

Windsor-Essex Region Agri-Food Paper

Windsor-Essex Regional
Chamber of Commerce
Agri-Food Committee

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EXECUTIVE SUMMARY

The purpose of the Agri-Food paper is to identify key issues impacting the Agri-Business in the Windsor-Essex region. In addition, the Agri-Food paper aims to address some of the most relevant questions for the entire sector. Ontario's Agri-Food sector contributes \$33 billion to Ontario's economy and employs 745,000 people, roughly 11% of the total Ontario employment (Ministry of Agriculture, Food, and Rural Affairs, 2009). Ontario's Agri-food exports are worth \$10 billion a year (OCC, 2013, p. 36). Despite these large numbers, Ontario has an Agri-Food trade deficit of approximately \$4 Billion (Sustain Ontario website). The Premier of Ontario and Minister of Agriculture, Kathleen Wynne, challenged the Agricultural community to double its exports and create 120,000 jobs by 2020 (OFA, 2014, p. 1).

Essex County is the largest and most intensive greenhouse growing area in Canada, representing approximately 50% of the Ontario's overall capacity. Of that total, greenhouse fruits and vegetables account for approximately \$660 million in cash receipts. In relative numbers, with approximately 2000 acres of greenhouse tomatoes, peppers and cucumbers, Essex County also accounts for 80% of Ontario's greenhouse vegetable production. This represents the most intensive vegetable greenhouse growing area in both Canada and the United States. The greenhouse sector, in general, is a valuable contributor to the Ontario economy, producing farmgate sales of over \$1.4 billion in 2012 (StatsCan, 2012).

Essex County also has 1,740 farms - approximately 3% of Ontario's total (OMAF, 2012). Over 1,000 (65.2%) of these farms are primarily oriented in Oilseed and Grain crop production, such as soybeans, corn and wheat. The second major area is concentrated in fruit and vegetable crops, including field tomatoes. Combined, the two sectors comprise the bulk of the field growing operations (AECFA Website).

The Chamber's own research and consultations with the Agri-Food sector Stakeholders have shown that access to capital, increased regulations, rising energy costs, transportation issues and labour/workforce development are among the most significant challenges facing the Agri-Food Sector in Ontario and the Windsor-Essex region.

The government's own Long Term Energy Plan estimated that electricity prices will

rise by just over 30% (in real terms) between 2010 and 2014 (WERCC REP, 2013, p. 23). In December 2013, the Ontario government announced that the projected increase in the price of electricity over the next three years will be 33%. This projected rise in electricity costs is raising concerns among the business community that the projected additional costs will reduce the competitiveness of Ontario's Agri-Food industry. The sectors most affected by the rising energy costs are the greenhouse producers and the food processing industry.

A recent study by Hydro Quebec focused on electricity prices across North America found that Ontario's electricity rates were in the top 10 for all categories assessed and in the top 3 for large power customers (See Chart below appendix) (WERCC REP, 2013, p. 24). This is a unfavorable position for our competitiveness in North America.

Many industries are faced with rising costs of electricity as publicly communicated and discussed openly and recently in the media, however we should not ignore the rising costs of another utility, water. Within the last decade the Province of Ontario mandated that all municipalities must be self-sustaining with respect to water treatment and the cost to maintain a vast underground infrastructure needed to deliver this precious commodity to all users within a set guideline. A review of the water and waste water treatment costs across Ontario shows that the cost of water differs dramatically between regions and municipalities.

Essex County's strategic position on the U.S. border has played a key role in its success and will remain one of the key factors of success for the Agri-Food sector in the region. Over \$4 billion dollars in Canadian Agri-Food exports and \$6 billion dollars in imports flow through the Windsor-Detroit crossing every year.

Many of the positions within Agri-Food businesses are seasonal and held by migrant workers. The Agriculture sector is, therefore, in need of an Agri-Food sector workforce development strategy. The Agri-Food sector in the Windsor-Essex region has identified a chronic shortage of labour and skilled professionals needed by the sector. This shortage of employees has been somewhat mitigated by the availability of temporary foreign workers. The immigration system responsible for approvals of temporary workers, however, continues to be one of the challenges for many Agri-Food sector businesses.

INTRODUCTION

Depending on how it is measured, Agri-Food sector is either the number one or number two economic sector in Ontario. This paper uses statistics and data available from different sources but it also finds that the Agri-Food sector data is often dispersed and scarce. Regional and industry specific data is reported by industry groups and associations with different methods of measuring the data. This can lead to less accurate and less reliable data. The factual description related to the size and value of various Agri-Food industries is used for illustrative purposes. The Chamber welcomes any substantiated corrections and updates to any of the statistical and other information when warranted.

The purpose of this Agri-Food paper is to identify key issues impacting Agri-Business in the Windsor-Essex region. This paper is a result of research and consultations with the Chamber's Agri-Food Committee, but also with government leaders, businesses, community stakeholders and other sources. The paper is the fourth in a series of Chamber comprehensive policy papers on key member priority issues. The other papers include the Transportation (TRP), Energy and Municipal Finance and Tax paper. The Chamber also published an Immigrant Investor proposal.

In addition, the Agri-Food paper aims to address some of the most relevant questions for the entire sector: What is the composition and the state of the Agri-Food sector in the Windsor-Essex region? What are some of the key challenges for agricultural sectors in Windsor and Essex County? What common vision is needed to enable the Agri-Food sector to continue its growth? How can the region benefit from the Agri-Food sector? What are some of the opportunities for both business and employment going forward? How can the region create better awareness and further capitalize on the strength of Windsor-Essex as an Agricultural region?

Historically, the Chamber has focused on issues related to sectors such as the automotive sector, energy and the broader service sector. By the end of 2012 the Chamber was also involved in developing policy solutions for some of the most pressing Ontario wide issues together with the Ontario Chamber of Commerce and participated in the creation of the very highly regarded "*Emerging Stronger – A Transformative Agenda for Ontario.*" Because of its importance for the Province of Ontario, being one of the top two industries, the Agri-Food sector became a key province-wide topic.

Furthermore, addressing the Agri-Food trade deficit of approximately \$4 Billion (2013), the Premier of Ontario and Minister of Agriculture, Kathleen Wynne, challenged the

Agricultural community to double its exports and create 120,000 jobs by 2020 (OFA, 2014, p. 1).

The Windsor-Essex Agri-Food sector is not only a part of one of the most dynamic sectors in Ontario's economy but it also holds the same important position in the Windsor-Essex region. The time was right to act on the issue by strengthening the knowledge and awareness about the importance of the sector. The Chamber next participated in a special Ontario Agri-Food sector round table on March 26, 2013 in Clinton, Ontario and by September 2013 it formed its first ever Agri-Food Committee with an aim of strengthening its Agri-Food policy and advocacy. This paper is part of a more comprehensive effort to further diversify and strengthen the region's economy.

The Chamber's Agri-Food paper was created with the help and collaboration of the Chamber's Agriculture Committee, our own regional sources of information on the sector, including the excellent paper by Workforce Windsor Essex and information available from the WindsorEssex Economic Development Corporation. Other sources include official government information, statistical sources and general research results specific to the Windsor-Essex region. You can find more information on the Chamber's policy and advocacy, including the work of its policy committees at the Chamber's website: www.windsorchamber.org/policy.

AGRICULTURE IN ONTARIO AND WINDSOR-ESSEX COUNTY

According to the Ontario Chamber of Commerce, not many Ontarians are aware of the importance and the fundamental role that the Agri-Food industry plays in the province's economy. Depending on how the employment statistics are measured and the depth of the involvement of individuals and companies in the Agri-food supply chain, the Agri-Food industry employs a combined total of 260,000 workers of which approximately 112,000 were year round employees in Ontario (OMAF/MRA, 2013) or the total of 745,000 jobs, roughly 11% of the total Ontario employment (Ministry of Agriculture, Food, and Rural Affairs, 2009). According to the Ontario Chamber of Commerce the sector contributes \$33 billion to Ontario's economy and Ontario's Agri-food exports are worth \$10 billion a year (OCC, 2013, p. 36). Despite these large numbers, Ontario has an Agri-Food trade deficit of approximately \$4 Billion (2013)(www.Sustain Ontario website). The Premier of Ontario and Minister of Agriculture, Kathleen Wynne, challenged the Agricultural community to double its exports and create 120,000 jobs by 2020 (OFA, 2014, p. 1).

To accomplish the premier's objective, Ontario needs an aggressive export diversification

strategy. Currently, approximately 80% of Ontario's Agri-Food exports are bound for the U.S., while less than 20% are destined for other markets. The potential for the Ontario Agri-Food sector to export to other markets is very significant. Further supporting the export strategy is the expected doubling of global food demand over the next 30 years (OCC). This could generate substantial economic benefits for the province. If farm output were to double, it would generate an additional \$2.3 billion in annual exports (OCC, 2014).

Agriculture Sector in the Windsor-Essex Region

Essex County is the largest and most intensive greenhouse growing area in Canada, representing approximately 50% of the Ontario's overall capacity. Of that total, greenhouse fruits and vegetables account for approximately \$660 million in cash receipts. In relative numbers, with approximately 2000 acres of greenhouse tomatoes, peppers and cucumbers, Essex County also accounts for 80% of Ontario's greenhouse vegetable production. This represents the most intensive vegetable greenhouse growing area in both Canada and the United States. The greenhouse sector, in general, is a valuable contributor to the Ontario economy, producing farmgate sales of over \$1.4 billion in 2012 (StatsCan, 2012).

Essex County has 1,740 farms - approximately 3% of Ontario's total (OMAF, 2012). Over 1,000 (65.2%) of these farms are primarily oriented in Oilseed and Grain crop production, such as soybeans, corn and wheat. The climate of Essex County allows for diverse fruit and vegetable production. The second largest area of production is vegetable crops, including field tomatoes. Combined, the two areas comprise the bulk of the field growing operations (AECFA Website).

Wineries are also a significant growth sector. There are currently 19 wineries operating in Essex County, employing approximately 400 people. The Essex County share of the wine retail sales value is estimated at \$14.7 Million (WEEDC, 2012, p. 8). While the population of the Windsor-Essex region represents 2.6% of Ontario's population, the region's share of this economic sector is 11.5%, or \$380 million and approximately 1600 jobs.

Government statistical facts about the Agri-Food sector in the Windsor-Essex region confirm a sector that is diversified but also highly concentrated in some areas. Overall, the agriculture sector in the region is a significant source of wealth and employment.

According to the latest Ontario Census of Agriculture the region had 6.2 million square meters under greenhouse production, or 50% of the Ontario production (OMAF/MRA, 2013). The number and size of greenhouse production has grown since then. The vegetable greenhouse production alone

is currently estimated at 7.8 million square meters (OGVG, 2014). Other than greenhouse, nursery and floriculture, the region is a significant producer of fruit and tree nuts, vegetables, melons, oilseed and grains. The main vegetable crops according to the same census are tomatoes and green peas. Green peas were produced on 1,867 hectares and accounted for 28% of Ontario's production (OMAF/MRA, 2013).

The census shows that 88 farms in the region reported total gross farm receipts of \$2,000,000 and over, representing almost 11% of the Ontario farms. While the number of farms in Essex County is decreasing, the size and scale of the remaining operations continues to increase. The total farm cash receipts for main commodities in Essex County amounted to \$823.4 million. According to the information provided by the WindsorEssex Economic Development Corporation, Essex County had almost double the number of workers in agriculture-related occupations on a proportional basis when compared with the rest of the Province.

OPPORTUNITIES AND CHALLENGES FOR THE AGRI-FOOD INDUSTRY

This section identifies some of the key challenges for the Agri-Food sector in the Windsor-Essex region. These include the sector's cost structure, transportation and logistics needs, international trade regulations for domestic producers, workforce development challenges and difficulties in raising awareness of the agriculture sector as a valuable and sustainable economic activity. The Province of Ontario and the Windsor-Essex business community would benefit from addressing these challenges.

Chamber's own research and consultations with the Agri-Food sector stakeholders have shown that access to capital, regulations, energy, transportation and labour/workforce development are among the most significant costs for the Agriculture sector in Ontario and the Windsor-Essex region.

Costs of Energy, Water and Access to Capital

This section is an overview of the cost and availability of energy as a key issue for the Windsor-Essex Agri-Food industry, especially the greenhouse sector. For other energy issues related to the Windsor-Essex business community see the Chamber's Regional Energy Paper (2013).

Supply of Electricity and the Agri-Food Industry

With 50% of the total Ontario greenhouse production, and as much as 80% for vegetables under glass or plastic the Greenhouse sector is one of the most important economic sectors for the Windsor-Essex region. Over the past 20 years, the greenhouse sector has shown consistent growth expanding in size at a compounded average of 6.1% per year. This growth has increased recently with an additional 480 acres being put into production in the last three years. Expectations are that growth will continue into the future provided that the business climate in Ontario is supportive.

In 2013 the Chamber published a comprehensive energy policy paper that identified many of the systemic reasons for the increase in the cost of energy (WERCC REP, 2013). The Chamber has recommended to the Ontario government to be open to a local mix of generation options and to accept opportunities for locally developed generation of electricity. This is well within the provisions of the Green Energy Act and it will open the possibility for the greenhouse industry to participate in the supply of electricity in Ontario through combined Heat and Power (CHP) initiatives. This also serves to benefit the sector by enabling the adoption of lighting strategies that can facilitate year-round production.

Most greenhouse crops grown in the Windsor-Essex region are only productive for nine or ten months of the year. In order to be globally competitive, sustain the jobs and economic benefits of the sector, year round production is becoming a necessity. Year-round production also means more fresh, local produce for all Ontarians during the typically unproductive winter months.

The Chamber and the Agri-Food sector stakeholders in the region have welcomed the Government of Ontario's commitment made in January 2014 to invest in energy infrastructure capacity upgrades in the County of Essex. The Hydro One plan calls for a \$70 million investment into building a 13-kilometre double circuit, 230 kilovolt transmission line and transformer station. It will allow for the planned expansion of the sector, an additional 500 acres over the next five years, creating over 1,000 jobs. More importantly, the investment will make it possible for the industry to move closer to a year-round production and close the production gap from December to February each year.

The cost of electricity became an important debate in Ontario around 2010 as a result of several changes. These changes included the introduction of time-of-use (TOU) pricing across the Province, the application of the Harmonized Sales Tax (HST) to electricity bills and the projected cost

of new renewable power in the electricity system. Since then, the Government of Ontario made several announcements all indicating an increase in the projected price of electricity in the Province over several years. The government's own Long Term Energy Plan estimated that electricity prices will rise by just over 30% (in real terms) between 2010 and 2014 (WERCC REP, 2013, p. 23). In December 2013, the Ontario government announced that the projected increase in the price of electricity over the next three years will be 33%. This projected rise in electricity costs is raising concerns among the business community that the projected additional costs will reduce the competitiveness of Ontario's Agri-Food industry.

A recent study by Hydro Quebec focused on electricity prices across North America found that Ontario's electricity rates were in the top 10 for all categories assessed and in the top 3 for large power customers (See Chart below appendix) (WERCC REP, 2013, p. 24). This is a unfavorable position for our competitiveness in North America.

Some of the Chamber's energy related recommendations relevant to the Agri-Food sector are the following:

- *The Ontario energy system should ensure a reliable, modern and efficient supply of energy to its customers at reasonable rates that enable business and industry to be competitive in a global market.*
- *The government must continually assess the cost of electricity in Ontario in comparison to other jurisdictions in Canada and the U.S. to ensure our Agri-Food sector remains competitive.*
- *In order to reduce the cost and improve transparency, the Chamber supports organizational improvements to the Ontario energy system.*
- *In addition, the Chamber recommends that we need the tools needed to operate year round and we need the ability to connect and sell back the electricity.*

Cost of Water as a Competitiveness Issue

As the Agri-Food industry is faced with rising costs of electricity the competitive situation of the industry is also challenged by the rising costs of another utility, water.

Within the last decade the Province of Ontario mandated that all municipalities must be self-sustained with respect to water treatment and the cost to maintain the infrastructure needed to deliver this commodity to all users within a set of guidelines.

A review of water and waste water treatment costs across Ontario shows that the cost of

water differs between regions and among municipalities. At the onset of this provincial regulations, some municipalities wanted to quickly achieve the government mandate while others have chosen to go well beyond the initial timeframe and slowly increase their water rates. Unfortunately, for those industries that are located in the fast-tracked regions , they have been burdened with the higher cost of water and waste water for a number of years.

There should be equality for all Agri-Food industries, including the food processing sector with respect to water rates across Ontario. When you look outside of Ontario the cost of this commodity is far cheaper in many other areas as compared to Ontario's rates. A 10% difference in water and waste water charges to some industries could lead to corporate decisions being made to move to a lower water cost region.

An annual report of water and waste water rates across Ontario with comparable rates in other jurisdictions would improve the transparency of the municipal water system and would help businesses make more informed business decisions.

Transportation, Logistics and International Trade

Essex County's strategic position on the U.S. border has played a key role in its success and will remain one of the key factors of success for the Agri-Food sector in the region. Over \$4 billion dollars in Canadian Agri-Food exports and \$6 billion dollars in imports flow through the Windsor-Detroit crossing every year. Flows in both directions are dominated by prepared foodstuffs, but vegetable and animal (meat and live animal) products also make significant contributions (Seguin et al., 2013). The advantage of border access has been diminished by issues regarding border and transportation infrastructure and border regulatory issues. A large proportion of the Windsor Essex region's Agri-Food sector output is being shipped to the U.S. The region's Agri-Food businesses account for approximately 400 trucks per day crossing the Windsor-Detroit border crossings (Agri-Food Committee). The NAFTA has created a continental marketplace of over 420 million consumers for North American farm and food products. The integration of our supply chains makes our respective agricultural sectors more efficient and competitive. As in the case of the automotive industry, much of the Agri-Food movement is in cross-border supply chains that demand timely and efficient deliveries. This dependency of the region's Agri-Food sector on the smooth functioning of the Windsor-Detroit international border is one of the critical issues that have to be continuously

reviewed and addressed

The border and transportation issues can be viewed as two separate issues: (1) the Border infrastructure and regulatory environment and (2) the transportation issues related to the logistics necessary to ship the Agri-Food products across the border and to their intended destination. From a regulatory perspective it is important to acknowledge the high food safety standards that are applied on both sides of the border which provide opportunities to focus on areas of higher risk, while removing unnecessary regulatory burdens on the food production sector and reducing costly trade barriers.

The senior levels of government, in accord and collaboration with the municipal level governments in the Windsor-Essex region have invested heavily in solutions that have improved the Border and related road infrastructure in the region. The completion of the Windsor-Essex Parkway project, the improvements to the Border access plazas and various local roads and plans for new Border related road and rail infrastructure will have a significant positive effect on the Agri-Food sector in the long-term. The more significant Border transportation challenges are the changes to the current regulatory framework. The increasing number of regulatory layers at the Border is referred to as “thickening of the border.”

In its 2013 Regional Transportation Paper (RTP) the Windsor-Essex Regional Chamber of Commerce has identified a number of policy priorities concerning both infrastructure development and adjustments to public regulations that would also benefit the Agri-Food sector. For border crossings, the number one priority is the completion of the DRIC Bridge. The new border crossing is of key strategic importance for all industries in Windsor and Essex County and should be available to all traffic and has dedicated trusted-trader lanes. This number one infrastructure priority includes the completion of the Herb Gray Parkway. Because Agri-Food shipments are subject to labour-intensive inspections, adequate staffing of border facilities is a major concern. In the short run, there is a danger that budgetary allocations in Washington may lead to insufficient funds for border personnel. In the longer run, it is imperative that adequate staffing is provided by both countries if the full benefits of the second crossing are to be realized. To this end, the Windsor-Essex Regional Chamber continues to work with the U.S. Chamber of Commerce and the Privy Council of Canada to implement the recommendations in the Regulatory Cooperation Council joint action plan agreed to by President Obama and Prime Minister Harper, to facilitate trade.

As indicated in the Joint Action Plan focusing Canadian and U.S. efforts on enhanced collaboration in food safety and activities to allow for assessment and possible recognition of system compatibility would benefit consumers and businesses by enhancing food safety outcomes in both

countries while minimizing potential impacts on trade. Reducing the duplicative verification activities on foods coming from lower-risk situations would benefit regulatory agencies on both sides of the border, as well as consumers, by allowing food safety protection resources to be targeted at situations where the risk is higher. These initiatives would also help prevent unnecessary differences in regulatory measures and costly trade irritants in the future, thus facilitating movement of goods between countries and minimizing costs ultimately borne by consumers.

Transit Issues

Recognizing the challenges of the Agri-Food sector related to its labour force, and given the region's dispersed residential and employment patterns, the Chamber encourages Transit Windsor and the business community to work together to develop strategies to improve transit access to major employment clusters, including Agri-Food sector facilities across the County of Essex. The Chamber supports the creation of a regional transit system that would alleviate some of the barriers to accessing the available labour pool in the region for Agri-Food production (WERCC RTP, 2013).

Border Regulatory Issues and the Agri-Food Sector

For the Agri-Food business, which ships huge volume of its production to the United States the issue of border regulation stands out as an area that needs to be addressed by everyone involved and for the benefit of the business community and the Agri-Food sector. Because of the nature of the Agri-Food business inspections at the Canada-U.S. Border crossing are more extensive than for other goods and there is a higher probability that shipments will be rejected for entry. There are several current regulatory issues, including the carrier transportation regulations (regulating the movement of all goods across the border), the various food regulatory requirements, such as the current Food Modernization Act, and the changes considered under the Beyond the Border Agreement signed between Canada and the U.S. Industry representatives in 2012 have noted that inconsistency between Canadian and US rules on things like pesticides residues lead to significant added costs (Seguin, et al. 2013). The costs to the industry can be significant in terms of time lost at the border and in terms of financial cost to comply with all of the regulations that have to be addressed well before the shipment reaches the Border.

Canadian inspection agencies are providing information on the "Food Modernization Act" in the U.S., educating the importers on both sides of the border as to the effect of this legislation. Other legislation that affects or has a potential to affect agriculture is the Beyond the Border Agreement.

Some of food processing plants have issues with label requirements.

The Canadian Food Inspection Agency (CFIA) will be enforcing regulatory changes and increased oversight mechanism for food companies in Canada. CFIA has developed a more comprehensive inspection approach across all food commodities. The changes will include: regulated companies needing to obtain a Federal Imported Food Sector License. In addition, the types of commodities are expanding to include coffee, baked goods, spices, snack foods, meal replacements among others. While currently only importers of meat, fish, dairy and eggs are regulated. There will be a period of informed compliance; however companies will need to have a clear compliance program in place.

These initiatives will have, potentially, profound impacts on agricultural producers and food processors as food safety risk management will be downloaded to the plant and producer level. A renewed focus will be on accountability and traceability of inputs and subsequent distribution of products

Nevertheless, opportunities may exist for food companies to take advantage of the harmonization of food safety approaches, by having a compliance strategy in place and understanding the new regime will be critical.

The Chamber is calling for even greater engagement by the CFIA to provide comprehensive information and support regarding the evolving regulations. Stakeholder engagement sessions are one way to help address concerns and opportunities. The Chamber is prepared to facilitate these stakeholder engagement meetings.

Compared to the automotive industry, Agri-Food shippers are less able to access trusted-trader programs like the U.S. Customs-Trade Partnership Against Terrorism (C-TPAT) and Canada's Customs Self-Assessment. "Safe food" is a regulatory initiative that is concerned with the transport of food from a safety perspective.

The issue of international trade is closely linked to the lack of harmonization identified by many agricultural businesses in Ontario. This issue is related to regulation issues between Canada and the U.S. One example is the lack of harmonization on rules concerning agriculture such as the use of pesticides and other chemicals. This is currently largely related to the provisions of the Beyond the Border (BTB) initiatives for which the responsibility is delegated to the Regulatory Cooperation Council (RCC).

Some of the most relevant recommendations for the Agri-Food sector stemming from the Chamber's RTP include:

- *Work with the U.S. Chamber of Commerce and the Privy Council of Canada to implement recommendations in the Beyond the Border agreement, signed by President Obama and Prime Minister Harper, to facilitate trade.*
- *The number one priority is the completion of the DRIC Bridge and the Herb Gray Parkway, with sufficient funding for full staffing at the new crossing.*
- *The new bridge should have dedicated lanes and extended working hours for trucks with loads that qualify as low risk shipments such as the FAST (Free and Secure Trade Program) program and for travellers programs such as NEXUS.*
- *The range of goods that can be cleared by Canada and US customs officials at the Detroit-Windsor Tunnel be expanded.*
- *Transit Windsor and the business community to work together to develop strategies to improve transit access to major employment clusters, including Agri-Food sector facilities across the County of Essex.*
- *The Chamber supports the creation of a regional transit system that would alleviate some of the barriers to accessing the available labour pool in the region for Agriculture production.*

Workforce Development

Workforce development for the Windsor-Essex Agri-Food sector is both a challenge and an opportunity that can provide additional employment for the region. The Workforce WindsorEssex (WWE) report (2013), titled *The Growing Sector of Agri-Business in Essex County* provides key information about the state of the Agriculture sector in the region regarding its employment challenges and opportunities. The WWE paper also sees Agri-Business in Essex County as a growing sector. It is projected that by 2020 there will be a 14% increase in farm related occupations and 97% increase in occupations relating to support activities for farms (EMSI Analyst, 2013). Secondly, it identifies a number of areas for potential growth and provides suggestions for developing the workforce and the industry. The suggestions include providing better information to students about the opportunities in the industry, continuing to upgrade educational programs that support the sector and strengthening the local food infrastructure (WWE, 2013, p. 1). This section of the paper uses this information and adds to its findings and recommendations.

The physically demanding and seasonal nature of primary agricultural employment has forced Agri-Food businesses to hire labour from both domestic and international sources. The agriculture sector would certainly benefit from an Agri-Food workforce development strategy. The Agri-Food sector in the Windsor-Essex region has identified a chronic shortage of labour and skilled professionals needed by the sector. This shortage of employees has been somewhat mitigated by the availability of temporary foreign workers. The immigration system responsible for approvals of temporary workers, however, continues to be one of the challenges for many Agri-Food sector businesses.

The Agriculture sector in particular has been interested in accessing federal government programs for temporary foreign workers and has benefited from these programs over the years. The immigration rules and regulations for agriculture operations that use foreign workers in the region, however, remain as areas of concern. Some of the challenges are that the immigration process is difficult and acts as a barrier to the choice of using foreign workers. By regulation, the agriculture business has to offer the available work to Canadian citizens first. This has to be done every year. It would be desirable if the regulations were more automatic for existing operations with foreign workers or more “boiler-plate.” Recent and ongoing changes to the Canadian immigration system have the potential to improve the current migrant worker system. The Chamber is in favour of decreasing the regulatory burdens related business, including the costs and the process of obtaining adequate workforce for the Canadian economy.

A Labour Market Opinion (LMO) is an evaluation of the impact that a foreign worker would have on Canada’s labour market, as well as the integrity of the related employer and job offer. A positive LMO shows that there is no qualified Canadian or Permanent Resident available to fill a position. A key recommendation on the issue of skilled foreign workers is to accelerate Labour Market Opinions for ‘trusted employers’ and specific occupations where skills shortages exist. Many of our Agri-Food industry businesses would benefit from an improved and streamlined process.

Training and Education

The challenges of workforce development related to domestic workers and skilled professionals transcend the standard skills training approach. Some of the deficiencies include insufficient formal education and training for many of the Agri-Food sector related professions close enough to the region, lack of emphasis on agriculture in elementary and secondary schools and lack of youth apprenticeship programs.

The recommended changes can be found in creating more educational and training

opportunities at our local schools, the St. Clair College and the University of Windsor, as well as a sustained campaign to attract more young people to the field. The success of this approach would also depend on the promise of sustainable, meaningful and long-term careers in the Agriculture sector.

The issue of the minimum wage in the Province of Ontario has essentially been resolved pending legislation to be in effect by June 2014 (WERCC, and the OCC).

The Windsor-Essex Regional Chamber participated in an Ontario Chamber of Commerce Agri-Food Sector roundtable held in Clinton, Ontario on March 6, 2013. The roundtable highlights paper contains three long-term workforce development opportunities that can also be converted to serve the Windsor-Essex region as follows:

- *Agri-Food companies and businesses can raise awareness about the range of jobs available in the sector. The farming sector, job training, postsecondary educational institutions, Agri-business manufacturing and food processing businesses can all have a significant role.*
- *Creation of a brand for the Windsor-Essex region championed by all stakeholders*
- *Creation of new training programs to appeal to young people and students. Given the aging demographics of the region in the Agri-Food businesses the region would benefit from attracting new professionals and workers in farming and food processing. The region's school boards, St. Clair College and the University of Windsor are natural support sector for this initiative.*
- *Create new post secondary programs/credentials at the College or University level related to agriculture and agri-business.*

To elaborate on the four long term initiatives, the current educational and training opportunities and options for the Agri-Food sector in the Windsor-Essex region include specialized High School level programs, a number of St. Clair College diploma programs that can prepare an individual for a variety of roles within the Agri-Food sector and individual business driven training and skills opportunities in the workplace (WWE, 2013 p. 27). The University of Windsor does not have a specific agriculture program but does have a number of programs that would prepare people for occupations in the broader agricultural sector, such as Biological Sciences, Chemistry and Biochemistry.

The closest agriculture-focused college is Ridgeway Campus of the University of Guelph, which offers an agriculture diploma, as well as programs connected to the broader Agribusiness industry. These programs include diplomas in horticulture, environmental management, veterinary

technology and greenhouse production management. The University of Guelph is the closest Ontario university that specializes in agriculture, Agribusiness and food science.

What is needed is the creation of Agri-Food sector specific diploma programs to fill the need for local professional education. As an example, the Conestoga College provides a 2-year training food processing technician's diploma. This kind of specialized education would help graduates and businesses spend much less time and money on recruiting food processing professionals that may not have local affiliation or residence. It is critical that the education be available in the region. The programs such as food processing can contain co-op component and apprenticeship program in collaboration with local Agri-Food sector businesses to form a well-rounded program of direct value to food processors. Municipalities in the Windsor-Essex region would also benefit from hiring graduates of Agri-Food sector diploma programs.

Industry Specific Challenges

The Windsor-Essex Agri-Food sector is comprised of industries and sub-sectors that often do not have the same challenges. In this section the paper presents some issues that are specific to key sub-sectors, including farming, field and orchard growing, greenhouse operations (including flowers and vegetables) and wineries. Other specific industries that are also very important to the overall Agri-Food sector need further research. The Chamber is committed to continue its research in these areas and to include the new findings in a subsequent Agri-Food update. As most of the issues related to the greenhouse industry can be found earlier in the paper, this section contains a shorter description of the industry.

Farming, Field and Orchard Growing

Field and orchard growing operations are part of Ontario's farming sector. According to the Ontario Federation of Agriculture commissioned updated *analysis of the economic contribution of the Ontario farm sector* the Ontario farm sector sustained 157,000 (full-time equivalent) jobs with wages of \$8.1 billion. Farm sector economic activity contributed \$3.9 billion in taxes to all three levels of government, including \$1.4 billion to the Government of Ontario in 2012 (OFA, 2014, p. 1). These are only direct contributions by the sector and do not include the economic activities that occur in food processing where the value added is even larger. The value of the farming sector has the potential to drive the Ontario economy forward. According to the Ontario Federation of Agriculture's federal budget submission in 2014: "Growth in Ontario's farm and rural economy will greatly alleviate the

fiscal pressures we face. Ontario Agriculture is well positioned to grow Ontario's economy and with prudent investment and policies, we will accomplish that goal." To accomplish these goals, however, the Province in particular will need to provide the right tools, the right investments, the right services and programs required to create an enabling business environment. A supportive regulatory environment is equally needed for the sector and the economy to grow.

The Windsor-Essex region benefits greatly from a healthy farming sector. As previously mentioned, the region has over 1500 farms or approximately 3% of the Ontario total. The majority of these farms produce oilseed and grain crops, while others produce vegetables and field tomatoes. While the number of actual farms in Essex County, like elsewhere in Canada, are decreasing in numbers, it is largely due to consolidation. The new operations are becoming larger and technologically more sophisticated (WWE, 2013, p. 16).

Among the government initiatives that would improve the business climate and allow for further growth in the sector is the supply of natural gas for rural Ontario, support for rural municipalities supporting the sector, rural infrastructure investment, more funding for agricultural research and legislation that promotes less regulation.

In terms of energy and natural gas in particular, Ontario farms and rural businesses are disadvantaged by high energy costs as many rural businesses do not have access to natural gas as a cost effective source of energy. Natural gas for heat is 30% cheaper than the cost of electricity and approximately one-half the cost of propane. Natural gas is accessible to less than one-fifth of Ontario farms. In absolute terms, rural Ontario is a home to 820,000 families, including 50,000 farms. Of these, 650,000 families and 40,000 farms don't have natural gas supply, the most competitive fuel in North America. The other provinces competing against Ontario in terms of Agriculture and farming in particular, Alberta has virtually complete rural service, Saskatchewan has invested \$750 million in capital spending projects since 1992 to extend natural gas service to rural and remote communities with 92% of communities served. Manitoba has secured access to about 30% of its rural areas and is growing its network. Ontario, with higher rural density than these provinces has only 20% natural gas coverage of its rural areas (OFA, 2013).

One of the solutions to improve the natural gas network in Ontario is for the province to engage in partnerships with the private sector to enable the creation of new infrastructure, lowering of the rural rate for gas and to provide low interest rate loans where needed.

The savings of any initiative that would enable a greater network of gas to reach rural farms

in Ontario have been estimated at \$815 million per year (OFA, 2013).

Regulations in the Agri-Food sector are omnipresent in farming and orchard growing operations. Some regulatory trends have the potential to diminish the profitability of the Agri-Food industry and to make farming less attractive as an industry. Among them are the proliferation of agencies that have oversight over a single farming or Agri-Food operation, requirements for ever more stringent standards that incur excessive costs.

As an example a winemaker that is subject to multiple inspections and regulatory oversight by numerous agencies during a single period of time loses valuable time, resources and incurs costs. The same winemaker is required to achieve different levels of standards for different agencies. The number of government agencies involved is increasing and in some instances has already reached as many as five different government departments or agencies.

Regulatory burden may also be felt by a farmer who expands his or her operation or who is a first time Agri-Food producer and is required to invest in upgrading the facilities, equipment or to improve the land to standards that are in excess of previously applied standards. This kind of regulatory burden tends to create a suboptimal business climate.

- *The governments of Ontario and Canada can improve the overall regulatory environment by properly costing out any new proposed regulations and publishing the results.*
- *Secondly, the government can implement a regulatory review process that would include the private sector and have as a goal simplifying existing regulations as well as eliminating unnecessary ones. The Chamber welcomes the Ontario governments recent announcement to reduce the regulatory burden (Government of Ontario, March 2014).*

The Greenhouse Industry

As already stated, the greenhouse sector has the greatest growth potential in Essex County. Essex County had 66, 858, 873 square feet (1,535 acres) under glass, plastic or other protection in 2010, a remarkable 13% increase over the 2006 total of 59, 138, 687 square feet (1,357 acres). Of this area 2,695,735 square feet were dedicated to growing greenhouse flowers, while the bulk at 63, 040,577 square feet were allocated to the production of greenhouse vegetables. Vegetable production has continued to expand over the past years and now stands at 83, 660, 316 square feet (1,920 acres) for the Essex region alone.

The greenhouse industry in Essex County is a dynamic one where growth has been quite rapid for the past twenty years. There is always a need for labourers and packers, as well as more

senior positions such as assistant growers and senior or head growers, who can earn over \$100,000 per year.

While all of the challenges raised in this paper are relevant to greenhouse production the cost and reliability of energy and a workforce remain the two largest concerns.

Wineries

The first commercial wineries, Pelee Island Winery, Colio Estate Winery and D'Angelo Vineyards started operating in the early 1980s. Today, the Windsor-Essex region has 19 wineries in operation and more wineries are likely to open in the years to come. The number of grape growers in the region is 36 with more than 800 Acres of production capacity. The value of the grape growing industry is one of the reasons for the resurgence in the wine industry in the region along with the favourable microclimate. Grapes comprise 35% of the total farm value of Ontario commercial fruit crops, representing significant increase in farm revenue.

The importance of the wine industry for Ontario is highlighted by the fact that Ontario is the leading grape producer accounting for about 85% of all Canadian production. Over 95% of production was used for wine products and under 5% for juice, jams and other grape products. In terms of economic value, Ontario wine sales surpass 58 million liters valued at over \$600 Million and retail sale valued at \$533 Million in 2010. In terms of VQA wine sales (crafted entirely from Ontario grown grapes and with rigorous winemaking standards) in Ontario have increased by \$100 million since 2008, from \$168 million in 2008 to \$268 million in 2013 (Ontario, December 12, 2013, p. 2).

The Essex County share of the wine retail sales value is estimated at \$14.7 Million (WEEDC, 2012, p. 8). In terms of direct jobs the grape and wine sector employs 7000 people in Ontario and 400 people in Windsor and Essex County. The value of their wages and salaries is estimated at \$92 Million for Ontario and \$5 Million for Windsor-Essex.

The direct jobs in winemaking include full and part-time workers for bottling, storage, maintenance, and wine making needs as well as hospitality, finance, along with sales and marketing functions. Harvesting and hospitality are additional activities that are responsible for more direct employment.

Like all other Agri-Food sector businesses, wineries are responsible for many more jobs than associated directly with winemaking. Associated employment is in cooperage, farm and winery equipment, construction, professional services, tanks, printers, trucking, lab, vineyard development and other services (WEEDC, 2012, p. 10).

According to the Winery & Growers Alliance of Ontario the total economic impact of Ontario's

wine economy is \$3.3 Billion, including some 14,000 jobs. While the population of the Windsor-Essex region represents 2.6% of Ontario's population, the region's share of this economic sector is 11.5%, or \$380 Million and approximately 1600 jobs.

In addition to the direct business and employment benefits, grape production enhances the look of the natural environment and contributes to the preservation of the region's agricultural heritage. These significant benefits place the wine industry at the centre of the Agri-Food industry's potential for growth in the Windsor-Essex region.

Some of the specific challenges for the wine and grape producing industry in Windsor-Essex include growing the region's skills capacity of the workforce, developing a comprehensive regional strategy, better access to consumer markets and developing positive perceptions about the industry and the Agri-Food sector in general.

Education and skills training for the wine industry is a particular area that can be improved by government investment in University and College programs centered on Oenology and Viticulture. In comparing the various wine the Windsor-Essex region can improve its skilled force by partnering with the local institutions of higher learning, including University of Windsor and St. Clair College.

Among the wine industry specific challenges for the Windsor-Essex wineries is the need for better market access within Ontario. In order to improve the quality of the wine in Ontario and to preserve the brands that exist within specific geographic areas in Ontario the wine industry is organized into several appellations under the Ontario's Wine Authority, or the VQA system. Some of the main challenges for the Windsor-Essex wine makers are related to some of the current rules contained in the Ontario wine system. Among them, restrictions to the business practices of wine makers in distributing their wine to more distant markets within Ontario, including the lack of warehousing options that would make wider distribution viable. Secondly, the Windsor-Essex wine industry has been a emerging success in the number of wineries and in the size of its production. The growth in the industry would inevitably require increased representation by the new winemakers at the Ontario wine related organizations. Resolving the distribution and representation issues would be helpful to the region's position in the Ontario marketplace.

Windsor-Essex wine producers need a more economically viable access to the Ontario Marketplace. Any modernization of the wine system in Ontario, including the LCBO and the VQA, should among other things lift restrictions in the areas of distribution, warehousing and be more adept in providing representation by all wine producers in the Province.

CONCLUSIONS

Agri-Food industry in Windsor-Essex is a key economic driver with economic value of \$1 billion. The success of the Agri-Food industry in the region has posed new challenges and new opportunities. The challenges include, but are not limited to, access to reliable and affordable energy, transparency in water and waste water system costs, and access to markets.

The many businesses that comprise the Chamber are significant stakeholder in the success of the Agri-Food industry. As such, the businesses in the region have an additional responsibility to promote and to aid the growth of this promising industry. A look at the employment generated by the Agri-Food industry shows that apart from the many direct jobs created in its regular operations, we can add many more jobs that support the industry. Our economic future depends on sustaining and growing all sectors of the economy of our region. The Agri-Food industry happens to be one of the most dynamic and most significant industries we have. Its economic potential is equally impressive, gains in such an industry is bound to lift the success of every other economic sector we have.

The key findings of the paper are the following:

- Agri-Food sector statistical data is often dispersed and scarce. Different methods of measuring the data, as is the case with the regional and industry specific statistics, can lead to less accurate and less reliable data. The availability of more data and more accurate data will greatly improve our understanding of the Agri-Food sector.
- Among the key findings of the AFP is the strength of the greenhouse sector, which includes flowers and vegetable production. The highest concentration of greenhouses in Canada is in the Windsor-Essex region, representing approximately 50% of greenhouse production.
- Another important finding is the importance of the accessibility and the cost of energy in the Agri-food industry. Currently greenhouses operate 9-10 months out of the year. More accessible and lower energy costs would mean year-round production, a 16-25% increase, and improved economic performance.
- Third finding of the AFP is the regulatory environment. The Agri-food industry is less

competitive when multiple inspections and regulatory oversight by numerous agencies impact their resources and often incur unnecessary costs.

- Currently, approximately 80% of Ontario's Agri-Food exports are bound for the U.S., while less than 20% are destined for other markets. The expected doubling of global food demand over the next 30 years is an opportunity to generate significant economic benefits.

SUMMARY OF RECOMMENDATIONS

Working with the regions Agri-food community stakeholders, the Windsor-Essex Regional Chamber has identified access to capital, government regulations, energy, transportation and labour/workforce development as the most significant issues of concern for the Agri-food industry in the Windsor-Essex region. To improve the Agri-food production in the region the Chamber issues the following recommendations:

1. In order to be globally competitive, meet the Premier's challenge of doubling Agri-food exports by 2020 and sustain the jobs and the economic benefits of the greenhouse industry for our region the government of Ontario should continue to invest in improving its energy infrastructure and access to the electricity grid necessary for a year round greenhouse production (up from 9-10 months of the year).
2. In order to preserve and improve the global competitiveness of the entire Agri-food industry in the Windsor-Essex region the government of Ontario should ensure a reliable, modern and efficient supply of energy to its customers at reasonable rates.
3. The government of Ontario should provide an annual report of municipal water and waste water rates across Ontario, increasing transparency.
4. The Chamber urges the government of Canada to work with the U.S. Chamber of Commerce and the Privy Council of Canada to implement recommendations in the Beyond the Border agreement, signed by President Obama and Prime Minister Harper in 2012, to facilitate trade including Agri-food related trade.
5. The Chamber is calling for a greater engagement by the Canadian Food Inspection Agency (CFIA) in providing comprehensive information and support regarding the evolving regulatory framework. Stakeholder engagement is one way to help address concerns and opportunities. The Chamber is prepared to facilitate potential CFIA stakeholder meetings.
6. All community stakeholders should raise awareness about the Agri-food industry as a key

economic sector of our region's economy. It is number one or number two economic sectors in Ontario.

7. The growth and competitiveness of the Agri-food industry in our region in large part depends on the long term stability of its workforce. The industry would benefit from investment in new post-secondary programs and training opportunities directly related to the needs of the Agri-food businesses in our region. The Agri-food industry also needs improved access to foreign workers and internationally trained professionals.
8. The governments of Ontario and Canada can improve the overall regulatory environment by properly costing out new proposed regulations in consultation with stakeholders relevant to the Agri-food industry. The Chamber recommends continuous review of the regulatory environment and simplifying regulations. The Chamber welcomes government initiatives, such as the recent Ontario Open for Business initiative, that continue to reduce the regulatory burden and red tape for business.
9. Windsor-Essex wine producers need a more economically viable access to the Ontario Marketplace. Any modernization of the wine system in Ontario, including the LCBO and the VQA, should among other things lift restrictions in the areas of distribution, warehousing and be more adept in providing representation by all wine producers in the Province.

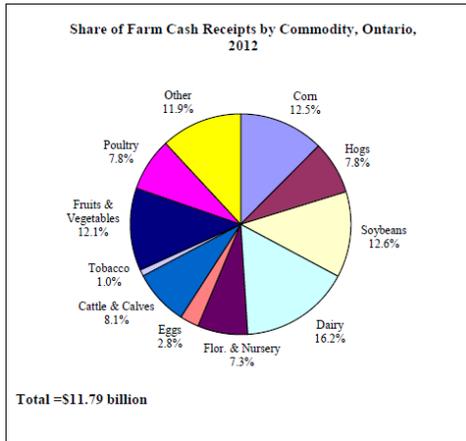
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Appendix

Charts and Graphs

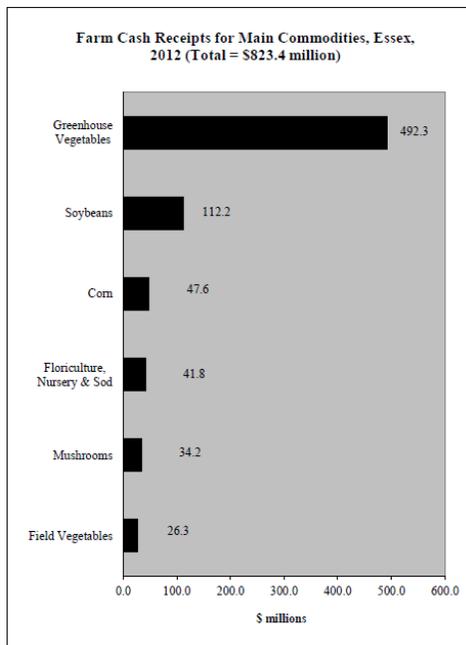
Graph 1: Share of Farm Cash Receipts by Commodity, Ontario 2012



Source: OMAFRA 2014:

http://www.omafra.gov.on.ca/english/stats/county/southern_ontario.pdf

Graph 2: Farm Cash Receipts for Main Commodities, Essex County 2012



Source: OMAF/MRA, Government of Ontario:

http://www.omafra.gov.on.ca/english/stats/county/southern_ontario.pdf

More reference material is available on the Chamber website at www.windsorchamber.org/policy.