Submission to the Ministry of Finance on the Carbon Tax Review
Victoria, BC
August 31, 2012

We are writing to provide input into your review of BC’s carbon tax. The position of the BC Agriculture Council is that agriculture should be exempt from the carbon tax.

The BC Agriculture Council (BCAC) is the province’s umbrella farm organization. We are a council of commodity groups and, through our members, represent 14,000 of the 20,000 B.C. farm families who, in turn, generate 96 percent of the farm gate receipts in British Columbia. Agriculture is the third largest resource sector in the province.

Importance of the Rural Economy

Agriculture plays a significant and important role in the provincial economy overall. The agri-food sector generates almost $9.6 billion in revenues, directly employing 61,000 people and creating and additional 237,500 agriculture-related jobs through wholesaling, retailing and food service. The entire BC agri-food value chain represents 14% of the provincial workforce, generating over $37.3 billion in revenue. But agriculture’s true contribution is often overlooked because of the unique nature and scope of this important industry.

BC’s agriculture industry is a significant contributor and stabilizing factor in many of the province’s regional economies outside of urban centres by providing jobs and secondary business opportunities.\(^1\) As a result of the Peace River Regional District’s leadership, the Union of British Columbia Municipalities voted in 2009 for an agriculture sector Carbon Tax exemption. The rationale of the UBCM for the exemption was that a strong agriculture sector providing a secure food source is essential to support the residents of British Columbia, and that the carbon tax was negatively impacting farmers’ and ranchers’ ability to produce food competitively and cost effectively (Resolution B81\(^2\)).

A study completed by the BC Cattlemens’ Association in 2011-12 concludes that the cattle sector alone generates an estimated $606 million to the BC economy in direct, indirect and induced output.\(^3\) The sector generates $19.9 million in provincial and $4.9 million in municipal taxes.

In addition to the economic benefits, BC cattle and beef operations provide a number of other societal benefits, such as rural community sustainability, community involvement, open spaces for recreation and tourism, and investments to encourage environmental sustainability.

\(^1\) http://guidetobceconomy.org/major_industries/agriculture.htm
\(^3\) Economic Impact Assessment: British Columbia’s Beef Cattle Industry – Progress Report March 30, 2012
Because carbon tax revenues are not re-invested back into the regions or industries that pay into it, they are a net loss to rural communities where agriculture is a main industry.

**Economic Pressures**

The BC agriculture sector is facing some serious economic challenges which, if not addressed, will put British Columbia’s long-term public policy goal of preserving farmland resources at risk. Statistics Canada numbers (Table 1) indicate that realized net income for BC farmers and ranchers was over $200 million in the red in 2008, and has actually been in negative territory for five consecutive years, from 2006 to 2010. BC is the only province in Canada which has consistently had negative net farm income over this period of time. As an added burden, the anticipated return of the PST is expected to add an additional $15-20 M in taxation cost to BC farmers of ranchers.

**Table 1: Net farm income ($ thousands)**

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>228,874</td>
<td>1,169,299</td>
<td>7,074,812</td>
<td>2,833,879</td>
<td>2,959,206</td>
</tr>
<tr>
<td>BC</td>
<td>-65,783</td>
<td>-147,202</td>
<td>-244,078</td>
<td>-100,287</td>
<td>-51,597</td>
</tr>
<tr>
<td>Alberta</td>
<td>-507,819</td>
<td>-154,346</td>
<td>1,516,038</td>
<td>-473,197</td>
<td>259,345</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>-150,583</td>
<td>544,437</td>
<td>3,780,164</td>
<td>2,060,869</td>
<td>1,091,320</td>
</tr>
<tr>
<td>Manitoba</td>
<td>321,518</td>
<td>258,988</td>
<td>877,035</td>
<td>543,897</td>
<td>56,257</td>
</tr>
<tr>
<td>Ontario</td>
<td>10,815</td>
<td>-90,979</td>
<td>391,153</td>
<td>18,234</td>
<td>488,439</td>
</tr>
<tr>
<td>Quebec</td>
<td>483,723</td>
<td>760,613</td>
<td>794,162</td>
<td>792,839</td>
<td>1,045,149</td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>35,975</td>
<td>10,576</td>
<td>5,738</td>
<td>-20,133</td>
<td>24,804</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>56,540</td>
<td>2,847</td>
<td>-9,270</td>
<td>32,221</td>
<td>25,231</td>
</tr>
<tr>
<td>PEI</td>
<td>40,377</td>
<td>-18,707</td>
<td>-34,210</td>
<td>-13,144</td>
<td>15,717</td>
</tr>
<tr>
<td>Newfoundland &amp; Labrador</td>
<td>4,111</td>
<td>3,072</td>
<td>-1,920</td>
<td>-7,419</td>
<td>4,540</td>
</tr>
</tbody>
</table>

While some of the reasons for the economic situation facing farmers and ranchers, such as the high Canadian dollar, cannot be directly affected by the province, some of the other pressures faced by the industry certainly could be addressed. BC has consistently provided less support to its agriculture sector than all other provinces – investing approximately two percent of GDP generated from agriculture and food into supporting the sector. This is compared to over ten percent in the provinces of Alberta, Saskatchewan and Quebec. This lack of support is undoubtedly at least in part responsible for the negative farm income situation seen in BC over the past five years. Because this situation has remained unchanged from many years, the BC agriculture industry has almost come to accept the fact that direct support for agriculture will be less in BC than in other provinces. The significant additional costs imposed on the sector by government policies such as the Carbon Tax needs to be carefully analyzed against other government policies that impose costs on agriculture.

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4 Statistics Canada http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/agri02j-eng.htm
**Competitive Pressures**

In 2010, BC exported $2.5 billion worth of agriculture, fish and seafood products to over 135 different countries. Because BC already is a high cost producer, the carbon tax, as an additional cost, is a serious threat to our exports as we compete with producing countries with lower costs and no carbon tax. Even countries with a scheme for carbon pricing, such as Australia, have recognized the importance of a viable agriculture sector by exempting all fuel used in the agriculture from the carbon tax.

The price of many BC agricultural products is determined by a world market conditions. Because comparable imported agriculture products are not subject to the Carbon Tax, farmers cannot pass along the increased cost of production caused by the Carbon Tax.

It is ironic that boxes of blueberries grown in Abbotsford BC or in Sumas Washington and sold in Vancouver have similar carbon footprints and similar impact on climatic change. Yet the box produced in Abbotsford is much more costly, partially due to the carbon tax.

The increase cost pressures in BC is actually causing more BC farmers and ranchers to move their operations outside of the province. Members of the BC Blueberry Council, with production units both in Canada and Washington, estimate their production costs at up to 50% higher and land costs at least double in BC. With farm gate prices (adjusted for exchange rates) the same on both sides of the border, more BC farmers are investing in innovation and creating jobs in Washington, rather than BC. It is reasonable to expect that, over time more farms and jobs will move to Washington and there will be no improvements to the environment. The effect of the carbon tax as it affects the competitiveness of sectors competing in a global marketplace needs to be carefully analyzed and considered by government.

**Food Security/Scarce Agricultural Land Resources**

British Columbia also faces the unique situation of having less than five percent of the total provincial land-base with the potential for agricultural production — a reality that served as the impetus for establishing the Agricultural Land Reserve (ALR) through provincial legislation in the mid-1970s. The objectives were to both preserve agricultural land over the long-term and to enable and accommodate farm use on BC’s very limited agricultural land.

Meeting the future agriculture and food security needs of the province serves a compelling public interest that cannot be taken for granted. But being successful in this goal will depend upon our ability to address the economic pressures facing agriculture and to maintain the productive capacity of our

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5 http://guidetobceconomy.org/major_industries/agriculture.htm
http://www.al.gov.bc.ca/indcomp/2010YIR.pdf
agricultural lands over the long-term. By 2030, BC’s population is expected to grow by 30% to 5.57 million people – further increasing the development pressures on our farmland resources and, at the same time, increasing the need to have a productive agricultural land-base in BC.

B.C. is not alone in the need to access more food. Several sources indicate that global food production will need to double in the next 40 years to meet demand. Losing BC’s current production capacity will expose our province to not only price instability but also food insecurity.

In 2010, BC had 71,804 acres of farmland dedicated to fruit and vegetable production8. The BC Ministry of Health has identified food security as a foundation to healthy eating at individual, community and population levels because it improves access to local fresh fruit and vegetables9. Local food tends to be healthier because it has fewer preservatives, less spoilage and less exposure to atmospheric pollutions during transport. Applying the carbon tax to agriculture discourages consumption of healthy local food by increasing the cost, harming those with the lowest incomes. Furthermore, BC’s increasing reliance on imported food not only jeopardizes access to local healthy food but also increases carbon emissions through transportation.

BC government policy should balance the tax on carbon emissions with other societal need and values, such as food security.

Environmental Stewardship

BC agriculture is a unique in that it is an industry that is both an economic driver and an environmental protector. With our range of geography and climatic zones, BC is the most agriculturally diverse province in Canada, producing over 200 different commodities10.

BC farmers and ranchers are leaders when it comes to protecting the environment: over 3,800 farmers and ranchers in BC have voluntarily completed environmental farm plans on their properties since 2004, enhancing their current environmental stewardship practices. In addition, more BC farmers are recognizing the importance of ecological diversity on their properties by using a guide that was developed by collaboration between the BC agriculture industry and provincial and federal governments. This biodiversity planning guide for agriculture, the first of its kind in the world, served as reference material to delegates at the 2010 United Nations Convention on Biological Diversity and continues to be referenced by agriculture and environmental policy makers around the world, an example of the environmental leadership of the BC agriculture industry.

Promoting “reforestation” of agricultural lands may be a carbon sink but this jeopardizes food security as it increases reliance on food produced and transported from other regions. Sustainable agricultural practices produce much more than what can be sold in the marketplace, such as cleaner air, cleaner

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8 http://www.al.gov.bc.ca/indcomp/2010YIR.pdf
9 http://www.health.gov.bc.ca/healthyeating/foodsecurity.html
10 http://www.al.gov.bc.ca/indcomp/2010YIR.pdf
water, wildlife habitat, aesthetics and biodiversity\textsuperscript{11}. Without government policies supporting agriculture, the non-market environmental benefits of agriculture are jeopardized.

\textit{Climate Change Adaptation}

Experts predict that agriculture will be among the sectors first and most significantly impacted by climate change.\textsuperscript{12} Because farmers and ranchers, by nature, are vulnerable to changes in climate (flooding, drought, extreme weather), they are already adapting to climate change and examining ways to reduce carbon emissions.\textsuperscript{13}

Our sector agrees that in order to make significant reductions in emissions, a large number of small producers need to make changes.\textsuperscript{14} Unfortunately, achieving this objective is not possible for BC’s agriculture industry under the current carbon tax regime. Because of poor economic returns, inadequate government investment and lack of alternatives in rural areas, farmers and ranchers in BC are constrained in their ability to reduce their carbon emissions through adaptation.

Government policies need to address the unique situation of farmers whose livelihood is already dependent on the climate.

\textit{Conclusion}

In 2008 the B.C. government became a champion and leader for climate change. The expectation was that other parts of North America would join B.C.’s efforts. Unfortunately that has not happened. B.C. is the only jurisdiction in North America that has a Carbon Tax on agriculture

The carbon tax has caused an already struggling BC agriculture industry become even less competitive, affecting those in rural communities, with a greater reliance on agriculture most. The BC agriculture industry cannot continue to be the only province in Canada with consistent negative income levels. The predicted demise of the agriculture industry in BC will compromise the health of British Columbians at a time when health through food security is gaining importance. But most importantly, the existing carbon tax will eventually harm the environment that it was intended to help. BC farmers and ranchers cannot continue to be leading environmental stewards if the carbon tax remains on agriculture. The BC Agriculture Council strongly recommends that agriculture be exempt from the carbon tax.

Respectfully submitted,

The British Columbia Agriculture Council

\textsuperscript{11} http://www.medicalnewstoday.com/releases/38008.php
\textsuperscript{13} www.bcagclimateaction.ca
\textsuperscript{14} Making Progress on B.C.’s Climate Action Plan. LiveSmartBC p.42