Standing Committee on Finance (FINA)

Pre-budget consultations 2012

Canadian Federation of Agriculture

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

The CFA recognizes the federal budget balancing exercise, but is completely opposed to any potential budget-based programming cuts that would expose producers to unsustainable levels of risk beyond their control. Canada's producers recognize a shared risk management responsibility, but believe they already shoulder more than their share of risk, with increased exposure untenable for on-going sector viability. Although Canadian agriculture is currently experiencing a period of relative strength, short-term budgetary considerations should not influence programming decisions with long-term implications for industry viability and profitability. In the current period of global financial difficulty, unlike most sectors, agriculture has remained buoyant and become a driver of Canadian prosperity. Primary agriculture represents the heart of Canada's agri-food sector, which provides more than 9% of Canada's GDP and over 2.3 million jobs (13% of total employment). Agricultural viability and productivity is of strategic importance to Canada, and should not be unduly exposed to increased risk and uncertainty. In farmers' opinion, cuts to AgriStability coverage or other BRM program spending will reduce the efficacy of the entire BRM suite, undermining sector performance. Any coverage cuts will likely lead to more, higher ad hoc support payments, causing uncertainty for industry and governments. CFA believes that current programs and their associated coverage levels must remain intact to ensure Canadian agriculture's viability and competitiveness in a challenging global marketplace. The CFA believes Growing Forward 2 presents an opportunity to resolve specific issues and gaps in current programming and should not be a venue for budget-motivated programming cuts. We maintain the position that AgriStability, and the rest of the current BRM suite, must have its current demand-driven funding envelope maintained; additional investments into innovation, competitiveness, or other industry supports cannot be reallocated from BRM programs. In addition, access to international markets is critical to the economic growth of Canadian producers and rural communities. Budget 2013 should ensure that the Government of Canada has the necessary resources to negotiate new trade agreements that result in meaningful market access opportunities for Canadian agriculture, while protecting supply-managed industries, which collectively generate $24.5 billion in GDP, $4.8 billion in taxes, and 300,969 jobs.

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

Canadian agriculture and agri-food policy continues to be addressed in isolated five-year planning cycles, resulting in short-term approaches to long-term issues. Currently, Canada's primary agricultural industry represents the heart of Canada's agriculture and agri-food sector, which is responsible for more than 9% of Canada's GDP and over 2.3 million jobs, roughly 13% of all employment in Canada. Despite the resources available to Canadian agriculture, and the potential for employment growth these resources represent, the current short-term approach to development of government policy and industry strategy fails to ensure that Canada's agri-food system will be able to meet future demand and provides no guarantee that it will continue to be driven by the diverse, sustainable, innovative, and profitable Canadian farm and food supply sectors. Canada's food system is complex, making a holistic approach critical to our food system's on-going development. That approach, ultimately made functional through public policy and private business plans, must begin with a strategic vision for Canada's food system. CFA supports the current government's mandate to create a national farm and food strategy. However, CFA suggests that such a farm and food strategy utilize the extensive work already undertaken by the CFA in developing an industry-driven National Food Strategy (NFS) document, entitled 'Towards a National Food Strategy' that engages industry players all along the food value chain. The NFS represents industry's vision for food and agriculture in Canada; it is a holistic, strategic approach to food and agriculture that meets the needs of the food system, future generations, and the global community. The strategy focuses on the long-term, recognizing that short-term, band-aid solutions are not enough to overcome the lasting and evolving challenges we face today. The agriculture and agri-food industry has been hard at work finding broader solutions for the value-chain; taking into account everything from promoting the Canadian brand and healthy lifestyles to sustaining economic growth and ecosystems. CFA believes that the economic growth of Canada's agriculture and agri-food sectors, and the potential jobs such growth will create, requires that any government farm and food strategy incorporates industry's vision for food and agriculture in Canada.

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

Section 31 of Canada's Income Tax Act (ITA) limits the deduction of farm losses against other sources of income where farming is not the chief source of income. Where the restriction applies, the amount of loss that can be claimed is limited to the first $2,500 and half of the next $12,500, to a maximum of $8,750. This is a result of s. 31(1), or the taxpayer's 'restricted farm loss', which may be carried back three years and forward twenty years, but can only be used to reduce income from the taxpayer's farming business. The inability to deduct a reasonable amount of agricultural losses from outside income, a necessity during the early years of an operation, represents an unrealistic financial challenge for many who might otherwise consider a career in primary production. With the age of agricultural operators at a record high of 54, we believe any disincentive to starting an agricultural business should be avoided. As such, CFA recommends that the restricted total losses be increased to approximately $40,000, an inflationary adjustment based on the 1958 total, when the restriction first took its current structure. Another impediment is the Deemed Proceeds or Capital Gain provision in the ITA (55(2)) which adds significant barriers to splitting up a farm that is jointly owned by two siblings. For the purposes of Section 55, a sibling, nephew, or niece would be considered unrelated, which poses significant challenges for intergenerational transfers and succession planning. The resolution of this issue has become more urgent due to impending farmer retirements and the need to transition farm assets from one generation to the next. This provision, one of the most complex provisions in the ITA, adds significant difficulties to intergenerational transfers and succession planning within farm families, and desperately needs to be adjusted or removed. Despite its complexity, CFA believes that a slight adjustment to the current legislation's language can eliminate these barriers by widening this provision's definition of relatedness to recognize the more diverse set of familial relations increasingly utilized in forms of joint ownership, succession and intergenerational transfers.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

Canadian Agricultural Adaptation Program (CAAP) funding, currently delivered by 14 regional adaptation councils, provides a great example of the federal government's market-driven sector support. CFA believes this funding, and the regional councils that currently deliver it, promote agricultural innovation and productivity and CFA has serious questions as to whether future federal funding and delivery will be able to target localized needs in real-time, moving forward. CFA would like to express strong support for the CAAP funding program, and emphasize the effectiveness of existing regional adaptation councils in meeting emergent localized needs in a highly responsive and adaptable manner. As such, our members ask that the federal government reverse the decision to sunset CAAP funding, and maintain the existing funding delivery model, as regional councils have provided a shining example of government achieving strategic results with an excellent cost benefit ratio (with less than 10% of funding allocated to administration). Human resources management represents another priority in optimizing Canada's farm productivity and profitability. The majority of Canada's farms are small- and medium-sized enterprises, operating under time and resource constraints that limit their ability to access and retain talent, and preventing them from training employees with much-needed skills. This lack of access to skilled and efficient labour is a significant hurdle for farmers trying to increase productivity. The Canadian Agricultural Human Resources Council (CAHRC) has devoted significant work to connecting skilled and trained workers with the employment needs of Canada's primary agriculture sector, but requires reliable funding to properly pursue this work. As such, CFA recommends that Human Resources and Skills Development Canada continue to provide a stable source of core funding to the CAHRC, rather than make the upcoming shift to a project-based grants and contribution process. To further improve CAHRC's efforts, a more thorough understanding of the agricultural labour market is also required. Although the Census of Agriculture provides some information in this regard, it is too infrequent. CFA recommends that Statistics Canada establish reliable, up-to-date information on regional labour supply and demand; and as such, closely examine the regional implications of the proposed EI changes on the agricultural sector.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

The CFA recommends continued investment into Growing Forward non-BRM programs, especially those focused on innovation and research. Public research is key to the long-term vitality and competitiveness of the agriculture sector. A commitment must be made to invest in basic public agricultural research, restoring funding levels for agricultural research to at least the mid-1990 levels as an essential component to a globally-competitive agricultural sector. Budget 2013 can revitalize Canadian agricultural research and development (R&D) by: • Dedicating significant funding to basic public research, • Leveraging government funds to stimulation private or public/private projects and investment, • Articulating a clear vision on priorities for research scientist succession planning • Maintaining research stations across Canada, and • Sending a clear signal to our University researchers that agricultural research will be supported through programs like NSERC. In addition, as provided for in the Canada Transportation Act, the CFA believes that a full Railway Grain Transportation Costing Review is required. The review could result in significant cost savings to farmers. The current measures used to calculate the revenue cap were developed in 1992, and no longer reflect the actual costs of the railways to transport grain or the realities of the grain handling and transportation system. Budget 2013 can provide the necessary funding to complete the study and ensure farmers are receiving a fair rate to move their grain to port. Finally, while the CFA supports the government's continuing efforts to harmonize regulations with the U.S., we believe the decision to repeal CFIA regulation of standardized container sizes has potentially dire consequences for the Canadian food processing and horticulture industries. Such significant regulatory decisions should be informed by a comprehensive study of potential immediate and long-term impacts on relevant Canadian industries. This study's results should be publically disseminated, with ample time provided for industry consultations on the value of such repeal for relevant sectors. CFA hopes that Budget 2013 can provide funding for a pre-emptive economic impact analysis, and if this deregulation is still deemed beneficial to Canadian interests, an in-depth industry consultation is required in order to identify industry's varied transition requirements.