



March 27, 2015

Honourable Glen Murray
Minister of Environment and Climate Change
Ferguson Block
11th Floor
77 Wellesley St West
Toronto ON M7A 2T5

Dear Minister Murray,

Please find attached the Grain Farmers of Ontario's comments on the Ontario Climate Change Discussion paper.

We would like to commend you for engaging the public and industry early-on in the policy development stage to help shape the policy approach to climate change in Ontario.

We encourage the continuation of this "early consultation" approach and the government and Ministry to continue to engage with the grain and oilseed industry often throughout the decision making stages. There are a number of areas that the grain and oilseed sector can provide solutions for climate change to, but the approach to climate change policy and its impact on agriculture as a trade exposed sector requires a thoughtful approach.

We hope you will execute our recommendation to set up a mechanism for a sector specific dialogue that provides an opportunity for discussion, investigation, and feedback so that grains and oilseeds are able to maintain competitiveness, while addressing Ontario's climate change objectives.

Sincerely,

Mark Brock
Chair

**Grain Farmers of Ontario Submission
Climate Change Discussion Paper
EBR Registry 012-3452**

Who we are

Grain Farmers of Ontario is Ontario's largest commodity organization. We represent 28,000 corn, soybean, and wheat family farmers. Ontario's grain and oilseed crops cover 5 million acres of farm land and are one of Ontario's largest agricultural industries, producing food and energy while contributing environmental and economic benefits for Ontario.

Ontario's grains and oilseeds are an important contributor to Ontario's economy and environment.

- 53,000 full time jobs in the province and \$9 billion in economic output annually
- Grains and oilseed crops are a foundation for the agri-food, bioenergy and livestock industries
- Ontario is the corn and soybean capital of Canada and home to Canada's largest bio-refineries

Overview

Thank you for the opportunity to share Grain Farmers of Ontario's (GFO) input on the future direction of an Ontario Climate Change strategy. Grain and oilseed farms provide many solutions for mitigating climate change including natural sequestration of carbon and raw material for the production of alternative bio-products to fossil fuels. In recent years, our farmer membership has made significant environmental advancements that have reduced the on-farm carbon footprint and Ontario's bio-economy is well positioned to grow and meet the demand for a low carbon economy.

Helping our farmer members adapt to changing environmental conditions is an important part of GFO's strategic plan. Many of our research priorities are tailored to providing practical solutions for our farmer membership including identifying new environmental threats, improving farming practices, and introducing hardier seed varieties. We encourage the Ontario government to continue to invest in research and innovation as part of the Climate Change strategy, as we believe this is an area where progress has been made, and can continue to be made, to address both adaptation and mitigation. It will be important as Ontario develops its Climate Change policy to consider the advancements made by individual grain and oilseed farmers when determining base-line benchmark data.

Agriculture is a trade exposed sector; therefore, Ontario's mitigation policies, such as carbon pricing, must be carefully designed and implemented to ensure the long-term viability of Ontario's agriculture and food sector. Our farmer members directly compete with farmers across Canada and the United States. We urge the government to focus on constructive approaches that sustain and protect the viability of Ontario's food supply. A sustainable system, like a well-designed cap and trade system with offsets, could provide grain and oilseed farmers with flexibility and incentives. Imposing new business costs through regulations or tax to Ontario's family farms would result in serious negative consequences for Ontario's grain and oilseed farm businesses. This is particularly concerning if comparable business costs are not imposed on our competitors. When considering an Ontario price on carbon, it is important to recognize that some of our international agricultural competitors operate in warmer climates at lower costs and new costs to Ontario farmers may not be recoverable in a global marketplace. There is evidence that when farm businesses are profitable they invest in efficiencies and technology to improve their operations. A system that incents will ultimately result in contributions to a low carbon economy.

Technology and innovation will play an important role in Ontario's climate change policy. A commitment to research and innovation by the Ontario government is required, as well as a complementary policy system that encourages investment from the private sector. This policy system will require attention to policy instruments that provide a supportive environment for delivering innovations to market as well.

Agriculture is a complex business that intersects with other industries, as well as within the sector. We urge the government to ensure a collaborative approach throughout the process of policy development to ensure that sector specific impacts and opportunities are addressed, even within the grain and oilseed sector and agriculture. The agriculture sector is diverse and each commodity farm business requires input into this process.

We encourage the government to develop a mechanism that ensures the grain and oilseed sector input can be meaningful to policy development, before any changes to the policy environment are implemented.

On farm practices that reduce carbon

Protecting the environment is a priority for grain and oilseed farmers across Ontario. Every year, grain and oilseed farmers are able to produce more crops on less land, as a result of improved farming techniques and advancements in technology. This not only means a lower carbon footprint, but also that Ontario's grain and oilseed farmers are helping to feed a growing world.

Environmental farm plans have been in place on Ontario farms for over 20 years. Countless hours of training on environmental practices has resulted in a culture, among grain and oilseed farmers, that puts environmental stewardship at the forefront of land management decisions, including preserving soil and using nutrients efficiently. Over 60% of farmers in Ontario practice conservation tillage techniques that provide natural sequestration of carbon. Technologies, like GPS satellites, can map a field to show exactly what fertilizer or chemicals are needed in precise and reduced amounts.

Hundreds of thousands of acres of wildlife habitat and wetlands are located on private farmland providing natural carbon sinks. Many farmers have worked hard to create, improve, and expand these spaces.

These farm practices and technologies have a cost that is ultimately borne by the farmer, Climate Change policy needs to consider the finite economic resources farmers have to invest in their farms, affordability needs to be a consideration when implementing policy.

Investing in technologies and practices that help farmers adapting to the changes in climate

Grain Farmers of Ontario has a dedicated research program that invests in technologies and practices that help farmers adapt to climate and environmental changes. This program has been in place for decades and is committed to practical research that has resulted in economic gains and improved agricultural sustainability for Ontario farmers and the Ontario environment. The priorities areas for this research include: agronomy and production; weed, disease and insect pests; crop utilization and crop quality; and breeding and genetics. Full details of these priorities can be found at <http://gfo.ca/LinkClick.aspx?fileticket=ZcpQ6LLXtEY%3d&tabid=64>.

Examples of on-farm applied research results, that provide tools to help farmers adapt to climate change include:

- best management practices for efficient nutrient use,

- improved wheat genetics for Ontario's climatic conditions,
- and management of emerging pests and weeds that are the result of changing climatic conditions.

Bio-products - Grains and oilseed farmers produce solutions for a reduced carbon economy

Ontario is at the forefront of a developed bio-economy and grain and oilseed farms are an important part of producing the raw materials for low carbon alternatives. Ontario's domestic mandates and production capacity for biofuels are an important component of transitioning to a low carbon economy. In particular, the approach to developing the ethanol industry in Ontario is an example of a comprehensive policy approach that should be replicated in the future. The Ontario government's leadership in developing a mandate for ethanol, while at the same time investing in the Ontario Ethanol Grow Fund, was integral to establishing the market and the bio-refining capacity. For example, substituting 10% ethanol into gasoline in Ontario/Canada means a 62% reduction in net greenhouse gas (GHG) emissions (on a per-litre basis, adjusted for differences in the relative caloric energy content of ethanol and gasoline, including corn inputs, transportation, and associated soil losses).

The market signal from the recent adoption of a greener diesel mandate is another positive approach to the development of mitigation strategies for climate change in Ontario.

The bio-refineries that have been established in Ontario are an anchor for a multitude of alternative bio-products including automobile interiors and chemicals. These bio-products not only provide solutions for climate change mitigation but also provide jobs and economic activity for the province and a domestic demand for grains and oilseeds.

We encourage the government to adopt comprehensive policy approaches that have worked in the past to develop low carbon industries like the ethanol industry.

A commitment to climate change cannot negatively impact family farm competitiveness

Ontario grain and oilseed farmers are price takers. In order to be successful in international markets, Ontario farms need to compete on a level playing field. A lack of regulatory harmony between jurisdictions can hamper trade, since producers with fewer restrictions on their operations can offer lower prices to customers, all else being equal. The prices that Ontario farmers receive for their grain and oilseed crops are determined by global markets. Fixed costs related to the price of doing business in Ontario cannot be passed along to the customer.

The approach the Ontario government takes to addressing carbon reductions must take into account that grain and oilseed farmers face domestic and international competition, in regions that may lag behind with respect to regional costs for carbon. For instance, a carbon pricing scheme that does not directly target agriculture but indirectly impacts input costs for grain and oilseed farms will negatively impact family farm margins.

Not all farms are created equal and these impacts must be considered for the spectrum of farm incomes. More than half of Canada's farms achieve either very high profit margins (more than 20 per cent) or very low profit margins (less than 10 per cent) in any given year. This profitability is not tightly linked to farm size. Smaller revenue farms have occupied a greater percentage of the top profitability quartile than larger revenue farms. At the same time, smaller farms are most likely to occupy the bottom profitability quartile. (Conference Board of Canada 2014).

Recommendations

1. Ensure Competitiveness

- Ensure that the ability for grain and oilseed farms to compete, domestically and internationally, is considered throughout climate change policy development.

2. Investment in Research and Innovation

- Ontario's Climate Change strategy and resulting policy to include significant investment in, and policies to encourage investments in, innovations for Ontario farmers.

3. Access to new technologies

- Use policy instruments that create an atmosphere that attracts the introduction of new technologies in Ontario that can be quickly adopted.

4. Carbon pricing

- Establish a mechanism for grain and oilseed farmers and government to discuss the unique sector implications and opportunities for the development of any carbon pricing scheme; this mechanism allows thoughtful discussion, investigation, and feedback prior to any implementation of a carbon pricing scheme.
- The Ontario government considers a pricing scheme that provides incentives to grain and oilseed farmers that acknowledges agriculture's unique business environment as a trade exposed sector, along the lines of a cap and trade system without regulations and including offsets.

5. Conduct Regulatory Impact Assessment

- Prior to the implementation of policy, the government of Ontario undertake a regulatory impact assessment.