

Other Recommendations and Resources

2018 Federal Budget recommendations

As part of the House of Commons Standing Committee on Finance annual pre-budget consultation, CFA submitted recommendations in four key areas. Our proposals relate to agriculture’s long-term economic growth potential; tax policies; regulatory services; and support for rural communities. Read the full pre-budget submission on our web site: www.cfa-fca.ca

National Food Policy recommendations

CFAis actively engaged with elected officials, government representatives, civil society, indigenous groups, academia, and other organizations to share perspectives on the four policy themes identified by Agriculture and Agri-Food Minister Lawrence MacAulay in the announcement of national consultations earlier this year. The policy themes are:

- increasing access to affordable food
- improving health and food safety
- conserving our soil, water, and air
- growing more high-quality food

CFA understands the government aims to produce a draft National Food Policy in 2018. This would present many interesting opportunities, along with challenges, for the agriculture and agri-food sector. Read our discussion paper online for more details:

www.cfa-fca.ca.

Contact us! We’ll be pleased to provide further information or resources on any questions you may have about our industry.

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Leveraging Canada’s Agri-Food Growth Potential

The Canadian Federation of Agriculture is a unified voice to advocate for Canadian farmers at the national level. The agriculture and agri-food sector supports **1 in 8 Canadian jobs** and **generates \$108 billion in GDP**.

On the following pages CFA is pleased to present key recommendations on NAFTA and tax policy as well as links to other resources that can help inform policy decisions.

October 2017

CFA MEMBER ORGANIZATIONS:

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| AGRICULTURAL ALLIANCE OF NEW BRUNSWICK | EQUESTRIAN CANADA |
| AGRICULTURAL PRODUCERS ASSOCIATION OF SASKATCHEWAN | FARMERS OF NORTH AMERICA (STRATEGIC AG INSTITUTE) |
| ALBERTA FEDERATION OF AGRICULTURE | FOREIGN AGRICULTURAL RESOURCE MANAGEMENT SERVICES |
| BRITISH COLUMBIA AGRICULTURE COUNCIL | KEYSTONE AGRICULTURAL PRODUCERS (MANITOBA) |
| CANADIAN FORAGE & GRASSLAND ASSOCIATION | MUSHROOMS CANADA |
| CANADIAN HATCHING EGG PRODUCERS | NATIONAL SHEEP NETWORK |
| CANADIAN HONEY COUNCIL | NEWFOUNDLAND & LABRADOR FEDERATION OF AGRICULTURE |
| CANADIAN ORNAMENTAL HORTICULTURE ALLIANCE | NOVA SCOTIA FEDERATION OF AGRICULTURE |
| CANADIAN SEED GROWERS ASSOCIATION | ONTARIO FEDERATION OF AGRICULTURE |
| CANADIAN SUGAR BEET PRODUCERS ASSOCIATION | ONTARIO-QUEBEC GRAIN FARMERS’ COALITION |
| CANADIAN YOUNG FARMER’S FORUM | PRINCE EDWARD ISLAND FEDERATION OF AGRICULTURE |
| CHICKEN FARMERS OF CANADA | STANDARD BRED CANADA |
| DAIRY FARMERS OF CANADA | TURKEY FARMERS OF CANADA |
| EGG FARMERS OF CANADA | UNION DES PRODUCTEURS AGRICOLES (QUÉBEC) |



NAFTA Negotiations

A significant part of the Canadian agriculture and agri-food industry's growth and success stems from international trade agreements, as the sector relies on export markets for around 60% of its output. NAFTA is currently Canadian agriculture's most important trade agreement in terms of volume and value, growing to about \$56 billion dollars in reciprocal trade with the U.S. and about \$3.8 billion with Mexico.

After the conclusion of the fourth round of negotiations in Washington, it is clear that the U.S. administration has every intention of completely revamping NAFTA at the expense of Canada and Mexico. Several proposals put forward by the U.S. have been described by those involved as being "outrageous". In fact, some question the U.S. commitment to even wanting a successful outcome. While the proposal put forward on dairy would decimate the Canadian industry, it is the non-agriculture proposals that threaten to bring the negotiations to a full stop. Domestic content in the auto industry, the elimination of Chapter 19, the sunset clause, and the offer on government procurement are all non-starters for Canada.

Recommendations:

Negotiations toward modernizing NAFTA must continue based on a "do no harm" principle.

CFA recommends that negotiators:

- Oppose any changes to NAFTA that would modify the size of any TRQs and/or reduce the level of over-quota tariffs for dairy, poultry, and egg products.
- Oppose any changes to NAFTA that would undermine in any way the agricultural market access Canada negotiated and achieved under the Canada-U.S. Free Trade Agreement (CUSTA) or NAFTA for Canadian exports.
- Eliminate any existing technical trade barriers to improve and facilitate increasing volume of agricultural trade flows.
- Seek regulatory alignment to facilitate an increasing level of agricultural industry integration between the three countries.
- Ensure that a strong dispute settlement mechanism be maintained in Chapter 19.

Tax Policy Reform

In July 2017, Finance Canada released draft plans for wide-ranging tax reforms on income sprinkling, passive investment income, and income stripping through capital gains on the part of privately held Canadian corporations. The stated target of these changes were high wealth individuals that were capitalizing on 'loopholes' in the Income Tax Act.

However, these changes would have affected all Canadian private corporations in a variety of complex and problematic ways. Farm families would've seen increased tax liabilities, new costs introduced when looking to transfer their businesses to the next generation, and disincentives to keeping the farm within the family. The short consultation during summer and wrapping up during harvest made left farmers frustrated and unable to dedicate time to consider such broad changes.

CFA identified unintended consequences for each proposal, noting that the changes were too complex and would make it far more difficult to plan for the future and transfer farms to the next generation. CFA was pleased to see the Finance Minister recognize these consequences, take a step back, and in many instances, drop the problematic proposals. We are also supportive of the recent announcement to reduce the small business tax rate to 9% by 2019.

CFA is cautiously optimistic after recent announcements, although the details of further proposals on both passive investment income and income sprinkling are not yet available and will require further consideration before we can fully support them.

Recommendations:

- Ensure that the government provides adequate time and space for discussion on the detailed proposals that are still to come — before they become passed into law.
- Moving forward, work in partnership with the sector in advance of any such changes, ensuring the policies and proposals of one department won't undermine the growth opportunities facing the sector, as identified in Budget 2017's ambitious growth targets.

