CFA FCA

Canadian Federation of Agriculture

Fédération canadienne de l'agriculture

# A Roadmap for Growth in Canadian Agriculture

Pre-Budget Submission

August 2018

**Summary of Recommendations:**

1. **Streamline regulations**:
    a. Expand the federal regulatory modernization initiative looking at the cumulative impact of regulatory burdens from all government departments and agencies.
    b. Benchmark internationally and explore innovative approaches.

2. **Enhance competitiveness**:
    a. Take action to help offset US tax reforms, through steps such as: instituting a 100% first-year deductibility on farm equipment and ensuring farmers can access the Small Business Deduction on investments.
    b. Develop a rural infrastructure strategy that introduces long-term, predictable funding with provisions addressing the full range of rural and agricultural infrastructure needs.

3. **Address labour shortages**:
    a. Implement flexible immigration policies recognizing the unique skills required in agriculture and prioritize permanent residency for in-demand farm workers employed in year-round jobs.
    b. Invest resources to improve Temporary Foreign Worker Program services and foster compliance.

4. **Strengthen economic growth**:
    a. Create contingency plans to support farmers faced with trade uncertainty.
    b. Further invest in regulatory agencies (CFIA, PMRA, CBSA, CTA) to provide agri-food businesses the services required to truly access international and domestic markets.

5. **Mitigate trade concessions**:
    a. Develop and fund programs to support CPTPP- and CETA-impacted producers in supply-managed sectors.
    b. Invest in regulatory cooperation, as outlined in CETA Chapter 21, and create systems to monitor and enforce product standards in Canada.

The Canadian Federation of Agriculture (CFA) is an umbrella organization representing nearly 200,000 farm families. These families operate small businesses that benefit all Canadians by contributing significantly to our economy, providing safe and affordable food and a clean, sustainable environment.

## *1. Supporting Trade Through Efficient Regulations*

Regulatory modernization must be a priority for Budget 2019 and the broader agri-food economic strategy. Canada struggles with cumbersome, costly regulations, resulting in delayed access to innovative products and lost efficiencies. Modernizing regulations is critical to the continued growth of the sector, enabling both the adoption and development of innovative products and techniques.

With the ongoing imposition of new and increasingly complex regulatory requirements, farmers face unprecedented pressures on their ability to remain profitable and competitive in domestic and global markets. Expanded market access from CETA and CPTPP requires considerable follow-up work by CFIA and other regulatory agencies to address technical barriers that limit access to innovations and restrict exports.

The introduction of multiple, concurrent regulatory demands has created a difficult environment for farmers, as price-takers, to compete and achieve Canadian agri-food growth targets from Budget 2017.

**Recommendations:**

**Ambitious regulatory modernization:** Continue the Treasury Board Secretariat-led regulatory modernization initiative announced in Budget 2018, expand its mandate to review the cumulative impact of regulatory burdens from across government, and identify innovative regulatory approaches through international benchmarking and best practices. Accelerating regulatory assessments and approvals will spur improvements in production, food safety, environmental performance, and long-term growth.

## *2. Fostering Competitiveness*

Differentiating Canadian agri-food products, domestically and abroad, begins with on-farm innovation. Canada's natural resources provide a comparative advantage, but it's up to industry to maximize productivity through technology adoption.

With increasing consumer expectations come changes in demand. Successful businesses take calculated risks and make forward-looking investments in innovation. The investment climate in which they operate has a significant influence on decision-making.

CFA strongly supports the Canadian Agricultural Partnership's continued prioritization of industry-led science, research and innovation, but this focus must be supported with investments reflecting the sector's immense potential as a key driver of growth.

**Recommendations:**

**Competitive Tax Policy:** Beyond direct support for research innovation, Canada's tax policy is a key driver of technology adoption. The US is a major competitor in international markets and it recently undertook sweeping reforms that directly affect Canadian agriculture's competitiveness.

While CFA supports the government's 2018 commitment to review US tax reforms, the government must also consider immediate options to respond accordingly. CFA recommends that Canada immediately introduce 100% first-year deductibility for farm equipment. This first-year depreciation is available to U.S. farmers and puts Canadian farmers at a competitive disadvantage when considering operational investments. Similarly, CFA recommends that Finance Canada address changes to the Small Business Deduction (SBD), ensuring that farmers can continue to access the SBD when they come together to invest in processing and marketing corporations their local regions.

Furthermore, Canada's *Income Tax Act* constrains succession planning for family farms, creating undue transaction costs that pull funds away from other investments. CFA is committed to working with Finance Canada to identify targeted improvements to sections 84.1, 55(2), and an expanded definition of family member introduced in 73(3). Budget 2019 presents an opportunity to remove these long-standing barriers, enabling the next generation to enter the industry in good financial health, spurring growth.

**Leveraging Rural Canada:** CFA supports the Federation of Canadian Municipalities' call to apply a 'rural lens' to all federal polices and programs in support of rural Canada's competitiveness. As a rural-based industry, the competitiveness of Canada's agri-food industry is intimately connected to the vibrancy of rural communities. Building on CFA's continued call for a rural infrastructure strategy, Budget 2019 must introduce long-term, predictable infrastructure funding with provisions to address **the full breadth** of rural and agricultural infrastructure needs, including transportation bottlenecks, access to clean water and wastewater treatment, infrastructure that leverages on-farm renewable energy production and enables access to natural gas, and access to modern, affordable high-speed internet.

These programs must recognize the limited financial capacity of rural communities by accommodating regional partnerships, incorporating flexible eligibility thresholds for both scale and type of infrastructure, with streamlined administrative processes.

## *3. Addressing Immediate and Long-Term Labour Shortages*

If Canadian agriculture is to prosper and grow, it must be built on a skilled, well-paid and secure labour force. Research into Canada's primary agriculture industry identified a labour shortage of approximately 59,000 in 2015, having doubled since 2005 and is forecasted at 114,000 by 2025. While pointing to future risks, farmers have already identified annual losses of $1.5 billion due to unfilled vacancies. As a sector that employs 1 in 8 Canadians, unfilled vacancies threaten the viability and competitiveness of Canadian agriculture and place existing jobs in peril.

The lack of available labour, both seasonal and year-round, represents one of the most significant constraints on the sustainability of Canada's agri-food sector.

**Recommendations:**

**Prioritize Agricultural Immigration:** Canada requires flexible immigration policy that can accommodate the diverse and unique skill sets required by agriculture and other rural industries, as approximately 30,000 of agricultural vacancies are year-round positions. Budget 2019 should implement a targeted approach, building on best practices identified through the Atlantic Growth Strategy Immigration Pilot, through the Ministerial Instruction Authority for 2,750 federal immigration spots for 5 years, and allow farm workers employed in year-round jobs to use the stream when a Provincial Nominee Program is unavailable. This would prioritize economic immigration for in-demand, year-round agricultural occupations that would stimulate growth and competitiveness for agricultural operations. This should be accompanied by investments that would enable settlement agencies to work in concert with stakeholders in developing the necessary network of services and supports required to assist new Canadians.

**Improve TFWP Service Delivery:** Build on findings of Employment and Social Development Canada's Service Standards Review (expected to conclude in Fall 2018) by investing in additional processing and liaison services to promote program compliance and develop client-centric service delivery standards. When farms have demonstrated that Canadian workers are not available, it's critical that access to international farm workers occurs in timely fashion. Limited human resources during peak production seasons can delay processing timelines for Labour Market Impact Assessments and related processes. This undermines growth efforts in both domestic and global markets.

## 4. *Capitalizing on opportunities at home and abroad*

CFA was pleased to see Canada's agri-food industry identified as a significant driver of growth in Budget 2017. Even though there are promising opportunities internationally, recent instability in global trade has created unprecedented volatility. Policy developments among Canada's major competitors pose new challenges, as producers are faced with unforeseen risks and global market unpredictability.

This makes a clear case for why Canada must also capitalize on domestic market opportunities. In 2017, Canadians spent $198 billion on food and beverages, and there's room to grow as Canada's population and disposable income rises. Promotion of local and regional products will boost domestic markets.

The recent CETA and CPTPP trade agreements offer improved market access to at least one billion new consumers. However, it's not enough to negotiate agreements. All parties must commit to eliminate non-tariff barriers through regulatory alignment and harmonization. CFA applauds Canada's efforts to include regulatory cooperation, coherence and reconciliation chapters in CETA, CPTPP and the Canadian Free Trade Agreement, a means to identify regulatory differences and facilitate cooperation.

While we continue to expand markets around the world, Canada must continue to defend its domestic supply-managed industries. Canada's dairy, poultry and egg industries manage production to prevent under and over-supply in the market, benefit from having some of the most innovative, efficient producers around the world, and form an important part of a rules-based trading system by providing transparent and achievable market access through established tariff rate quotas.

**Recommendations:**

**Contingency planning against trade uncertainty:** Significant instability in global markets has arisen due to trade policy developments by Canada's largest trading partner, the United States. New US tariffs, and retaliatory tariffs introduced by other trading partners require immediate study so that Canada can create contingency plans and identify supports to offset unforeseen price instability here at home.

**Strengthen Canada's regulatory agencies:** CFA was pleased to see Budget 2018's investments into Canada's trade commissioner service, but further investments are necessary for CFIA, PMRA, CBSA, and other regulatory agencies to conduct the follow-up work now required. Supports must ensure service standards meet Canadian producers' needs as they aim to enter new international markets and expand domestically. Delays due to insufficient agency resourcing have meant lost opportunities for producers and agri-food businesses.

These agencies also play a critical role in demonstrating Canada's commitment to evidence-based regulations and promoting evidence-based, international standards. Further investments into these agencies will help ensure any new market access results in meaningful opportunities for farmers.

In addition to new market access, transportation backlogs constrain Canadian agriculture's trade capacity. CFA was pleased to see Bill C-49 receive royal assent. However, investments are needed to ensure the Canadian Transportation Agency has enough financial resources to fulfil its duties under Bill C-49 including, but not limited to, resources to adequately fund its new "own motion authority".

**Mitigate CPTPP Market Access Concessions:** Canada's dairy, poultry and egg sectors maintain a combined annual farm-gate value of over $10 billion and contribute $30.0 billion to Canada's GDP. The concessions granted in the CPTPP directly impact the farmers' livelihood in these sectors. Budget 2019 must outline a comprehensive strategy that includes domestic programs to invest in CPTPP-impacted sectors so that they continue to create quality Canadian jobs and sustain growth in their communities.

In particular, new measures designed to foster investment in Canada's dairy, poultry and egg industries must be introduced. These measures must ensure equitable access for all producers and minimize any associated red tape.

**Counterbalance the varying standards under CETA:** While expanding market access for Canada's agri-food sector, wide-ranging standards on a number of fronts create an un-level playing field between Canadian producers and those in the EU. As a result, Budget 2019 must provide resources to:

- Actively engage in the process as outlined in CETA chapter 21: Regulatory Cooperation, to advocate regulatory alignment
- Create measures to monitor and enforce Canadian standards to prevent substandard products from entering our markets.
- Develop programs to help our export industries comply with European standards.

**CETA mitigation for the dairy industry**

Budget 2019 must provide resources to:

- Fully fund the federal government's October 2015 commitment to deal with the recurring income losses of Canadian dairy producers
- Make the current Dairy Farm Investment Program's complete $250 million available for investments
- Provide additional funding to meet the needs of all the producers who will submit projects that satisfy the Program's objectives over the next five years;
- Institute an additional program to sheep and goat dairy producers' needs.