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SPB - May 10

Ministry of Agriculture,
Food and Rural Affairs

Ministère de l'Agriculture,
de l'Alimentation et
des Affaires rurales

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APR 29 2010

The Honourable Gerry Ritz
Minister of Agriculture and Agri-Food
Minister for the Canadian Wheat Board
Agriculture and Agri-Food Canada
1341 Baseline Road
Ottawa, Ontario
K1A 0C5

QTE 146481

Dear Minister:

I am writing to inquire about the status of your department's plans to conduct audits to help assess the implementation of the federal Tobacco Transition Program (TTP).

When the TTP was announced by your government in 2008, our understanding was that it was intended to help tobacco producers exit the industry, transition to other crops, or find new opportunities outside agriculture. Further, the licensing system that is managed by the Ontario Flue-Cured Tobacco Growers' Marketing Board was designed according to the requirements of the TTP. However, there is a perception that the program is not having its intended effect.

I recognize that this is a federal initiative, but considering our ongoing, close interaction with the tobacco sector, I would appreciate being kept fully informed of your efforts around this program going forward.

Thank you for your attention to this important matter.

Sincerely,



Carol Mitchell
Minister of Agriculture, Food and Rural Affairs



cc'd
8/10/10

Quote: 146481

JUL 19 2010

The Honourable Carol Mitchell, MPP
Minister of Agriculture, Food and Rural Affairs
Government of Ontario
77 Grenville Street, 11th Floor
Toronto, Ontario M7A 1B3

Dear Minister:

Thank you for your letter regarding the status of audits of the Tobacco Transition Program (TTP) being conducted by Agriculture and Agri-Food Canada (AAFC).

The auditor has been tasked with reviewing the Ontario Flue-Cured Tobacco Growers' Marketing Board's processes to ensure that the Board has been meeting its commitments under the TTP contribution agreement and to verify that TTP participants are also meeting the conditions of the Program.

An interim report on the audit and evaluation has been provided to AAFC and it identified areas of improvement for the Board's processes. While the audit is continuing, it was decided it would be beneficial to share the findings and recommendations of the interim report with the Board.

The auditors found that "in general, the processes and controls in place at the Board for the management of the issuance of licenses appear adequate and effective." However, they also recommended that the Board:

- 1) clarify the licensee forms to ensure that all business arrangements are declared;
- 2) use the information it has collected through the TTP application forms and TTP applicants' solicitors letters on business ownerships to verify the eligibility of the shareholders of a business seeking a license; and
- 3) establish a process to collect sufficient data on business arrangements on license applications to confirm that arrangements are being entered into at fair market value and that the Board confirm that there were no non-compliant changes to the stated arrangements at the end of the season.

.../2

The TTP was established to remove the quota system, facilitate the transition of producers out of the tobacco-growing industry and to transition the remaining producers to operating in a market environment. To that end, the Government of Canada has helped the Province of Ontario remove the quota system by providing funding to quota holders.

As well, in line with the terms agreed as part of the TTP, your government has implemented a licensing system to ensure the continued monitoring of legal tobacco production. This licensing system is required only as long as tobacco is produced. Should your government determine that it wants to reduce or eliminate tobacco production, it can restrict who gets licenses or refuse to issue new ones.

Faced with a similar situation after implementation of the Tobacco Adjustment Assistance Program (TAAP) in 2005, the Province of Quebec introduced a system that provided annual licenses only to the four tobacco producers who opted not to participate in the TAAP.

Thank you for your continuing interest in the TTP and your commitment to building a prosperous and sustainable future for Canada's agricultural producers.

Sincerely,

Original signed by
Original signé par

Gerry Ritz, PC, MP