



Agriculture: Canada's Economic Recovery Engine  
2021 Federal Pre-Budget Submission  
August 2020



## **List of Recommendations:**

### **Recommendation 1 - Kick-starting Canada's economic recovery:**

- **Enhance risk management support:** That the government restore the AgriStability payment trigger to 85% and eliminate the cap to reference margins.
- **Secure critical food infrastructure:** That the government invest in the development of more Canadian food processing facilities.
- **Buy Canadian Campaign launch:** That the government reallocate underutilized AgriMarketing program dollars to implement a Buy Canadian campaign for Canadian retail channels, and engage exporters to identify and address key export opportunities. Deliver full and fair support to Canada's supply management farmers to mitigate recent trade agreement losses.

### **Recommendation 2 - Leveraging agriculture's environmental contributions:**

- **Establish additional environmental revenue streams:** That the government creates programs that allow producers to generate credits for agricultural activities under both the Federal Greenhouse Gas Offset System and Clean Fuel Standard.
- **Support regulatory efficiency and competitiveness:** That the government supports farmers' access to innovative technologies and increases base funding to support the PMRA in updating their re-evaluation process. Funding should also be provided to PMRA for a national pilot project that monitors pesticide occurrences in water and generates data for decision making.

### **Recommendation 3 - Building greater resilience in Canada's food system (\$3 million investment to development and retention of workforce and invest in technology):**

- **Invest in an agri-food workforce and automation strategy:** That the government invests in priority areas to reduce job vacancies through career promotion, improve skills training opportunities for workers, support human resource management training/certification, and support commercialization of labour-saving technologies.

## ***Kick-starting Canada's Economic Recovery***

### ***1. Enhance risk management support***

The unprecedented costs and lost revenue arising due to COVID-19, coupled with considerable ongoing uncertainty due to potential secondary and tertiary waves, will have long-term consequences on the economics of Canada's entire agri-food sector. These new realities follow multiple years of disruptions in key international markets, transportation, and reduced net incomes for many Canadian farm businesses. The end result is reduced confidence to invest in future growth and, subsequently, missed opportunities for Canadian agri-food as a whole.

The Economic Advisory Council on Economic Growth recognized the potential that the sector has as a driver of inclusive economic growth in regions across Canada, but the sector is urgently in need of stability and tools to reduce uncertainty throughout the value chain.

Canada's AgriStability program was seriously weakened in 2013. Originally designed to protect farmers against large declines in farming income for reasons such as production loss, increased costs and market conditions, the weakening of the program has left farmers unduly exposed to risks beyond their control.

To restore confidence in this program, CFA recommends the payment trigger be restored to 85% of a producers' reference margin. The change must be accompanied by removal of the reference margin limit mechanism, which unduly limits support to producers, increases program complexity, and creates inequities in the level of available support.

### ***2. Secure critical food infrastructure***

The continued threat of disruption in food processing remains a great concern to producers as harvest approaches and the possibility of a second wave of COVID occurrences looms. Canada's food processors and grower-packers continue to take on prohibitive costs to establish safe workplaces, through retrofits, PPE, and related infrastructure. While food processors welcomed the \$77 million dollars invested in the emergency food processing fund, early industry estimates suggested the total costs associated with adjusting to COVID-19 were \$817 million and the overwhelming demand for existing dollars highlights the continued need for financial support.

Without access to additional support, critical links in Canada's food supply chain are facing costs that threaten the viability of their businesses, while exposing the broader supply chain to immense uncertainty. To secure these critical food infrastructure links in advance of a second wave and the peak harvest season for many Canadian commodities, CFA recommends the next federal budget increase financial support to the food processing sector.

In addition to this support for existing food processors, CFA also recommends that the next federal budget invest in programming to support the development of more food processing facilities across Canada. Such investments would diversify markets for producers at a time where global supply chains face great uncertainty, while providing Canadian jobs and contributing directly to Canada's food security.

### **3. Launch a Buy Canadian Campaign**

With the loss of the vast majority of sales to Canada's food services industry, Canadian producers are increasingly reliant on retail channels for domestic sales, while continuing to explore export diversification given the continued uncertainty in global agri-food supply chains. The increased volume of retail food expenditures will be a critical source of revenue and certainty during the long recovery process.

Additionally, significant market access was granted in the dairy, poultry and egg sectors due to the recent trade agreements signed by Canada. With food imports set to increase, it is essential that programs and funds be available quickly to increase the productivity in these affected sectors and to promote their products to Canadians. The benefits of supporting Canadian producers include increased productivity and diversity of Canadian products available in grocery stores across Canada at a time when consumers are looking for Canadian grown foods. This certainty and increased volume of sales can play a key role in positioning Canada's agri-food sector a leading driver of Canada's economic recovery.

Given the uncertainty with respect to international market development practices, government should also convene leaders from key exporting sectors to determine actions that can help strengthen Canada's reputation as a reliable producer of safe, quality agri-food products. The government must also exclude supply management from future trade negotiations in order to comprehensively support Canadian produced food.

To ensure these measures are implemented to the benefit of Canada's economic recovery, CFA recommends the following measures be introduced in the next federal budget:

- Leverage the existing \$25 million set aside under the Food Policy for Canada, as a Buy Canadian promotional campaign, while reallocating underutilized AgriMarketing program dollars to immediately implement an expansive Buy Canadian campaign focused on Canadian retail channels, while working with exporters to identify and address key export opportunities.
- Deliver on full and fair support to Canada's supply management farmers to mitigate losses resulting from recent trade agreements as repeatedly promised.

## **Leveraging agriculture's environmental contributions**

### **4. Establish additional environmental revenue streams:**

Worldwide efforts to recover from the pandemic are increasingly focused on environmental policies, to mitigate future social, economic and environmental shocks caused by climate change. The Federal Government is currently consulting on similar agricultural policies with potential to generate environmental revenue streams for farmers.

This fall, ECCC will be consulting on considerations for Protocol Development in the Federal Greenhouse Gas (GHG) Offset System. Under this proposed system, farmers will be granted credits for approved activities that offset GHG emissions through prevention and sequestration. They will then be able to sell these credits to businesses who exceed their sector's emissions cap. The current shortlist of

priority project types includes agricultural activities that increase soil organic carbon, livestock manure management, afforestation, aerobic composting and others. Such incentives compensate farmers for alternative land uses that mitigate climate change. As such, CFA recommends that a considerable portion of the associated budget is allocated to ensure efficient rollout of the program for rapid uptake by the agricultural sector.

In addition to Greenhouse Gas offsets, producers should also be able to generate credits for production of clean fuel stocks and carbon sequestration. ECCC will also be resuming consultations on the Clean Fuel Standard (CFS) in fall 2020. The current proposed regulatory approach to the CFS allows for generation of compliance credits for actions that reduce GHGs at any point in the life cycle of a fossil fuel. The proposed approach also allows for carbon sequestration activities to generate credits under both the CFS and Federal Offset System. As such, CFA recommends that biofuel feedstock producers who undertake emission sequestration and prevention activities be eligible to generate credits under both systems as soon as possible.

### ***5. Support regulatory efficiency and competitiveness***

Regulatory reform is critical for agriculture. Health Canada, PMRA and CFIA must move forward with measures that ensure health and safety, and support the industry's ability to grow, innovate and produce food for domestic consumption and export. But the government needs to sufficiently resource these functions to facilitate grower access to innovative technologies and techniques.

The PMRA recently projected that the number of pesticide re-evaluations will triple by 2028-29 compared to 2019-20, exceeding capacity and current resources. CFA welcomes the PMRA's recent initiation of efforts to update their re-evaluation process, and recommends that more base funding be allocated to the Agency to support this effort. It is further recommended that these regulatory inefficiencies be addressed without opening the Pest Control Products Act, as the Act remains fit for purpose.

A dedicated national water monitoring program is needed to validate the environmental safety of registered pest control product uses and document the impact of grower-led runoff prevention initiatives. New funding is needed for a national program dedicated to monitor the occurrence of pesticide in water and generate needed data for PMRA assessment. It is critical for that PMRA oversee this program, and not another agency or department, as any produced data would have direct bearing on the quality of re-evaluation decisions. A pilot could be a pragmatic starting point build momentum and generate data to inform decisions moving forward.

## ***Build greater resilience in Canada's food system***

### ***6. Invest in an agri-food workforce and automation strategy***

Between Canada's abundance of land, fresh water, strong regulatory regime, and innovative business owners, Canada's agri-food sector is primed to drive Canada's economic recovery. But without the workforce and investments in labour-saving technologies to support this growth, this economic activity will not be possible.

Labour is a chronic, systemic issue and requires an equally systematic response. CFA recommends the next Federal Budget invest \$3 million in food system resilience and growth through development of a workforce and automation strategy.

Building on lessons learned through COVID-19, this strategy must devise short, medium and long-term workplans to mobilize action in support of Canada's economic recovery. This would include investments in priority areas to reduce job vacancies through career promotion, improved skills training opportunities for workers, human resource management training and certification, and strategic investments to support commercialization of labour-saving technologies. Through these investments, Canada's agri-food industry will position itself for the future with the skills, workforce and technologies required, while reducing uncertainty and spurring growth during this critical economic recovery period.

### ***7. Reinforce the surplus food rescue program.***

To avoid any future unnecessary food loss, CFA recommends the next federal budget allocate additional funding, available to projects that meet the existing criteria established under the Surplus Food Rescue Program, to ensure necessary funding is available as surpluses arise.

Given the perishability of many agricultural products, additional funding on a timely basis will be critical to support the partnerships between agri-food industry stakeholders and charitable organizations that enable the distribution of these time-sensitive products to those in need. This ensures farmers are able to cover the basic cost of production, supporting their contributed viability and growth, while providing nutritious food to food insecure Canadians during a period of significant economic upheaval.