



HOUSE OF COMMONS
CANADA

THE CANADIAN TOBACCO- GROWING INDUSTRY IN CRISIS

Report of the Standing Committee on Agriculture

June 1987

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HOUSE OF COMMONS

Issue No. 32

Tuesday, June 23, 1987

Chairman: Les Clark

*Minutes of Proceedings and Evidence
of the Standing Committee on*

**THE CANADIAN TOBACCO-
GROWING INDUSTRY
IN CRISIS**

PRESENTING:

Parliament to Standing Order 50(2), a study of
farm input costs

INCLUDING:

Third Report to the House

Report of the Standing Committee on Agriculture

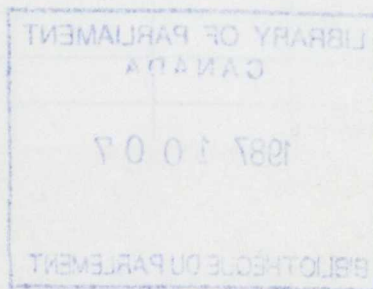
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June 1987

Second Session of the
Thirty-Third Parliament, 1986-87

THE CANADIAN TOBACCO
GROWING INDUSTRY
IN CRISIS

Report of the Standing Committee on Agriculture



June 1987

HOUSE OF COMMONS

COMMITTEE ON THE TOBACCO-GROWING INDUSTRY
OF THE STANDING COMMITTEE ON AGRICULTURE

Issue No. 32

Tuesday, June 23, 1987

Chairman: Lee Clark

Has the Honour to present to

SECOND REPORT

*Minutes of Proceedings and Evidence
of the Standing Committee on*

Agriculture

RESPECTING:

Pursuant to Standing Order 96(2), a study of
farm input costs

INCLUDING:

Third Report to the House

Second Session of the
Thirty-Third Parliament, 1986-87

THE SUB-COMMITTEE ON THE TOBACCO-GROWING INDUSTRY OF THE STANDING COMMITTEE ON AGRICULTURE

has the honour to present its

SECOND REPORT

In accordance with its Order of Reference from the Standing Committee on Agriculture, dated Wednesday, November 5, 1986 your Sub-Committee is presenting the following report and recommends that it be adopted as the Committee's Third Report to the House.

Your Sub-Committee asks that the Standing Committee request that the Government table a comprehensive response to the report pursuant to Standing Order 99(2).

SUB-COMMITTEE ON THE TOBACCO-GROWING INDUSTRY IN CANADA

Chairman: Harry Brightwell

Members of the Sub-Committee who participated in the drafting of this report.

Vic Althouse

Pat Binns

Bud Bradley

Bruce Halliday

Maurice Foster

ACKNOWLEDGEMENTS

The Sub-Committee wishes to record its appreciation to its staff for the support received, which has contributed so much to the effectiveness of its work. In particular, the Sub-Committee is grateful for the advice, guidance and support provided by its research staff, Leonard A. Christie and Sally Rutherford, of the Research Branch of the Library of Parliament and James Taylor, Clerk of the Committee.

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CHAIRMAN'S FOREWORD

The idea for a study of the tobacco-growing industry came from Dr. Bruce Halliday, M.P. for Oxford, in the fall of 1985. He was successful in having a Private Member's motion accepted by the House of Commons, and the Committee was established.

Because of procedural delays, little was accomplished prior to the end of the session in August of 1986 when the effect of the Halliday motion ended. Under new committee rules, the Standing Committee on Agriculture established a Sub-Committee in the fall of 1986 and its work has now progressed to the report stage.

The membership of the Sub-Committee was appointed from that of the Standing Committee, but was formed in such a way that Bud Bradley, M.P. for Haldimand-Norfolk, Bruce Halliday, M.P. for Oxford, and Pat Binns, M.P. for Cardigan — all of whom represent tobacco regions, could serve on the Committee along with Standing Committee members Maurice Foster, M.P. for Algoma and Vic Althouse, M.P. for Humboldt-Lake Centre.

The report should place in perspective the crisis in the tobacco-growing industry. It contains recommendations that, if accepted, will reduce the trauma to tobacco producers and tobacco-producing regions.

Many of the recommendations could be applied to other critical areas in Canadian agriculture and could have benefits beyond the tobacco-growing industry. The members of this Sub-Committee have, through their investment of time and energy, demonstrated their concern for this group of farmers and for agricultural producers as a whole.

Harry Brightwell, M.P.
Chairman

Recommendations

1. The Sub-Committee recommends that the government consider the advisability of raising the initial transition grant under the Canadian Rural Transition Program to a maximum of \$2,000 per eligible applicant plus \$500 for each dependent.
2. The Sub-Committee recommends that the government consider the advisability of including dependent care allowances under the Canadian Rural Transition Program, equivalent to those available under the Canadian Job Strategy.
3. The Sub-Committee recommends that an on-the-job training component be included in the Canadian Rural Transition Program training initiative.
4. The Sub-Committee recommends that the government consider the advisability of increasing the level of wage reimbursement under the Canadian Rural Transition Program to reflect the Canadian Job Strategy provisions and that the coverage period be extended to 52 weeks.
5. The Sub-Committee recommends that the government consider the advisability of increasing the duration of the start-up allowances for establishing off-farm businesses under the Canadian Rural Transition Program to reflect the provisions of the Canadian Job Strategy and that the allowances be extended from 26 to 52 weeks.
6. The Sub-Committee recommends that the government consider the advisability of increasing the level of allowances for travel, overnight accommodation and relocation under the Canadian Rural Transition Program to the level of similar allowances of the Canadian Job Strategy.
7. The Sub-Committee recommends that the government consider the addition of a counselling element to the Farm Debt Review Board Program and that counselling be made available at the earliest stage possible to applicants to both the Farm Debt Review Boards and the Canadian Rural Transition Program.
8. The Sub-Committee recommends that special funding be made available under the Community Futures and Innovations components of the Canadian Job Strategy and that the funding of projects under these components be expedited.
9. The Sub-Committee urges the Minister of Regional Industrial Expansion to reassess the tier-system used by that Department to give maximum assistance to needy areas.
10. The Sub-Committee recommends that Agriculture Canada consider incorporating some flexibility into the budgetary structure of the Alternate Enterprise Initiative Program in order to permit funds to be shifted among the three components of the program in accordance with the varying nature of requests for funding.
11. The Sub-Committee recommends that the government consider the advisability of amending the Alternate Enterprise Initiative Program to permit individuals to qualify for funding.
12. The Sub-Committee recommends that the government consider the advisability of introducing assistance for alternate enterprises, other than under the Alternate Enterprise Program, in the form of grants, guarantees or 5-year low interest loans.
13. The Sub-Committee recommends that the government consider the advisability of amending the *Farm Improvement Loans Act* and the *Farm Syndicates Credit Act* to raise the maximum loan to \$200,000 per individual and to make the repayment period for buildings 15 years in both acts.

14. The Sub-Committee recommends that the government undertake to develop more effective means of dealing with agricultural imports that, because of subsidies or other production policies, are unfairly priced to such an extent as to undercut Canadian production for the domestic market.
15. The Sub-Committee recommends that governments consider the advisability of modifying the Tobacco Transition Adjustment Initiative by removing the cap on maximum payments to individual producers, the requirement to sell remaining quota on the open market, and the requirement to have produced in one of the last three years.
16. The Sub-Committee recommends that the government consult with the provincial governments on modifications of the Tobacco Transition Adjustment Initiative Program that would permit tobacco producers to retain, free from the claims of creditors, a larger share of the funds received from the program, in order to assist producers in their transition to other enterprises.
17. The Sub-Committee recommends that the government review the impact of the *Income Tax Act* on farmers leaving agriculture because of financial distress.
18. The Sub-Committee recommends that the government continue its efforts to negotiate a reduction in tariffs for tobacco into the European Common Market and other countries.
19. The Sub-Committee recommends that the government continue to support the export marketing efforts of tobacco producers into new markets.
20. The Sub-Committee recommends that the federal government maintain tobacco research at the Delhi Research Station, the Charlottetown Research Station and the L'Assomption Experimental Farm, at levels of funding and staffing commensurate with the needs of the industry.
21. The Sub-Committee recommends that the government consider the advisability of increasing the funding and personnel at the Delhi Research Station to more adequately cope with the demand for research and expert advice on all aspects of the production, marketing and processing of alternative crops, while maintaining the regular research work.
22. The Sub-Committee recommends that the government consider the advisability of undertaking research and technology transfer on the production and marketing of alternative crops at the Charlottetown Research Station and the L'Assomption Experimental Farm.
23. The Sub-Committee recommends that the government consider the advisability of allocating a portion of the Excise Tax levied on each pack of cigarettes for a period of 5 years to fund an improved Tobacco Transition Adjustment Initiative, an improved Alternative Enterprise Initiative, and industrial development and employment initiatives in the tobacco-producing regions of Canada.
24. The Sub-Committee endorses the Minister of Agriculture's commitment to support tobacco producers should they continue their actions to pursue a National Marketing Agency.

GLOSSARY

- Flue-cured tobacco** — represents 98% of tobacco produced in Canada. It is tobacco which is cured in heated air but not subject to smoke. Flue-cured tobacco is used in the manufacture of cigarettes.
- Burley tobacco** — is grown only in Ontario. Burley tobacco is a light tobacco cured under natural conditions within a shelter. It is used for blending with flue-cured tobacco in cigarettes.
- Cigar tobacco** — produced in Quebec, is used for filter in cigars.
- Pipe tobacco** — produced in small quantities in Quebec, is used as tobacco for pipes.
- Green weight** — refers to the weight of kiln-dried tobacco from the farm ready to market at the auction.
- Redried weight** — refers to the weight of tobacco when it is processed, further dried and repacked for commercial storage after being auctioned. Stocks in commercial channels, exports and imports are reported on a redried weight basis.
- Book debts** — are receivables or money due to a producer from the sale of a crop, or other assets that are not land or quota.

INTRODUCTION

Tobacco has been actively grown and marketed as a commercial crop in Canada for over 50 years. In Southern Ontario where 90% of this crop is produced, tobacco grew from being a minor crop to become a major agricultural commodity in the 1950s. In the Maritimes, tobacco production was introduced in the 1960s under the auspices of the tobacco-manufacturing firms themselves. Quebec, with a long history in tobacco, saw a major surge in production in the 1970s. At the peak of tobacco production, in 1981, there were approximately 2,800 tobacco producers in Canada. The Sub-Committee on the Tobacco-Growing Industry was told at public hearings in the tobacco-growing regions of Canada that by 1987 this number could be reduced by almost 50%.

The Sub-Committee was reminded repeatedly, that this drop in numbers was not merely a statistic but that it represented the loss of the livelihood for whole families and of the viability of their communities.

Production of flue-cured tobacco in Ontario has dropped in recent years from 220 million pounds in 1981 to 148 million pounds in 1986 and the number of producers has dropped from 2,200 to 1,500 in that time. Prince Edward Island production fell by 21% from its 1983 level of 8 million pounds and the number of producers dropped from 80 in 1983 to 72 in 1986. Quebec flue-cured tobacco production fell by 28% in 1986 to around 10 million pounds and the number of producers declined by 20% in the past four years to 116 in 1987. Nova Scotia producers have absorbed a 13.5% cut in their production from the 1985 level of 1.1 million pounds and their number is down to 16 producers from a high of 44 growers in 1970. New Brunswick has been able to maintain the number of producers but these 7 producers, last year, grew slightly more than one half of the 1983 production of 937 thousand pounds.

It is not only flue-cured tobacco producers who are faced with cutbacks. Burley growers in Ontario, in 1987, will produce a small crop after a two-year lay-off because of decreased requirements for their type of tobacco. In Quebec, cigar and pipe tobacco producers have had to reduce production by 50% from one million pounds in the early 1980s to 500,000 pounds in 1986 and their numbers have reduced by 10% leaving 126 producers. It is quite clear that the tobacco production industry is in a crisis situation.

In areas of concentration of tobacco production, particularly in Southern Ontario, farmers have had their equity eroded from under them. Land values have decreased from \$2,500 to \$3,000 per acre in 1982 with standard equipment, to \$900 to \$1,200 per acre and quota value has dropped from \$2.50 in 1981 to around \$0.65 in the spring of 1987. The cutback in the demand for tobacco has left many producers with investments in machinery and quota that have drastically reduced in value. Equipment is specialized and not readily transferable to any other type of agricultural enterprise. For many there is nothing left on which to borrow operating costs to produce the crop for which they have the equipment and the expertise. For most there is nothing against which they can borrow to attempt to establish an alternate crop.

The plight of the tobacco producer was brought home to the Sub-Committee in a number of presentations.

It is a fact that a person in Toronto can assemble two house lots, put them together, and trade them for a fully equipped farm in this area. Something is out of balance here. Worst of all, our best farmers, men and women experienced in every sector of farming, are forced to leave the area. Is the rural area not a people place, a place for the family farm?

(Father John Mooney, Tillsonburg, Ont.)

(Issue 2:31)

Everyone is talking about alternate crops and that is quite fine. When you have an alternate crop that can be like tobacco, then it is truly an alternate crop. Let me give you an analogy to put it in perspective. Let us suppose government had said to Chrysler, when they were having their financial problems and were looking for government support, that it would support Chrysler, but wanted them to produce a bicycle instead of a car. While all analogies fail, you can quickly see that it does not work. Chrysler has an overhead, fixed and otherwise, to produce a car. The majority of these people are in the business of producing tobacco. The fixed overhead and the variable costs of dealing with tobacco are such that no crop, at present,...can come close to producing a bottom line.

(Joe DiGiovanni, Tillsonburg, Ont.)
(Issue 2:56)

When I hear of farmers who have been cut off at the bank to the point where they have no money to buy groceries, I feel ashamed of my country. I have always been proud to be a Canadian, but now I am not so sure. Most of these good people have worked very hard and have turned this area, which was nothing before tobacco, into one of the most productive areas in Canada. People who were about to retire, with their farm value as security, have lost their old-age security.

(Mickey Murphy, Delhi, Ont.)
(Issue 3:69)

It is not only individual producers who face financial difficulty. In all tobacco-growing regions the Sub-Committee was told that the effect of the decline of the local tobacco industry would have a serious effect on the rural community as a whole.

In each tobacco-growing region the industry accounts for a major proportion of local revenue. The Sub-Committee was told that tobacco production in Ontario in 1986 had a farmgate value of \$220 million and provided 28,000 seasonal jobs. Contacts in the tobacco area estimated that the current decline in the tobacco-growing industry will cause the loss of one third of those jobs. On Prince Edward Island, in 1986, tobacco production provided \$10 million in farm cash receipts. The tobacco-growing industry provided approximately 1,800 seasonal jobs in 1982 but the number of jobs has declined by 450 during the past four years. In Nova Scotia the decline in the \$2 million industry is estimated in 1987 to cause a 20%-30% decline in the 300 seasonal jobs of recent years.

The area of New Brunswick which produces tobacco is highly dependent on the industry, as tobacco is the largest cash crop, bringing in \$1 million in gross farm income. The Sub-Committee was told that by 1987 the number of seasonal jobs in the tobacco industry would be 150, one half of the jobs available in 1983.

In the tobacco-producing regions of Quebec, the growing industry has generated \$20 million in farm cash receipts and supported between 1,800 and 2,000 jobs per year. The Quebec Flue-Cured Tobacco Growers Board expects the number to fall by 10% in 1987 alone.

Thus, the decline in the industry is taking its toll in lost revenue for farmers, workers and service industries. It is causing a population exodus, higher unemployment, a strain on welfare rolls, erosion of the municipal assessment base and reduced ability to service debt, not to mention negative social impacts on families and on communities.

It is estimated that 30% of Canadian tobacco farmers are in severe financial difficulty. This compares to the agricultural industry as a whole where it is estimated by the Farm Credit Corporation that 30% of the farmers are in distress. Many farmers made what they thought were good business decisions during relatively good times. Now they must deal with those financial commitments at a time of high operating costs and returns which are at times below the cost of production. For the tobacco industry, as for other farm commodities, rapid expansion and the external pressure of global over

supply disrupting export markets are at least in part responsible for the economic difficulties facing the industry. Changes in manufacturing technology and rapid and significant increases in federal and provincial cigarette taxes as well as government policy and social pressure aimed against smoking have also had their effect. (See Table 10)

The Sub-Committee has been made aware that 25% of the applications to the Farm Debt Review Board in Ontario have been made by tobacco producers. Thus, in a province where tobacco producers represent only 4% of the total farming population, the application rate to the Farm Debt Review Board indicates a severe level of financial stress. As well, the fact that the majority of those tobacco producers in financial stress are located within a 100 square mile area, has serious implications for the economic viability of the local communities.

Through its hearings in the tobacco-producing region of Canada, the Sub-Committee learned that tobacco producers as a group are well aware of the situation they face.

The Sub-Committee was told in Delhi that:

The farming community is not asking for government handouts. They are proud, dedicated, independent businessmen and women who are now suffering from an upheaval in the beliefs of our country. The assistance we seek for the farming community would provide the farmers with a chance to be able to change their crop, to provide a product that is in popular demand by the public, to improve job opportunities in our area which produce an acceptable standard of living for their families, and to contribute to the prosperity of their communities.

(Gordon Gibson, Chairman,
Tobacco Area/Industrial Strategy Study,
Delhi, Ontario) (Issue 3:10)

Tobacco produced in Canada is primarily flue-cured tobacco for use in cigarettes. Production targets set jointly by the growers and the manufacturing industry for 1986 gave Ontario 85% of production, Quebec 10% and the Maritimes 5%. Total tobacco production in that year was 148 million pounds with a value of \$257 million. This was a 23% drop from 1985 levels. The projection for 1987 production is lower still at 132.8 million pounds.

Throughout the tobacco-growing regions of Canada, acreage and yield of tobacco increased from the mid-1970's through to 1982 after which acreage began to decline. The immediate cause of the reduced acreage was the lower requirement of the manufacturing companies for the commodity. Sales of cigarettes began to decline in 1982 with a marginal decrease of one third of one percent, offset by an increase of 16.5% in sales of domestically produced tobacco for hand-rolled cigarettes. It is interesting to note that consumption of tobacco for hand-rolled cigarettes has increased each year since 1982, the year when national unemployment rose to 11%. In 1983, combined sales of cigarettes and tobacco for hand-rolled cigarettes declined by 4%, the first appreciable decline since 1949. Consumption has continued to drop and in 1986 it declined a further 6%. Overall, cigarette consumption has dropped 17% since 1983.

According to information provided to the Sub-Committee, by Mr. Neil Collishaw, from the Department of Health and Welfare, tobacco consumption per capita decreased by a fairly steady 0.129 pounds per year between the peak year 1959 and 1981. Between 1981 and 1984 this decrease was 0.24 pounds per year, twice the previous annual amount.

This drop in consumption, combined with new manufacturing technology requiring one third less tobacco per cigarette, reduced tobacco requirements in 1986 compared to 1981 by over 6 million pounds green weight.

In discussing the decline in consumption of tobacco many of the witnesses including the tobacco boards and the Canadian Tobacco Manufacturers Council (CTMC) stated that federal and provincial taxation of cigarettes has been the main cause.

According to the Canadian Tobacco Manufacturers Council, Canadian smokers spent 1.3% of Gross Domestic Product or \$6.4 billion on tobacco products in 1986, close to \$4 billion of which or 64% of the total went to governments in the form of taxes. The Canadian Tobacco Manufacturers Council shows that since January 1, 1981 federal taxes have increased by 120% while the range of provincial taxes have increased from 90% in Newfoundland, up to 362% in Alberta. Since 1981 the Consumer Price Index has risen 36% while the cigarette prices index increased 120%. Before that time the tobacco price index remained more or less in line with the increase in inflation. (See Tables 9 and 10)

Elasticity studies on the relationship between cigarette consumption and price have shown that increases in price have an effect on consumption. Young people and people on fixed and lower incomes are the most sensitive to increases in tobacco prices; they are more likely to decrease consumption of cigarettes or quit altogether. From 1982 to 1986, during the time when the price of tobacco (adjusted for inflation) rose by 51%, due mostly to tax increases, the consumption of cigarettes dropped by 12.7%. During the same period, the inflation adjusted values of personal disposable income increased much more slowly and the average industrial wage actually dropped.

The Sub-Committee recognizes that other factors as well as tax increases are responsible for the drop in consumption. Social pressures and changing values also have had a significant effect on tobacco consumption and thus on the tobacco industry itself.

Since the hazards of smoking became common knowledge in the early 1960's there has been a movement toward reducing tobacco use. Non-smokers rights groups, and positions taken against smoking by physicians have had a major impact. The Sub-Committee was told that close to 40 municipalities, many of them large cities, control tobacco smoking in retail stores, public places and other areas under municipal jurisdiction. Some cities also control tobacco smoke in the workplace. Provincial legislation in Quebec controls smoking in public places and the recently announced federal policy will restrict smoking in the workplace for all workers under federal jurisdiction by 1989. There is no doubt that such restrictions have and will increasingly have the effect of reducing tobacco use and production.

The level of tobacco exported is another contributor to the amount of tobacco produced. Historically, 30%-40% of the flue-cured tobacco grown in Canada has been exported, almost entirely Ontario flue-cured tobacco. Exports have remained fairly stable over the last few years but because there has been no real growth in the pounds of tobacco exported, exports have not helped to compensate for lower Canadian requirements.

In June, 1987 the tobacco-growing industry in Canada, and the communities of which they are a part, are in a state of crisis. Faced with a variety of problems tobacco producers find there are no easy solutions to the rationalization of the industry. This report recommends measures to assist those who are presently leaving the industry to adjust to alternate employment and an alternate life-style. It also makes recommendations that it hopes will help to create a climate in which the orderly rationalization and stabilization of the tobacco-growing industry can take place.

LEAVING THE FARM

For a certain number of tobacco producers the decision to leave the tobacco-growing industry has already been made. As reported earlier, large numbers of Canadian tobacco producers and their families have left their farms and their way of life or will be leaving in the near future. These

individuals and families will have to seek out new ways to earn a living and for many, a new way of life off the farm. Many will be forced to start over again with little or no capital remaining after their debts have been paid. The Federal Exit Compensation Program recently passed by Federal Treasury Board provides for assistance to Ontario flue-cured tobacco producers who had to leave their operations between February 1986, when the government's intention to assist tobacco producers was made clear, and April 1987 when the Tobacco Assistance Program came into being.

The adjustment will be difficult. The Sub-Committee learned from survey results presented by the Tobacco Area Industrial Strategy Study Committee in Delhi, Ontario that each tobacco farm supported 4.3 family members and that 55% of the respondents were 46 to 65 years of age. Only 1 in 5 producers had education beyond grade 13 and 83% felt inadequately prepared to earn a living outside of tobacco growing.

The Canadian Rural Transition Program (CRTP) was established in the fall of 1986 by the Honourable John Wise, Minister of Agriculture. It was designed to help those who, for financial reasons, must cease farming. The program was aimed at providing funding, job counselling and training opportunities to assist farm families to make the transition out of farming and to find new employment. In the past, because of their self-employed status, farmers have not usually qualified for this kind of federal government assistance.

The Sub-Committee understands that to date, close to one third of all of those accepted into the Canadian Rural Transition Program in Ontario are tobacco producers. Because of particular situations in the other tobacco-producing regions there is to date only 1 applicant from the industry in those regions compared to 100 in Ontario.

The Sub-Committee heard from witnesses that the levels of assistance available under the Canadian Rural Transition Program were not equivalent to those offered under Employment and Immigration Canada's Canadian Job Strategy (CJS) on which the Canadian Rural Transition Program design was based. The excellent work of a number of Canada Employment and Immigration Centre Local Advisory Committees (LAC), including the Oxford County Local Advisory Committee which testified at Tillsonburg, Ontario, pointed out a number of areas in which the Canadian Rural Transition Program could be made more equivalent to the Canadian Job Strategy or could simply be increased and therefore made more attractive to farmers.

Presently, those accepted into the Canadian Rural Transition Program are eligible for an initial \$1,600 transition grant to assist with immediate family expenses involved with ceasing the farm operation. Thereafter, weekly allowances to help to cover family living expenses are made during the period of job search or while awaiting referral to training for up to five months.

The Sub-Committee agrees with the Oxford Local Advisory Committee that the \$1,600 initial grant is not sufficient to cover the cost of living, and the additional cost of finding new shelter, as applicants who have lost everything to bankruptcy may have to do.

The Sub-Committee recommends that the government consider the advisability of raising the initial transition grant under the Canadian Rural Transition Program to a maximum of \$2,000 per eligible applicant plus \$500 for each dependent.

Training under Canadian Rural Transition Program is available to the farmer and other family members involved in the farming operation. The Sub-Committee believes that the lack of a dependent care provision makes the training provision of the Canadian Rural Transition Program difficult if not impossible for some applicants to use.

The Sub-Committee recommends that the government consider the advisability of including dependent care allowances under the Canadian Rural Transition Program, equivalent to those available under the Canadian Job Strategy.

The information provided by the Tobacco Area Survey brought out the fact that many tobacco producers are older persons who have long been out of school. For many of these persons, training in regular classroom situations, as available under the present Canadian Rural Transition Program training element, is not appropriate. The Sub-Committee believes that every effort should be made to assist eligible individuals to develop the necessary skills to obtain employment.

The Sub-Committee recommends that an on-the-job training component be included in the Canadian Rural Transition Program training initiative.

The Canadian Rural Transition Program includes a wage-reimbursement element as an incentive to prospective employers. The Canadian Rural Transition Program presently provides for 50% reimbursement to employers to a maximum of \$140 per week for 26 weeks. The Canadian Job Strategy provides for between 25% and 80% reimbursement to a maximum of \$350 per week for 52 weeks.

The Sub-Committee recommends that the government consider the advisability of increasing the level of wage reimbursement under the Canadian Rural Transition Program to reflect the Canadian Job Strategy provisions and that the coverage period be extended to 52 weeks.

Some of those leaving the farm have the skills and the willingness to establish new non-farm businesses. The present Canadian Rural Transition Program allowances provide for start-up assistance of \$180 for 26 weeks in comparison to the Canadian Job Strategy provisions of \$180 for 52 weeks.

The Sub-Committee recommends that the government consider the advisability of increasing the duration of the start-up allowances for establishing off-farm businesses under the Canadian Rural Transition Program to reflect the provisions of the Canadian Job Strategy and that the allowances be extended from 26 to 52 weeks.

The Oxford Local Advisory Committee pointed out a number of differences between the allowances available under the Canadian Rural Transition Program and those available under the Canadian Job Strategy including travel allowances, overnight accommodation, and relocation allowances.

The Sub-Committee recommends that the government consider the advisability of increasing the level of allowances for travel, overnight accommodation and relocation under the Canadian Rural Transition Program to the level of similar allowances of the Canadian Job Strategy.

The Sub-Committee heard testimony from witnesses that applicants to Farm Debt Review Boards, individuals and families, are going through financial and personal stress with no opportunity to receive counselling until it is too late to be of great help. It was also told that counselling under the Canadian Rural Transition Program is not being made as easily available as it could be and should be, to be truly useful. The benefit of the addition of such a component to the Farm Debt Review Board Program, would far outweigh the cost in terms of benefit to mental health, financial planning and ultimately the continued viability of the community.

The Sub-Committee recommends that the government consider the addition of a counselling element to the Farm Debt Review Board Program and that counselling be made available at the earliest stage possible to applicants to both the Farm Debt Review Boards and the Canadian Rural Transition Program.

These proposed changes to the Canadian Rural Transition Program would have benefits to all areas of agriculture facing financial stress and difficulty. Unfortunately, most tobacco-producing regions have few other employment prospects. Many of the adjacent municipalities depend on tobacco production to support tobacco-servicing industries. As the number of tobacco producers declines, so do the related businesses which have provided off-farm employment to farm families and residents of the towns. The Ontario Ministry of Municipal Affairs has indicated that the level of tax assessment from business has decreased in 10 of the 14 townships that produce tobacco in South-Western Ontario. Ten of the municipalities had less than 20% of their assessment base from commercial and industrial assessment with the balance based on tobacco production. Considering the apparent lack of economic activity outside of tobacco and related industries, there appears to be little opportunity for employment growth in these townships.

Similar situations exist in the tobacco-producing regions in Quebec where whole municipalities are dependent on tobacco production with little other source of tax revenue. The mayor of Ste. Melanie in Quebec told the Sub-Committee that once a farmer gives up tobacco production, the land value can drop dramatically because the soil in that area has little or no production value outside of tobacco.

In areas where major plant closures or serious reductions in major industries have occurred, government assistance has often been provided through special programs to develop new industry and employment. The Sub-Committee believes that because of the decline in the tobacco industry there is a case to be made for such special assistance. There is a need for knowledgeable and experienced personnel to assist in seeking out new industry which could provide new employment. There is also a need for programs providing the level of assistance required to attract and keep new industry.

In view of the fact that the decline in the tobacco-producing regions represents a major industrial dislocation;

The Sub-Committee recommends that special funding be made available under the Community Futures and Innovations components of the Canadian Job Strategy and that the funding of projects under these components be expedited.

The Sub-Committee also believes that, in general, greater assistance should be available to disadvantaged regions. At present, the level of assistance which is available for industrial development under the Industrial Regional Development program of the Department of Regional Industrial Expansion (DRIE) is based on the levels of employment within a census district, or a "tier" as in the terminology of the Department of Regional Industrial Expansion. The amount of assistance is provided on an ascending scale with tier-1 receiving the least assistance and tier-4 the most. Thus, in the Ontario tobacco-producing region, the level of assistance available to industries is that provided to tier-1 or tier-2 districts. The Sub-Committee is convinced that should the tobacco-producing region, which falls into four census districts, be considered as a district on its own, it would well qualify as a tier-4 region eligible for considerably greater industrial assistance than is available presently. Witnesses representing the Department of Regional Industrial Expansion did inform the Sub-Committee that in part because of problems of this nature, the tier-system is presently under review.

The Sub-Committee urges the Minister of Regional Industrial Expansion to reassess the tier-system used by that Department to give maximum assistance to needy areas.

TRANSITION ASSISTANCE

The reduction of purchases of tobacco since 1981, for domestic use and for export, by the processing-industries has dramatically reduced tobacco production. Since the peak production of 1981 until 1986, nearly 54,000 acres have been taken out of flue-cured tobacco production in Ontario. In

this period, flue-cured tobacco production has been reduced by about 700 acres in Quebec and 1,050 acres in the Maritime Provinces. With the two-year rotation commonly used in the tobacco-growing industry, these reductions indicate that, by 1986, the area available for growing other crops could reach at least 108,000 acres in Ontario, 1,400 acres in Quebec and 2,100 acres in the Maritime Provinces. The Tobacco Advisory Planning Committee, in Ontario, has determined that production in the province will be 110 million pounds in 1987 and will remain near that level for the next two years. Consequently, the area of production will be further reduced by about 10,000 acres from the 1986 level. Because of this latest reduction, Agriculture Canada estimated that up to 500 farmers could leave the tobacco-growing industry in Ontario, in addition to those who have already left. In recognizing the magnitude of this dislocation, the federal Minister of Agriculture began consultations early in 1986 with provincial Ministers of Agriculture and representatives of the tobacco-growing industry to develop programs to assist farmers who are leaving the industry.

Alternate Enterprise Initiative (AEI)

The Alternate Enterprise Initiative (AEI) program was established in February 1987 by the federal Minister of Agriculture, the Honourable John Wise. The objective of the program is to develop enterprises that will improve the long-term stability and competitiveness of agriculture in the tobacco-growing regions of Canada. This program focuses on the development of new crops, production technology, marketing and processing that will not disrupt existing crop production in Canada. There are three categories of funding for projects: market development; alternative crop development; and contracted research. Eligible applicants include cooperatives, associations, provincial marketing boards, corporations or similar legally registered organizations that have the ability to meet the risks associated with a project.

The \$15 million for the Alternate Enterprise Initiative Program was budgeted among the three categories as follows: market development, \$11.3 million; alternative crop development, \$1.5 million; and contracted research, \$2.2 million. The total program funds were to be allocated to each tobacco-producing province on the basis of its five-year average production of tobacco. The Alternate Enterprise Initiative Program is presently being implemented in Ontario. Quebec is the only other province which is negotiating to participate in the program. New Brunswick and Nova Scotia will make a decision regarding participation after negotiations on the Tobacco Transition Adjustment Initiative (TTAI) are concluded. Prince Edward Island requested funds only from the Tobacco Transition Adjustment Initiative program. Ontario is allocated \$13,196,410 and Quebec \$1,097,763. Project proposals under the AEI program could be accepted until March 31, 1991.

The Sub-Committee was told that applications under the marketing component have already exceeded the entire budget allocation for that part of the program in Ontario. Major expenditures under this component include a \$2.0 million contribution to the Southern Ontario Tomato Cooperative and a \$578,000 loan to the Ontario Flue-Cured Tobacco Growers' Marketing Board to assist with marketing unsold tobacco from the 1985 crop. This loan is repayable within three years. Furthermore, a total of \$3.5 million (including the \$578,000) has been approved and earmarked for loans to the Board for the marketing of tobacco. No applications have been approved yet under the research component. Some applications have been received for alternative crops development.

The number of requests under the market development component of the program as well as other evidence the Sub-Committee heard indicate interest in alternative crops. However, the fact that requests for funding market development in the first year of the program, exceed the entire budget allocation, shows that the market development aspect of the program is considerably underfunded. Therefore:

The Sub-Committee recommends that Agriculture Canada consider incorporating some flexibility into the budgetary structure of the Alternate Enterprise Initiative Program in order to permit funds to be shifted among the three components of the program in accordance with the varying nature of requests for funding.

The Sub-Committee heard varying testimony on the accessibility and usefulness of the Alternate Enterprise Initiative Program to individual farmers. The Committee of Concerned Municipalities thought that there should be room for both individuals and groups in the program. They considered that the 50% up-front financing required for qualifying projects inhibited individual participation. Other witnesses recommended removing the 50% funding requirement. Several witnesses told the Sub-Committee that many tobacco farmers cannot afford to go into risky and less remunerative alternative crops, because they may not be able to generate enough cash flow to cover both the fixed and operating costs of their farms. Furthermore, the Tobacco Area/Industrial Strategy Study Committee stated that "the availability of external financing is a prime prerequisite to moving forward" on alternative enterprise development. It was also brought to the Sub-Committee's notice that producers commencing long-term enterprises such as fish farming or asparagus had interim financing problems until their product reached a marketable stage.

The Sub-Committee recommends that the government consider the advisability of amending the Alternate Enterprise Initiative Program to permit individuals to qualify for funding.

The Sub-Committee recommends that the government consider the advisability of introducing assistance for alternate enterprises, other than under the Alternate Enterprise Program, in the form of grants, guarantees or 5-year low interest loans.

Several witnesses outlined the problems of choosing suitable and marketable crops. The Tobacco Area/Industrial Strategy Study Committee defined a replacement crop for tobacco as follows:

...a crop not now at or near its full market potential, capable of being processed locally and not only grown for fresh consumption, or a product presently produced for markets which could be expanded domestically or for export and would not deflate the price.

This agency concluded that such a crop, suitable to the region's soil conditions, needed the support of a long-range plan of technology and market development. Other witnesses stated that many farmers had difficulty in choosing alternative enterprises that wouldn't hurt existing producers. This problem was particularly emphasized in the tobacco-growing regions of Quebec, because growers considered that strawberry and potato production in that region had already reached their limit.

Other witnesses stressed the need to find new markets before encouraging alternative crops that could destabilize existing crops through overproduction. Arthur Loughton, the Manager of the Transition Crop Team appointed by the Ontario Ministry of Agriculture and Food said that growers are advised to find markets before planting a crop. In this regard, he noted that market studies would be useful.

Some positive developments in the transition to alternative crops in 1987 were described to the Sub-Committee. These enterprises included the production of baby carrots, rhubarb, spanish onions and zucchini; the growing of import replacement crops such as coriander, garlic, melons, early and sweet potatoes; and the introduction of crops for export such as buckwheat and hay. However, it was indicated to the Sub-Committee that there was no magic crop or no quick fix.

The Sub-Committee was told about the advisory work on alternative crops being carried out by the Agriculture Canada Research Station at Delhi and the provincial Transition Crop Team at Simcoe.

In fact, the demand for information has been so great at times as to compete with other work that these agencies must do. Some producers spoke about their problems in obtaining professional advice on alternative crops and financial problems. These witnesses requested local counselling centres to provide a coordinated service.

The Sub-Committee heard that the marketing of the product is a critical factor in developing alternative crop enterprises. It was suggested that tobacco farmers may need to develop a different type of marketing expertise along the lines of collective or cooperative systems for effective packaging and selling of their new products. Some examples were cited of small groups already formed for the collective marketing of peanuts, herbs and hay. There are also well-established organizations such as the Norfolk Fruit Growers Association.

The Sub-Committee also heard from Arthur Loughton that the production of high-quality produce is essential because growers of alternative crops must compete with existing products in the marketplace. He indicated that, tobacco farmers would need cold storage facilities to embark on the production of fresh vegetables and fruit. Processing vegetables are already grown in the tobacco-producing regions of Ontario and would be profitable for expansion. On this point, the Sub-Committee also heard from the Tobacco Area/Industrial Strategy Study Committee on the need for such industrial/commercial initiatives in the long-range market development of alternative crops. In order that farmers could obtain more adequate financing at reasonable interest rates for the construction of storage facilities or other equipment necessary to market quality produce,

The Sub-Committee recommends that the government consider the advisability of amending the *Farm Improvement Loans Act* and the *Farm Syndicates Credit Act* to raise the maximum loan to \$200,000 per individual and to make the repayment period for buildings 15 years in both acts.

The Sub-Committee also heard that Ontario imports between \$200 million and \$300 million worth of produce during the Canadian production season. Furthermore, witnesses from the University of Guelph noted that U.S. peanut production policies permit the export of peanuts into Canada at prices which make Canadian production uneconomic. Therefore:

The Sub-Committee recommends that the government undertake to develop more effective means of dealing with agricultural imports that, because of subsidies or other production policies, are unfairly priced to such an extent as to undercut Canadian production for the domestic market.

Tobacco Transition Adjustment Initiative (TTAI)

An agreement on the Tobacco Transition Adjustment Initiative (TTAI or redux) program for Ontario was signed on April 22, 1987 by the Federal Government, the Government of Ontario and the Ontario Flue-Cured Tobacco Growers' Marketing Board to provide payments to tobacco producers who are leaving the industry. The program has four parts: acreage reduction payments to producers who are now leaving; stewardship of land taken out of crop production; contingency fund; and grants to producers under the Exit Compensation Program.

Funding of the three-year \$30-million program will be shared equally by the federal and provincial governments. Exactly \$21 million will be used to purchase quota and to make supplementary acreage payments. A contingency fund of \$3 million has been set aside to develop a program for sharegrowers. The Federal Government will use \$3 million for payments under the Exit Compensation Program to burley tobacco growers and to flue-cured tobacco producers who left the industry between

February 26, 1986 and the commencement of the joint program on April 23, 1987. The Government of Ontario intends to use \$3 million for reforestation of marginal tobacco land.

The Tobacco Transition Adjustment Initiative provides funds to a tobacco grower to retire from production 50% of his basic production quota (BPQ) up to a maximum value of \$50,000. The remaining quota must be sold on the open market. The producer also receives a supplementary payment of \$500 for each acre (calculated on the basis of 6,500 pounds of BPQ being equal to one acre) retired and sold under the program, up to a maximum of \$15,000. The maximum any grower can receive from the program is \$65,000. Whatever is realized from the sale of the remainder of the quota on the open market accrues to the individual producer. All these payments are considered to be taxable income. (See Appendix Two for examples of benefits to individual farmers)

The program is supervised by a Tobacco Assistance Committee comprised of two representatives from each of the federal and Ontario governments and the Ontario Flue-Cured Tobacco Growers' Marketing Board. An administrator, who is appointed by this Committee, will be located at the Board's office in Tillsonburg to counsel applicants, to explain the program to participants, and to assist in determining the amount of quota to be sold on the open market.

To qualify for the program, a producer must own basic production quota (BPQ) and have used it to produce tobacco in 1984, 1985 or 1986, or have been a cash renter in the same years. At the time a producer becomes eligible for the program, tobacco production must be discontinued on that land and BPQ may not be purchased or rented for a period of five years. The producer is required to obtain a waiver from any creditor to which book debts (or security other than land and quota) have been assigned. It is under this waiver that participants are allowed to retain the supplementary acreage payments.

Quota being retired through this program is surrendered to the Ontario Flue-Cured Growers' Marketing Board which cancels it from the existing basic production quota of 384,077,372 pounds. It is estimated that, at an average price of 65 cents per pound of quota, this program could reduce the basic quota by about 25 million pounds and the area of tobacco production by about 3,800 acres. On the basis of information received by the Sub-Committee, it seems that the program in Ontario is paying considerably more than the program in Prince Edward Island to remove an equivalent amount of acres of production. However, the individual producer in Ontario receives approximately the same compensation from governments for leaving the industry as the producer in Prince Edward Island.

Treasury Board has approved the Exit Compensation Program that will pay producers who sold their quota and left the industry between February 26, 1986 and April 23, 1987, \$500 per acre equivalent of BPQ sold, up to a maximum amount of \$15,000. Approval is also being obtained to pay burley tobacco producers on the same basis for surrendered quota acres. These payments will be similar to the supplementary payment for flue-cured tobacco producers and have the same waiver provisions.

The Sub-Committee was informed that discussions on an agreement with the Government of Quebec and the Quebec Flue-Cured Tobacco Producers' Board are continuing. Payment would be made according to the number of acres retired, which is estimated to be approximately 1,000 acres. The provincial government has budgeted \$1.0 million for this purpose and the federal government \$1.098 million.

The Sub-Committee heard that an agreement with the Government of Prince Edward Island and the P.E.I. Tobacco Commodity Marketing Board was approved by Treasury Board on May 15, 1987. The \$2.8 million cost of the program will be shared equally by the federal and provincial governments. The program is intended to reduce the production of flue-cured tobacco by 1,000 acres and number of

tobacco growers from 75 to about 50. An initial agreement on April 3, 1987 established a maximum payment of \$2,800 per acre of tobacco production. The agreement approved on May 15, 1987 does not set a cap on the total funding available to a producer from this program.

Discussions on the Tobacco Transition Adjustment Initiative programs for New Brunswick and Nova Scotia are continuing with the provincial governments and tobacco marketing boards.

During the public hearings, the Sub-Committee heard from tobacco growers in Ontario that the retired quota should be bought on the basis of its average price over three to five years, without a cap on the amount paid to each grower. Witnesses also noted that the redux program would help mainly the creditors and that a capital gains exemption on the sale of quota should be allowed. Some witnesses requested that the quota rental restrictions imposed by the marketing board be removed. Other witnesses stated that the \$30 million in the program was insufficient to retire quota and recommended additional funds from the Excise Tax on cigarettes.

In the Maritime Provinces, the Sub-Committee heard from some growers that the redux program should completely buy out individual farmers without a cap on the amount to each farmer. Other growers favoured a choice of total or partial buy out. The need to adequately fund a redux program with money from tobacco taxes was raised again in this region.

Tobacco growers in Quebec noted that producers would have to buy equipment to begin the production of new crops. Therefore, they said that the redux program should be generous because of the amount of taxes collected on tobacco.

On the basis of the testimony, the Sub-Committee recognizes that the current Tobacco Transition Adjustment Initiative Program has shortcomings. The testimony of some witnesses in Ontario further indicates that there could have been wider consultation in the design of the program. The Sub-Committee also notes that the utilization of the current program in Ontario will depend on the ability of the remaining producers to purchase the quota offered for sale on the open market.

The Sub-Committee notes the preference of producers in Prince Edward Island and other provinces for a redux program with no cap on payments per farmer and the apparent acceptability of the agreement in place with Prince Edward Island to buy out the production rights of whole farms. The Sub-Committee believes that the requirement to sell quota on the open market reduces the effectiveness of the program in Ontario. Therefore,

The Sub-Committee recommends that governments consider the advisability of modifying the Tobacco Transition Adjustment Initiative by removing the cap on maximum payments to individual producers, the requirement to sell remaining quota on the open market, and the requirement to have produced in one of the last three years.

The Sub-Committee recommends that the government consult with the provincial governments on modifications of the Tobacco Transition Adjustment Initiative Program that would permit tobacco producers to retain, free from the claims of creditors, a larger share of the funds received from the program, in order to assist producers in their transition to other enterprises.

In view of the fact that payments under the Tobacco Transition Adjustment Initiative are taxable income and the fact that much of the money received must be paid to creditors, a number of witnesses expressed a concern about their position with regard to the income tax liability.

The Sub-Committee recommends that the government review the impact of the *Income Tax Act* on farmers leaving agriculture because of financial distress.

LOOKING TO THE FUTURE

Those producers who will stay in the tobacco-growing industry are concerned with the continuing reduction in tobacco use over the next decades. The reduction could require a steady decrease in Canadian tobacco production. In addition to alternate crop development there are a number of other issues which are of immediate concern.

Exports

The Ontario Flue-Cured Tobacco Growers' Marketing Board states in its 1986 Annual Report that "the export of Canadian tobacco is a prerequisite to the survival of the industry as we know it today". Furthermore, they said that if tobacco was grown only for domestic requirements, the manufacturers would have to import tobacco to obtain enough of the grades and styles needed to maintain the integrity of their blends.

The significance to the flue-cured tobacco-growing industry, of exports was outlined to the Sub-Committee by various witnesses. Historically, exports accounted for 40% of production, while 60% went to the domestic market. The export trade helps to maintain several thousand jobs on farms, in the leaf-processing plants and in other supporting industries.

Russell Duckworth, Chairman of the Tobacco Advisory Committee noted that the export activities of leaf dealers are important to crop-size and production in the future. The leaf dealers export tobacco to 25 or more countries with the two two largest markets being in the United States and the United Kingdom. During the past six years, 66% to 79% of Canadian flue-cured tobacco exports went to these two countries (see Table 6 in Appendix One for the distribution and trend of exports). Canadian exports of leaf tobacco decreased from 1981 to 1985 by 29%, but rebounded in 1986. In that year, the total value of flue-cured tobacco exports was \$104.6 million. The President of Dibrell Brothers Ltd., Joe Lepine, observed that "exporting tobacco has a positive financial benefit to Canada and therefore should always have a positive political image".

Similar to grains, the export price of tobacco is determined by the world market. Although the prices for export tobacco have fluctuated in recent years, the trend has been mainly downward. Canada's chief competitors are Brazil, Zimbabwe, Korea and Argentina. They have achieved a price advantage through currency devaluation. In addition, some of these countries and others have preferential trade arrangements with the European Economic Community which is the world's major importer of tobacco. There is also a world surplus of several hundred million pounds of tobacco.

The Sub-Committee heard that these factors affect the pricing of domestic tobacco and increase competition in the Canadian markets by imported cigarettes. Canadian manufacturers currently pay about 60 cents per pound above the price paid by manufacturers elsewhere in the world for Canadian tobacco. For example, manufacturers in the United Kingdom have purchased Canadian tobacco at export prices and have shipped cigarettes made from this tobacco into Canada to be sold as generics at lower prices than Canadian-made cigarettes.

Accordingly, the Ontario Flue-Cured Tobacco Growers' Marketing Board is conducting a study of a two-quota system which could provide a separate quota to market export tobacco. Their report on this study will be presented to the Tobacco Advisory Committee by October 1, 1987.

The Sub-Committee also heard testimony that the production of tobacco for export is a risk opportunity for some growers. Producers that have sufficient domestic volume to maintain a viable operation and have lower production costs are in a more favourable financial position to produce tobacco for the export market.

In other testimony on the export of tobacco, the Sub-Committee learned that some overseas customers were concerned about the continuity of supply of Canadian tobacco. However, the formation of the Tobacco Advisory Committee and the signing of a three-year accord has increased the confidence of these buyers. A new grading system to facilitate exports has been developed. It will grade tobacco by defined leaf characteristics to provide an equitable basis for minimum grade prices. The Export Development Corporation has recently granted medium term guarantees to established Canadian tobacco exports and to support sales in non-traditional markets. Furthermore, an Export Task Force comprising the Marketing Board, the federal government and dealers has been formed to identify and develop non-traditional markets, in countries other than the United States, United Kingdom and European countries. An outstanding problem is the modification of tariffs on tobacco imported into the European Economic Community and other countries.

In recognizing the importance of exports to the stability and economic well-being of the tobacco-growing industry;

The Sub-Committee recommends that the government continue its efforts to negotiate a reduction in tariffs for tobacco into the European Common Market and other countries.

The Sub-Committee recommends that the government continue to support the export marketing efforts of tobacco producers into new markets.

Imports

In each tobacco-producing region, the Sub-Committee heard witnesses express considerable concern about the importation of tobacco into Canada. This concern centered on two points: that large amounts of tobacco were presently being imported into Canada and were displacing Canadian tobacco and that imported tobacco was inferior to Canadian tobacco and contained high levels of chemical residues.

On examining the import data, the Sub-Committee has noted that the tobacco imported into Canada represents various special grades used for blending purposes. In 1986, imports of tobacco totalled 3.2 million pounds or 2% of total marketings, approximately the same percentage as in recent years. There were two years, 1978-79 and 1980 when imports were higher. These increased imports do have a relationship to the blue-mould outbreak in Ontario in 1978-79. The severe frost which decimated the Ontario crop in 1982 did not require significantly increased imports as the manufacturing companies had stock in hand and were able to postpone export deliveries. While the Sub-Committee does not believe that the levels of imports are excessive, it does realize that even the relatively low level of 1986 imports represents the replacement of approximately 1,600 acres of Canadian production, the output of 50 farms.

Many witnesses told the Sub-Committee that Canada produces the highest quality tobacco with the lowest level of pesticide residue in the world. Witnesses objected to the importation of tobacco into Canada on grounds that foreign tobacco may have higher pesticide residues.

The Sub-Committee has determined that there are no Canadian government regulatory standards for pesticide residue for either domestic or imported tobacco.

Agriculture Canada provided information to the Sub-Committee that the tobacco manufacturing firms themselves do have very stringent residue standards for all tobacco both imported and domestic, used in their product based on international guidelines for pesticide residue levels. The exacting data testing required for a pesticide to come onto the market for use in Canada indeed does result in Canadian tobacco being among the most residue-free produced in the world.

Research

The Sub-Committee notes that tobacco will continue in production as an economically important crop for the foreseeable future. Therefore, there is an ongoing need to maintain research on tobacco.

The Sub-Committee learned firsthand about the importance of tobacco research, while it was in Southern Ontario. Over a number of years, the research activities at the Delhi Research Station helped to eliminate Canada's dependence on foreign imports and enabled tobacco to become an important export commodity. Furthermore, the successful development of tobacco farming, based on the work of the Delhi Research Station, transformed an economically depressed dust bowl into a prosperous region and preserved from erosion the sandy soils of this part of Southern Ontario.

The Sub-Committee noted some of the recent tobacco research accomplishments of the Delhi Research Station. In the past seven years, several new cultivars developed at the station have been registered and provide 97% of current Canadian tobacco production. The new cultivars and production technologies improved leaf grade quality and yield. These benefits were also extended to the Atlantic region through an average yield increase of 500 to 700 pounds per acre. In addition, a Canadian tobacco seed industry has been developed, thus eliminating the former need to import seed. The economic value of this research work is illustrated by the Delgold variety which has by itself generated a farm gate value of 1.285 billion dollars since 1981. The cost of developing this variety is estimated to be about 2 million dollars. Nevertheless, the Committee heard that the professional research staff of this station has been reduced by about 50% or 5 positions since mid-1985, and that its budget is not increasing to cope with current needs.

The Sub-Committee also heard the following reasons for the continuation of tobacco research in Southern Ontario.

- (1) Because of rising production costs and intense international competition, research and development can help to maintain the viability of the domestic industry and Canada's export market share.
- (2) Research data generated at the Delhi Research Station has been utilized to promote Canadian tobacco exports which are fundamental to the viability and stability of the tobacco-growing industry.
- (3) Product quality can be maintained for approximately 7 million Canadians who smoke, through an active research and development program. Canadian tobacco is a unique product with the lowest tar-nicotine ratio in the world and the lowest pesticide levels. Consequently, tobacco production in Canada reduces the health risks which could arise from tar and pesticide levels of tobacco grown elsewhere.
- (4) Technology development at the Delhi Research Station and its transfer to Quebec and the Maritime Provinces has led to significant improvements in production efficiency in these provinces.

Again in Quebec and the Maritime Provinces, the Sub-Committee heard about the importance of conducting research focussed on local conditions of the tobacco-growing industry. One witness described research and development as "the essential levers that will ensure the survival of this agricultural sector". Witnesses in Quebec spoke of the benefits to cigar and pipe tobacco producers, of research at the L'Assomption Experimental Farm and hoped that this work would continue. Maritime producers stressed that research at the Charlottetown Research Station was essential for the evaluation of cultivars and the adaptation of production technology suitable to the soil and climatic conditions of the region. They requested, therefore, that tobacco research at Charlottetown be maintained for at least five years, at the 1985 level of personnel.

Therefore, recognizing the significant role of research and development in the economic well-being of the tobacco-growing industry,

The Sub-Committee recommends that the government maintain tobacco research at the Delhi Research Station, the Charlottetown Research Station and the L'Assomption Experimental Farm, at levels of funding and staffing commensurate with the needs of the industry.

The Sub-Committee heard from tobacco producers in Ontario that there is a need for research into alternative crops. The Sub-Committee knows also that provincial research organizations near the tobacco belt are working on fruit and vegetable crops for which markets are nearly saturated. Tobacco producers, who traditionally look toward the Delhi Research Station, are seeking alternative crops that will not interfere with the markets of other farmers in the region. They expect this station to provide viable alternatives to tobacco. While visiting this station, the Sub-Committee learned about its research work on some alternative crops such as peanuts, sweet potatoes, chick peas, peppermint, evening primrose, garlic, quinoa, white and colored beans, winter canola and several other crops. Some of this research will require extensive work on a long-term basis and needs adequate resources to make real progress. However, the station presently has only one professional research officer working on new crops. The demands for technology transfer to interested growers of new or alternative crops are increasing. The Sub-Committee was told that, in order to meet the present needs of the station's clientele for research and technology transfer, the Delhi Station would need to double its human resources in this field. The Sub-Committee also learned that much of the new crop research is insecurely based on rented land.

The Sub-Committee heard from witnesses in Quebec that the characteristics of their soils are an obstacle to finding crops, other than tobacco, that could be economically produced. A producer stated that Quebec has some 15,000 acres of sandy soils for the production of food crops in which farmers are already producing for saturated markets. Tobacco producers in Prince Edward Island told the Sub-Committee that some alternative crops could be grown, but markets are too distant.

Accordingly, in view of the need to generate meaningful results in alternative crop research and to effectively transfer that technology to growers,

The Sub-Committee recommends that the government consider the advisability of increasing the funding and personnel at the Delhi Research Station to more adequately cope with the demand for research and expert advice on all aspects of the production, marketing and processing of alternative crops, while maintaining the regular research work.

The Sub-Committee recommends that the government consider the advisability of undertaking research and technology transfer on the production and marketing of alternative crops at the Charlottetown Research Station and the L'Assomption Experimental Farm.

CONCLUSION

In this report, the Sub-Committee has made recommendations that it hopes will have a favourable effect on the tobacco-producing regions in Canada. The Sub-Committee is fully aware that not all problems will be solved in a short time. The revitalization of whole communities will be a difficult task.

The sum of the Sub-Committee's deliberations is that the present programs available to tobacco-growing regions are not adequate.

Tobacco production is a legal activity. The money that has been used for the redux programs comes from general revenues to which tobacco through a tax on the sale of cigarettes has made a major contribution. In 1985-86 the federal excise tax and duties totaled 1.6 billion dollars.

The Sub-Committee recommends that the government consider the advisability of allocating a portion of the Excise Tax levied on each pack of cigarettes for a period of 5 years to fund an improved Tobacco Transition Adjustment Initiative, an improved Alternative Enterprise Initiative, and industrial development and employment initiatives in the tobacco-producing regions of Canada.

The Sub-Committee also believes that policymakers and especially tobacco producers understand future prospects for the industry. While there will always be smokers in Canada, the representative from the Department of Health and Welfare told the Sub-Committee that the rate of decline in consumption in recent years has been a steady 4% per year. Given the recently announced federal policy and the continuing provincial restrictions on smoking, it is likely that cigarette consumption will continue to decline. It is probably a reality that rationalization of the tobacco-growing industry will have to continue in all tobacco-growing regions of the country. For some farmers the move to alternative crops and alternate enterprises to replace or to supplement income from tobacco will have to go on. There is a need for policymakers, tobacco farmers and the manufacturing industry to begin now to look at how long-term adjustment will take place.

Based on the testimony of the witnesses, the Sub-Committee believes that most tobacco producers support the creation of a National Marketing Agency to assist them in maintaining markets and obtaining reasonable prices for their product. The Sub-Committee was interested in the responses of provincial marketing boards in Quebec, Prince Edward Island and Nova Scotia to questions on their positions on a National Agency. While all three were basically supportive of the concept, they expressed a desire to see how a National Agency would function before they would join. The Sub-Committee is aware that a National Agency cannot be created under those circumstances. It is obvious to the Sub-Committee that tobacco producers in all growing regions must negotiate an agreement amongst themselves, before an agency can come into being.

The Sub-Committee endorses the Minister of Agriculture's commitment to support tobacco producers should they continue their actions to pursue a National Marketing Agency.

The Sub-Committee has concluded from its hearings that the next 18 months represent the crucial period for all of those connected to the tobacco-producing industry.

For those leaving tobacco production and farming altogether, it will be a time of major adjustment that will require all of the fortitude and hard work that they gave to agriculture.

In that time, those who are turning to alternative crops will have completed a harvest. They will have made inroads into new long-term markets with one commodity and be preparing to take a chance with others.

Those who will continue to produce tobacco in Ontario will be completing the second year of the three-year accord with the manufacturing industry and looking at the prospects beyond the three years.

The government will be asked to respond to the Sub-Committee's report within 150 days. Considering the urgency of the problems facing tobacco producers and their communities, the Sub-Committee asks that the government respond to its report and act on its recommendations before the 150 days have expired.

APPENDIX ONE

STATISTICAL TABLES

Tobacco Industry Data

- Table 1. FLUE-CURED TOBACCO PRODUCTION, CANADA, 1977-86
- Table 2. AVERAGE PRICE PER POUND OF FLUE-CURED TOBACCO, CANADA, 1977-86
- Table 3. FARM CASH RECEIPTS FROM TOBACCO, CANADA, 1981-86
- Table 4. FLUE-CURED TOBACCO REVENUE PER ACRE, CANADA, 1977-86
- Table 5. ESTIMATED COST OF PRODUCTION AND RETURNS FOR SELECTED FIELD CROPS, FRUIT AND VEGETABLES, ONTARIO, 1984
- Table 6. FLUE-CURED TOBACCO EXPORTS, QUANTITY BY REGION, CANADA, 1974-86
- Table 7. FLUE-CURED TOBACCO IMPORTS, CANADA, 1974-86
- Table 8. QUANTITY OF TOBACCO PER 1,000 CIGARETTES, CANADA, 1973-85
- Table 9. DOMESTIC SALES OF CIGARETTES, CONSUMER PRICE INDEX OF CIGARETTES, CANADA 1971-1986
- Table 10. CANADA — CIGARETTE TAXES RETROSPECTIVE AS AT APRIL 1ST

TABLE 1

**FLUE-CURED TOBACCO
PRODUCTION ⁽¹⁾,
CANADA, 1977-86**

	Canada	Quebec	Ontario	Maritimes ⁽²⁾
	– thousand pounds, green weight –			
1977	223,112	12,326	204,849	5,937
1978	249,239	12,505	229,587	7,147
1979	169,171	12,718	149,229	7,224
1980	233,447	13,289	213,696	6,462
1981	243,686	15,104	219,887	8,695
1982	177,302	14,242	153,569	9,491
1983	241,373	15,878	214,873	10,622
1984	197,042	15,924	169,890	11,228
1985	191,435	13,680	169,783	7,972
1986	146,378	9,845	129,486	7,047

	Prince Edward Island	Nova Scotia	New Brunswick	Maritimes
	– thousand pounds, green weight –			
1982	7,350	1,404	736	9,491
1983	8,084	1,601	937	10,622
1984	8,927	1,585	716	11,228
1985	6,067	1,171	734	7,972
1986	5,443	1,108	496	7,047

⁽¹⁾ Marketed production.

⁽²⁾ Separate data for each Maritime province are not available prior to 1982.

Source: Statistics Canada, *Fruit and Vegetable Production* (22-003, June or July issue of each year, statistics for preceding year ending September 30).

TABLE 2

**AVERAGE PRICE PER POUND
OF FLUE-CURED TOBACCO,
CANADA, 1977-86**

	Canada	Quebec	Ontario	Maritimes ⁽¹⁾
	– cents per pound –			
1977	109.11	104.84	109.44	100.39
1978	118.31	116.32	118.44	117.72
1979	132.65	129.66	132.93	132.09
1980	136.23	132.76	136.47	135.57
1981	151.81	150.43	151.93	151.29
1982	161.20	159.21	161.79	154.72
1983	163.12	160.04	163.37	162.72
1984	169.24	165.07	169.71	168.13
1985	171.30	175.30	170.73	176.49
1986	171.10	182.90	169.51	183.77

	Prince Edward Island	Nova Scotia	New Brunswick	Maritimes
	– cents per pound –			
1982	153.94	159.51	153.32	154.72
1983	161.99	164.94	165.22	162.72
1984	168.08	167.49	170.13	168.13
1985	176.50	175.71	177.69	176.49
1986	184.00	182.89	183.17	183.77

⁽¹⁾ Separate data on each Maritime province are not available prior to 1982.

Source: Statistics Canada, *Fruit and Vegetable Production* (22-003, June or July issue of each year, statistics for preceding year ending September 30).

TABLE 3

**FARM CASH RECEIPTS FROM TOBACCO,
CANADA, 1981-86**

	Canada	Prince Edward Island	New Brunswick	Nova Scotia	Quebec	Ontario
	– thousand dollars –					
1981	381,241	(1)	(1)	(1)	18,579	362,662
1982	395,350	12,335	1,222	2,442	23,704	355,647
1983	290,245	11,786	1,394	2,376	26,370	248,319
1984	382,483	14,814	1,252	2,654	27,487	336,276
1985	158,011 ⁽²⁾	11,116	1,295	2,117	25,146	118,337 ⁽²⁾
1986	448,107	10,456	1,038	2,094	19,562	414,957

⁽¹⁾ Not available.

⁽²⁾ Farm cash receipts are lower because a large part of the 1985 crop in Ontario was not sold until 1986.

Sources: Statistics Canada, *Agricultural Economic Statistics*, Ottawa, 1986; *Personal Communication*, February 1987.

TABLE 4

**FLUE-CURED TOBACCO
REVENUE PER ACRE,
CANADA, 1977-86**

	Quebec	Ontario	Maritimes ⁽¹⁾
	– dollars per acre –		
1977	1,772	2,567	1,279
1978	1,902	2,719	1,751
1979	2,172	2,055	1,933
1980	2,254	2,651	1,739
1981	2,798	2,808	2,694
1982	2,744	2,161	2,832
1983	3,082	3,511	3,031
1984	3,392	3,392	3,473
1985	3,223	3,410	2,963
1986	2,382	3,377	2,785

	Prince Edward Island	Nova Scotia	New Brunswick
	– dollars per acre –		
1982	2,741	3,541	2,656
1983	2,927	3,855	2,864
1984	3,439	4,100	2,866
1985	2,877	3,407	3,087
1986	2,711	3,353	2,588

⁽¹⁾ Separate data on each Maritime province are not available prior to 1982.

Source: Statistics Canada, *Fruit and Vegetable Production* (22-003), Ministry of Agriculture and Food, *Agricultural Statistics for Ontario* (Publication 20).

TABLE 5

**ESTIMATED COST OF PRODUCTION AND RETURNS
FOR SELECTED FIELD CROPS, FRUIT AND VEGETABLES, ONTARIO, 1986**

Crop	Gross Income	Total Variable Costs	Gross Margin	Fixed Costs ⁽¹⁾	Net Income
- dollars per acre -					
Flue-cured tobacco ⁽²⁾	3,505	1,716	1,789	902	887
Soybeans	261	114	147	152	-5
White beans	299	143	157	185	-28
Winter wheat	232	109	123	153	-30
Grain corn	331	200	131	157	-26
Strawberries, commercial	5,700	3,509	2,191	883	1,308
Strawberries, pick your own	3,900	1,513	2,387	793	1,594
Carrots, fresh market ⁽³⁾	3,438	736	2,702	1,643	1,059
Peppers, fresh market	1,757	1,327	430	485	-55
Tomatoes, processing, machine harvest	1,953	913	1,040	990	50
Peppers, processing	1,471	953	518	410	108
Cucumbers, processing	1,875	1,448	427	331	96
Lima beans, processing	566	255	311	211	100
Tomatoes, fresh market	3,813	2,736	1,077	671	406
Green and wax beans, processing	582	346	236	171	65
Sweet corn, fresh market	977	580	397	317	80
Sweet corn, processing	328	212	116	161	-45

⁽¹⁾ Includes interest on land, buildings and machinery, depreciation, taxes and other overhead expenses. The value of operator's labour and management is excluded.

⁽²⁾ Data for 1983.

⁽³⁾ On muck soils.

Source: Ontario Ministry of Agriculture and Food, *Farm Business Management Handbook, 1984*, Toronto, 1984.

TABLE 6

**FLUE-CURED TOBACCO EXPORTS ⁽¹⁾⁽²⁾
QUANTITY BY REGION, CANADA
1974-86**

Destination	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Unmanufactured Leaf-Tobacco ⁽³⁾ – thousand pounds – redried weight –													
United Kingdom	62,677	45,349	36,361	31,760	48,473	51,050	20,102	36,096	27,031	18,331	25,662	17,871	23,715
United States	3,038	3,598	6,695	5,309	8,353	11,398	8,693	12,730	19,299	16,707	17,057	20,481	26,604
Europe	6,393	7,974	11,799	12,086	10,373	17,227	10,635	11,270	11,784	5,556	9,401	6,744	8,384
Oceania	40	60	22	20	386	721	434	514	452	597	586	437	392
Africa	201	157	179	1,962	2,119	2,185	1,003	2,989	366	9,132	1,470	2,396	1,989
Asia	2,088	2,778	1,832	564	2,202	2,549	1,647	8,459	3,946	1,885	2,425	3,205	1,930
Latin America & Carribean	132	201	49	7	68	375	456	787	619	622	897	593	696
Total ⁽⁴⁾	74,569	60,116	56,937	51,707	71,974	85,504	42,970	72,845	63,498	52,829	57,499	51,727	63,710

⁽¹⁾ Unadjusted for burley tobacco exports.

⁽²⁾ Commodity classes 181-10, 181-99, 182-10, 182-50 and 182-99.

⁽³⁾ Except for manufactured cigarettes, leaf-tobacco is the major form of flue-cured tobacco exports.

A small amount of cut smoking tobacco is exported, but is not recorded separately in the export statistics to enable listing as manufactured tobacco in this table.

⁽⁴⁾ The sum of exports to all destinations may differ from the total due to rounding.

Source: Statistics Canada, *Exports: Merchandise Trade* (65-202), various issues; *Exports by Commodities*, December 1986 (65-004).

TABLE 7

DOMESTIC SALES OF CIGARETTES, CIGARETTES, PER CAPITA INCOME
MEASURES AND CANADA 1971-1986

**FLUE-CURED TOBACCO IMPORTS ⁽¹⁾⁽²⁾,
CANADA, 1974-86**

Source	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Unmanufactured Leaf-Tobacco													
- thousand pounds - redried weight -													
France	0	247	192	326	500	251	505	249	130	249	249	251	0
Other West Europe	2,410	2,915	0	0	42	11	88	40	40	13	93	11	6
South Africa	68	0	24	0	1,580	7	606	227	44	13	7	11	0
Other Africa ⁽³⁾	4	509	617	0	0	0	0	0	0	0	0	0	395
China	238	0	0	395	0	0	0	0	0	0	0	0	0
Brazil	62	57	4	0	381	0	265	0	262	1,288	0	0.75	292
Other Latin American & Caribbean	567	42	66	44	981	9	11	53	112	49	11	33	6
United States	3,845	3,399	1,911	3,051	5,287	5,373	14,209	4,835	4,603	5,902	3,840	2,125	2,158
Other Countries	827	0	221	613	3,177	44	222	79	0	77	4	22	423
Total	8,021	7,169	3,036	4,429	11,949	5,695	15,906	5,483	5,192	7,592	4,204	2,454	3,280
Manufactured Tobacco⁽⁴⁾	256	265	272	217	229	222	186	198	209	264	201	401	430

⁽¹⁾ Unadjusted for burley tobacco.

⁽²⁾ Commodity classes 181-10, 181-99 and 182-99.

⁽³⁾ Mainly from Malawi and Zimbabwe.

⁽⁴⁾ Commodity class 183-15, cut smoking tobacco for cigarettes. Prior to 1982, it is estimated that this form of manufactured flue-cured tobacco comprised 10% of the total cut smoking tobacco imports for both pipes and cigarettes.

Source: Statistics Canada, *Imports: Merchandise Trade* (65-203), various issues; *Imports by Commodities*, December 1986 (65-007).

TABLE 8

QUANTITY OF TOBACCO PER 1,000 CIGARETTES, CANADA, 1973-1985

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985 ⁽¹⁾
	– thousand pounds – redried weight –												
Flue-Cured Tobacco ⁽²⁾ (Bright Virginia)	130,756	132,469	132,683	137,408	138,036	135,966	139,382	135,856	142,668	140,770	132,681	128,166	128,411
Less Fine Cut Tobacco ⁽³⁾	16,726	14,628	14,654	14,922	14,330	12,606	11,382	10,494	10,421	12,600	13,719	13,931	14,114
Net Cigarette Tobacco ⁽⁴⁾	114,030	117,841	118,029	122,486	123,706	123,360	128,000	125,362	132,247	128,170	118,962	114,235	114,297
Total Canadian Cigarette Production (million pieces)	55,959	58,825	58,885	61,509	63,835	64,152	65,123	65,543	68,611	68,143	63,949	61,634	63,486
Flue-Cured Tobacco per thousand cigarettes (pounds)	2.038	2.003	2.004	1.991	1.938	1.923	1.966	1.913	1.927	1.881	1.860	1.853	1.800

⁽¹⁾ Provisional data.

⁽²⁾ Total flue-cured tobacco used in manufacturing cigarette tobacco.

⁽³⁾ Manufactured tobacco for hand-rolled cigarettes.

⁽⁴⁾ Tobacco used in manufactured cigarettes.

Source: Statistics Canada, *Tobacco Products Industries* (32-225) and *Production and Disposition of Tobacco Products* (32-022).

TABLE 9

DOMESTIC SALES OF CIGARETTES, CONSUMER PRICE INDEX OF CIGARETTES, PER CAPITA INCOME MEASURES AND TAX REVENUES, CANADA 1971-1986

Year	Domestic Sales of Cigarettes	Consumer Price Index of Cigarettes		Consumer Price Index, All Items	Average Industrial Wage Index		Personal Disposable Income Per Capita Index		Federal Tax Revenue From Cigarettes ⁽²⁾	Population 15 Years and Over ⁽³⁾
		Current Value Index	Real Price Index ⁽¹⁾		Current Value Index	Constant Dollar Index	Current Value Index	Constant Dollar Index		
billions of pieces		- 1971 = 100 -							millions of dollars	million
1971	50.86	100.0	100.0	100.0	100.0	100.0	100.0	100.0	519.4	15.19
1972	53.29	102.0	97.4	104.7	106.3	101.4	108.6	107.9	537.1	15.51
1973	54.86	106.1	94.1	112.8	114.3	101.4	122.7	116.0	573.9	15.86
1974	57.12	110.8	88.6	125.1	126.8	101.4	142.0	121.5	595.7	16.28
1975	57.75	123.8	89.3	138.6	142.3	102.7	165.1	127.0	627.4	16.69
1976	60.74	134.5	90.2	149.1	155.8	104.6	191.2	132.0	688.9	17.10
1977	61.78	144.8	90.0	160.9	169.3	105.2	213.6	133.2	658.6	17.47
1978	61.60	159.1	90.9	175.1	182.4	104.1	232.6	136.6	679.5	17.82
1979	63.86	167.6	87.7	191.2	198.7	103.9	259.7	139.7	698.9	18.15
1980	64.49	183.0	86.9	210.7	218.8	103.8	290.0	141.8	787.2	18.52
1981	66.56	208.6	88.0	237.0	245.6	103.6	324.4	145.3	835.6	18.86
1982	66.34	240.9	91.7	262.6	271.2	103.3	373.9	143.3	1,006.2	19.16
1983	63.09	284.1	102.3	277.7	291.5	104.4	408.5	140.8	1,032.4	19.43
1984	61.73	317.5	109.6	289.8	302.4	104.3	424.4	145.3	1,127.2	19.67
1985	58.95	372.8	123.7	301.4	313.0	103.9	457.1	149.3	1,590.7	19.90
1986	55.44	437.6	139.5	313.7	321.7	102.5	488.3	149.8	—	20.15

⁽¹⁾ Adjusted for inflation by the Consumer Price Index.

⁽²⁾ Total excise taxes and duties on cigarettes; does not include federal sales tax. The revenue is recorded against the year corresponding to the beginning of the fiscal year; thus, revenue for 1971-72 is recorded on the line for 1971.

⁽³⁾ Population age group commonly used in tobacco consumption studies.

Sources: Statistics Canada, *Production and Disposition of Tobacco Products (32-022)*, *Consumer Prices and Prices Indexes (62-010)*, CANSIM Division; Revenue Canada, Customs and Excise, *Personal Communication*; Canadian Tobacco Manufacturers Council, *Personal Communication*.

TABLE 10

**CANADA – CIGARETTE TAXES RETROSPECTIVE AS AT APRIL 1st
(IN CENTS)**

Jurisdiction	Pack of	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
B.C.	25	08	08	08	08	08	12	12	12	12	24	24	34	37	40	56	68	86
Alberta	25	08	08	08	08	08	08	08	08	08	08	08	08	08	37	37	37	37
Saskatchewan	25	08	08	09	09	09	15	15	20	24	27	30	33	33	52	67	67	102
Manitoba	25	10	10	15	15	15	20	15	20	20	25	25	30	35	53	53	65	77
Ontario	25	10	10	11.5	11.5	11.5	17.7	12	18	28	28	30	30	42	51	79	82	85*
Quebec	25	10	10	10	10	10	20	10	20	20	27	30	37	42	51	57	65	113
New Brunswick	25	10	10	10	10	10	10	10	10	10	25	25	25	43	46	74	75	94
Nova Scotia	25	10	10	10	10	10	20	20	20	20	20	25	35	38	39	53	53	58*
P.E.I.	25	10	10	10	10	10	20	20	20	20	20	25	35	38	39	53	53	58*
Newfoundland	25	17	17	29	29	30	34.5	34	35	42	42	53	65	86	140	149	149	156*
N.W.T.	25	na	na	na	na	na	na	08	08	08	25	25	30	42	53	53	65	77
Yukon	25	na	na	na	na	na	na	15	15	15	15	15	40	40	40	40	40	80
Federal Taxes	25	28	28	28.3	28.3	31.5	31.8	32	32	32	32	33	36	40	46	53	56	88*

Source: Canadian Tobacco Manufacturers Council, Montreal, April 1987. Mr. Jean Clavel

* sales tax included

APPENDIX TWO

EXAMPLES OF BENEFITS TO INDIVIDUAL FARMERS UNDER THE TOBACCO TRANSITION ADJUSTMENT INITIATIVE

Program Details:

1. An acre is equivalent to 6,500 (1986) Basic Production Quota (BPQ).
2. To be eligible for the program, a producer must transfer to the Committee the lesser of:
 - (a) 50% of his/her quota, or
 - (b) an amount of quota worth \$50,000 at the prevailing market price; and sell the remainder of his/her quota on the open market.
3. In addition to the amount received for sale of quota on the open market, a producer receives:
 - (a) the value of quota transferred to the Committee at the prevailing market price, and
 - (b) a premium of \$500 per acre for each acre sold or transferred, to a maximum of \$15,000.
4. The sum of payments under 3(a) and 3(b) above must not exceed \$3,000 per acre or \$65,000 per producer.

Examples:

A. 50,000 BPQ	<u>Price c/BPQ</u>			
7.7 Acres	40	60	77	80
Premium \$500/Acre	3,850	3,850	3,850	3,850
Transferred (50%)	<u>10,000</u>	<u>15,000</u>	<u>19,250</u>	<u>19,250</u>
Total Eligible Payments	\$13,850	\$18,850	\$23,100*	\$23,100*
Open Market Sales (50%)	<u>10,000</u>	<u>15,000</u>	<u>19,250</u>	<u>20,750</u>
Total Receipts	\$23,850	\$33,850	\$42,350	\$43,850

* Maximum payments are \$3,000 x 7.7 acres = \$23,100.

B. 150,000 BPQ	<u>Price c/BPQ</u>			
23.1 Acres	40	60	77	80
Premium \$500/Acre	11,550	11,550	11,550 ⁽¹⁾	11,550 ⁽²⁾
Transferred (50%)	<u>30,000</u>	<u>45,000</u>	<u>50,000*</u>	<u>50,000*</u>
Total Eligible Payments	\$41,550	\$56,550	\$61,550	\$61,550
Open Market Sales (50%)	<u>30,000</u>	<u>45,000</u>	<u>65,500</u>	<u>70,000</u>
Total Receipts	\$71,550	\$101,550	\$127,050	\$131,550

* Maximum payments are \$50,000 in quota value.

⁽¹⁾ 64,935 BPQ must be transferred	=	\$ 50,000
85,065 BPQ must be sold on open market	=	\$ 65,500

(2) 62,500 BPQ must be transferred = \$ 50,000
 87,500 BPQ must be sold on open market = \$ 70,000

C. 200,000 BPQ 30.77 Acres	40	Price c/BPQ		
		60	77	80
Premium \$500/Acre	15,000*	15,000*	15,000*	15,000*
Transferred (50%)	<u>40,000</u>	<u>50,000**</u>	<u>50,000**</u>	<u>50,000**</u>
Total Eligible Payments	\$55,000	\$65,000	\$65,000	\$65,000
Open Market Sales (50%)	<u>40,000</u>	<u>70,000</u>	<u>104,000</u>	<u>110,000</u>
Total Receipts	\$95,000	\$135,000	\$169,000	\$175,000

* Maximum premiums are \$15,000.
 ** Maximum transfer payments are \$50,000.

Quota transferred at 60c = 83,333, at 77c = 64,435 and at 80c = 62,500.

APPENDIX THREE

Witnesses

Individual/Organization	Date	Issue
Anderson, Irene	March 26, 1987	3
Canada Employment And Immigration Commission: —Cal Stotyn, Manager, Canadian Rural Transition Program.	December 11, 1986	1
Canadian Horticultural Council: —Dan Dempster, Executive Vice-President; —Stephen Whitney, Assistant to the Executive Vice-President.	May 5, 1987	7
Canadian Tobacco Manufacturers Council: —Christopher Seymours, Secretary.	May 5, 1987	7
Catholic Rural Life Conference: —John Lechowicz, Chairman; —Father John Mooney.	March 25, 1987	2
Committee of Concerned Tobacco Area Municipalities: —Dan Van Londersele, President and Councillor, Township of Delhi; —Remie Miggins, Councillor, Town of Tillsonburg; —Roger Ver Boyst, Mayor, Town of Aylmer.	March 26, 1987	3
Department of Agriculture: —Robert G. Ray, Director, Special Programs Division, Agriculture Development Branch. —John Vanderburg, Program Manager, Crop Development Section; —Conrad Pacquette, Director, Crop Development Section.	December 11, 1986	1
Department of National Health and Welfare: —Neil E. Collishaw, Chief, Tobacco Products Unit.	May 7, 1987	8
Department of Regional Industrial Expansion: —Robert Haack, Director General, Program Affairs; —Robert Morin, Director, Regional Development Secretariat; —Denis De Melto, Director General, Service Industries Branch; —Gordon McGregor, Manager, Plant Products Division; —Jules Halin, Senior analyst, Regional Development Secretariat.	April 27, 1987	6
Edwards, Brian	May 7, 1987	8
	March 25, 1987	2

Elgin Federation of Agriculture: —Graham Warwick, President.	March 26, 1987	3
F.H. Jones Tobacco Sales Co. Ltd.: —Robert A. Banks, General Manager.	March 31, 1987	5
Government of New Brunswick, Department of Agriculture: —Wayne Buffett, Director, Market Organization and Inspection Branch.	March 30, 1987	4
Government of Nova Scotia, Department of Agriculture and Marketing: —J.B. Goit, Director, Soils and Crops Branch.	March 30, 1987	4
Government of Ontario, Ministry of Agriculture and Food: —Arthur Loughton, Manager, Transition Crop Team.	March 25, 1987	2
Government of P.E.I., Department of Agriculture: —Lynwood MacPherson, M.L.A., representing the Minister of Agriculture; —Paul Jelley, Manager, P.E.I. Marketing Council.	March 30, 1987	4
Harnois Industries Inc.: —Yves Harnois, Vice-President.	March 31, 1987	5
Homeniuk, Fred and Regina	March 26, 1987	3
L'Honoré d'Autray: —Jean-Pierre Asselin, Mayor.	March 31, 1987	5
Jacques, Rosa	March 26, 1987	3
Labytte, Jean-Pierre	March 31, 1987	5
Manary, Carl	March 26, 1987	3
Monteyne, Len	March 25, 1987	2
Murphy, Palmira (Mickey)	March 26, 1987	3
Murray, Michael Jr.	March 26, 1987	3
New Brunswick Tobacco Marketing Board: —Pierre Bourque, Chairman; —Maurice Maillet, Secretary-Manager.	March 30, 1987	4
Norfolk Federation of Agriculture: —Ron Judd, President; —Joseph B. Csubak, First Vice-President; —Larry Partridge, Second Vice-President.	March 26, 1987	3

Nova Scotia Flue-Cured Tobacco Growers Marketing Board:	March 30, 1987	4
—Gerard Ansems, Chairman;		
—Greg Webster, Vice-Chairman;		
—Harry Ansems, Director.		
Ontario Flue-Cured Tobacco Marketing Board:	March 26, 1987	3
—Richard Bozek, Past Vice-President.		
Oxford County Federation of Agriculture:	March 26, 1987	3
—George Fulop, Director;		
—Judy Fulop, Director.		
Oxford Local Advisory Committee:	March 25, 1987	2
—Joe Di Giovanni, Vice-Chairman.		
Padyk, Leonard	March 26, 1987	3
P.E.I. Tobacco Marketing Board:	March 30, 1987	4
—Bert Honkoop, Chairman;		
—John Kanters, Secretary-Treasurer;		
—Mike Duggan, Secretary.		
Quebec Cigar and Pipe Tobacco Producers Board:	March 31, 1987	5
—Normand Sirard, President;		
—Réjean Bédard, Secretary.		
Quebec Flue-Cured Tobacco Producers Board:	March 31, 1987	5
—Rolland Cloutier, President;		
—Allan Verkest, Vice-President;		
—André Bérard.		
Reynaert, Lorraine	March 26, 1987	3
Ryder, Paul	March 26, 1987	3
St. Antoine de Lavaltrie:	March 31, 1987	5
—Jacques Auclair, Mayor.		
St. Mélanie:	March 31, 1987	5
—Jacques Vincent, Mayor.		
St. Paul de Joliette:	March 31, 1987	5
—Denis Desrochers, Mayor.		
St. Thomas de Joliette:	March 31, 1987	5
—René Vincent, Mayor.		
Spriet, Joseph	March 30, 1987	4
Svirida, Steve Sr.	March 26, 1987	3

Tobacco Advisory Committee:	May 5, 1987	7
—R. Duckworth, Chairman;		
—J. Uniacke, Director of Market Research, Imperial Tobacco;		
—H. Goode, Director, Leaf Purchase and Sales, Imperial Tobacco;		
—J. Heffernan, Vice-President, Operations, Rothmans/Benson and Hedges;		
—J. Lepine, President, Dibrell Bros.;		
—A. Lindsay, Chairman, Ontario Flue-Cured Tobacco Growers Marketing Board;		
—T. Lee, Vice-President, Materials Management.		
Tobacco Curing Systems Ltd:	March 26, 1987	3
—Robert Boswell, President.		
Tobacco Decline/Industry Strategy Study Committee:	March 26, 1987	3
—Gordon Gibson, Chairman and Reeve, Township of Paris;		
—Helen Smith, Warden, County of Oxford;		
—Max Stewart, Reeve, Township of Bayham;		
—Gordon Lee, Mayor, Township of Delhi.		
Tontsch, Ed	March 26, 1987	3
United Church Assistance Program:	March 25, 1987	2
—John A. King, Rural Resource Officer.		
University of Guelph, Department of Crop Science:	March 25, 1987	2
—Dr. Jack Tanner, Chairman;		
—Dr. Tom Michaels, Assistant Professor.		
Vanneste, Mark	March 30, 1987	4
West Norfolk Federation of Agriculture:	March 26, 1987	3
—Margaret Marshall, President.		
Zimmer, Hugh	March 26, 1987	3

APPENDIX FOUR

Submissions

NOTE: The Sub-Committee received written material (letters, reports, briefs or articles) from the following groups and individuals:

Individual/Organization

Banks, Jack W.

Corporation of Township of Delhi

Corporation of Township of Norfolk

County of Oxford

Depesut, Rita

Government of Quebec - Department of Agriculture, Fisheries and Food

Haldimand Norfolk Economic Development

Health Concerns:

- Canadian Cancer Society;
- Canadian Council on Smoking and Health;
- The Canadian Medical Association;
- Elizabeth J. Hall-Findlay;
- The Lung Association;
- Medical Society of Nova Scotia;
- Non-Smokers Rights Association;
- Physicians for a Smoke-Free Canada.

Pandeya, R.S.

Robinson, Karen J.

Tobac Curing Systems Ltd.

Pursuant to Standing Order 99(2), the Committee requests that the Government table a comprehensive response to the Report within one hundred and fifty (150) days.

A copy of the relevant Minutes of Proceedings and Evidence (*Issue No. 1 of the 1st Session, 33rd Parliament and Issue Nos. 1 to 8 inclusive of the 2nd Session, 33rd Parliament of the Sub-Committee and Issue No. 32 of the Standing Committee which includes this report*) is tabled.

Respectfully submitted,

HARRY BRIGHTWELL,
Chairman of the Sub-Committee

LEE CLARK,
Chairman of the Standing Committee

