



Written Submission for the Pre-Budget Consultations in Advance
of the Upcoming Federal Budget

By: The Canadian Federation of Agriculture

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Recommendations for Action

Theme #1: Help manage the increased cost of production.

Recommendation #1: Extend the on-farm exemption for qualifying farming fuel to marketable natural gas and propane.

Recommendation #2: Consult on and develop a Critical Farm Input Strategy to ensure that Canadian producers have a long-term, stable source of supply for critical farm inputs, including fertilizer, needed to produce high quality agriculture and agri-food products.

Recommendation #3: Make the interest-free limit for advances under the Advanced Payment Program (APP) permanent beyond the 2023 program year, as well as other administrative program adjustments, to make the APP more accessible and responsive to higher production costs.

Recommendation #4: Make the Accelerated Capital Cost Allowance permanent across all classes of farm equipment, allowing producers to depreciate 100% of their capital allocated to purchases of farm equipment in the first year.

Theme #2: Improve risk management programs and reduce regulatory and tax burdens that restrict competitiveness.

Recommendation #5: Implement a new national grant program modelled after the Canada Digital Adoption Program, that would support on-farm risk management planning and mitigation.

Recommendation #6: Improve resilience against extreme weather events for all agricultural commodities, including aquaculture, by ensuring business risk management programs are responsive, predictable, and accessible. An immediate example would be using Agriculture and Agri-Food Canada's Drought Monitor to trigger an AgriRecovery assessment.

Recommendation #7: Increase AgriStability program coverage to 85% of the reference margin to improve participation, predictability, and levels of support for producers.

Recommendation #8: Ensure that the Pest Management Regulatory Agency is appropriately resourced and improves internal processes in support of timely, transparent, and science-based decisions that will help Canadian producers remain competitive in a global market.

Recommendation #9: Exempt farms from filing the Underused Housing Tax (UHT) return which requires private corporations and partnerships (including farms) that own residential property to file a UHT return, adding an unnecessary financial burden, even if they do not have to pay the tax.

Recommendation #10: Implement measures to support a farmer's right to repair their farm machinery.

Recommendation #11: Build on the Budget 2023 extended interswitching pilot by further expanding the distance beyond 160km and extending the pilot past the current 18-month period.

Theme #3: Promote stable and sustainable growth.

Recommendation #12: Ensure the launch of the Sustainable Agriculture Strategy is inclusive of all agricultural commodities and is accompanied with an ambitious funding envelope commensurate with the incentives, research, and knowledge transfer activities required to reflect the inter-related demands of environmental, economic and social sustainability.

Recommendation #13: Provide financial support through the first 2 to 3 years for the creation of a Grocery Code Adjudication Office, which will be critical to advance the training, education, dispute resolution services, and oversight necessary to implement an industry-led Grocery Industry Code of Conduct.

Recommendation #14: Advocate for the elimination of non-tariff barriers to trade in international trade agreements which are limiting market access to Canadian products.

Recommendation #15: Underpinned by supporting legislation, ensure no additional access to supply-managed sectors in future trade agreements to support a resilient domestic agricultural sector that is vital to national food security and long-term sustainable growth.

Theme #4: Supporting new entrants and young farmers.

Recommendation #16: Provide financial support to establish a Secretariat that will support implementation of the National Workforce Strategy for Agriculture and Food and Beverage Manufacturing.

Recommendation #17: Increase the capital gains exemption threshold above \$1M to be more in line with current market values to allow additional exemption on lands sold to new entrants and/or young farmers.

Recommendation #18: Build on the Budget 2023 legislative amendments to the Income Tax Act which expanded the definition of a “child” to also allow sibling shareholders to pass a non-controlling share of their ownership to the next generation.

Farm Financial Health Amid Rising Costs of Production and a Rapidly Changing Climate

Farmers across Canada have demonstrated tremendous resilience in the face of several domestic and global events including the COVID-19 pandemic, the war in Ukraine, and extreme climate events at home and abroad. In 2022, primary agriculture contributed \$36.2 billion of Canada's GDP and supported 257,000 jobs across the country.

However, the cost of critical farm inputs such as fuel, fertilizer, feed, machinery, pesticides, land and labour have increased dramatically over the past few years. When coupled with high inflation, interest rates and a price on carbon for essential farming activities, for which farmers have no viable alternatives, Canadian producers are facing tremendous pressure on their farm financial and mental health.

While most Canadian farmers have managed to stay afloat, largely due to high commodity prices and farm cash receipts that increased 14.8% over 2021 levels, the ongoing impact of high inflation, matched with increasing interest rates, is beginning to take a serious toll on the operating margins of Canadian producers. Recent numbers from [Statistics Canada](#) have shown that the net income for Canadian farmers fell 8.3% in 2022, because the growth in expenses outpaced the rise in farm income; and total farm operating expenses (after rebates) increased by 21.2% in 2022, the largest gain since 1974 (+22.0%).

Meanwhile, while the full weight of the Bank of Canada's string of interest rate hikes has yet to sink in, farmers across Canada are experiencing an increasing series of extreme weather events that are testing the limits and effectiveness of Canada's suite of risk management programs.

To help address many of these challenges, the Canadian Federation of Agriculture (CFA) has put forward recommendations in several areas aimed at not only helping farmers manage the increasing cost of production and navigate challenging regulatory barriers, but also to help them mitigate the effects of climate change and support the next generation of farmers.

Canadian farmers play a crucial role in the sustaining our rural communities, as stewards of our natural environment and in meeting our national and international food security needs. These recommendations are aimed at ensuring our farmers have the flexibility and tools they need to weather the current financial climate and support the transition to a carbon neutral economy.