential part of building these communities and contributing to Alberta's economy. To assist in filling these much-needed skilled positions, ACFA recommends significantly reducing the time required for processing TFW applications, and reducing the restrictive educational and English language proficiency requirements in order to more effectively and efficiently transition TFWs into permanent residents through the Alberta Advantage Immigration Program.

In order for Alberta's beef and cattle sector to grow and prosper, access to labour is key. Building our labour pool requires a comprehensive approach that encompasses multiple programs including creating new jobs and helping Albertans find employment; expanding education opportunities; and making the process for bringing in foreign workers and transitioning them to permanent residents more efficient and timely. ACFA asks the government give labour priority in all these aspects.

**Recommendation 3: Establish a dedicated line item in the budget for investments in rural infrastructure, particularly high-speed internet, rural roads and bridges.**

The lack of a strong rural infrastructure foundation is a significant barrier to growth for the beef sector. Most agriculture operations are located in small rural municipalities with a limited tax base to support the infrastructure needed to get agriculture products to market. In the post-COVID recovery phase, these same municipalities are even further financially strained.

The government is already considering economic stimulus programs to boost Alberta's economy, and infrastructure investments are one of the most immediate and effective means of economic stimulus. However, this stimulus must address the needs of all communities and not just urban municipalities. As such, ACFA calls upon the government to boldly prioritize the broadband and transportation infrastructure needs of rural communities so already strained municipalities can provide the infrastructure required to deliver on the first portion of the trip to market.

Our challenge to the government is to implement a dedicated line item in the budget for critical investments in rural and agriculture infrastructure. A separate budget line item highlights the importance of that item, demonstrates a commitment, and enhances accountability.

**Recommendation 4: Ensure the success of rural Alberta and confined feedlot operations by modernizing the provincial property tax assessment and overall taxation system of farmland to reduce the implementation of unfair municipal taxes; and ensure that AOPA serves as the final word on permitting of confined feeding operations.**

Agricultural businesses are highly dependent on rural transportation infrastructure, much of which is the responsibility of municipalities. With a limited tax base, and the decline in the oil and gas industry, many municipalities are struggling and looking for alternative methods to increase their tax base. These methods include recent tax increases at all levels of government from the federal carbon tax and increased provincial fuel taxes (with no corresponding increase in the farm fuel exemption) to one-off levies such as the livestock 'Head Tax' in Lethbridge County, Alberta.

The confined feeding sector recognizes that it is a significant user of infrastructure including roads and bridges. But it also recognizes that they are not the only businesses that rely upon this infrastructure. Rather than a taxation system that is not transparent or consistent across all users, a modernized agricultural taxation system could help to provide all municipalities with a fair and transparent level of taxation for use in building and maintaining the infrastructure necessary to capitalize on agriculture's potential for economic recovery.

ACFA also recommends that while municipalities work to find ways to build their tax base, they do not implement municipal development plans that negatively impact the expansion and growth of agricultural operations including confined feeding operations (CFOs).

The Government of Alberta developed the Agricultural Operation Practices Act (AOPA) to protect agricultural operations and ensure the ability of farmers to operate. As municipalities, and particularly rural residential developments grow, many municipalities are implementing exclusions zones at the expense of agricultural operations. ACFA is asking the provincial government to clarify and strengthen the Agricultural Operation Practices Act (AOPA) to ensure the Natural Resources Conservation Board (NRCB) has an authority over the location and approvals for CFOs or other agriculture initiatives especially when in conflict with Municipal Development Plans and Intermunicipal Development Plans.

