

Standing Committee on Finance (FINA)

Pre-budget consultations 2012

Canola Council of Canada

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 Canola Council of Canada appreciates the opportunity to contribute to the House of Commons Standing Committee on Finance's pre-budget consultation process. Representing the canola value chain, the Canola Council recognizes the important roles played by the Government of Canada. Promoting innovation, proactively opening and maintaining international markets, and helping to promote Canadian agricultural products internationally are all essential to the canola sector's ability to continue contributing to economic growth and job creation in Canada. As Canada's most valuable crop, canola's success contributes more than \$15.4 billion in economic activity across the country. Allocating resources to their optimal use is always a priority for private business. As an organization representing members from the entire canola value chain, the Canola Council of Canada appreciates that the climate of restraint means that resources and investment must go to areas of greatest return. Seed companies, farm input suppliers, growers, processors, and exporters all work together at the Canola Council for an innovative and resilient industry that provides superior value for a healthier world. Focusing investment on priorities that contribute to growth and innovation has contributed to the success of the canola industry since its inception. Coordinated, focused, and driven by industry, the canola sector believes the best way to achieve sustained economic recovery and enhanced economic growth in Canada is by helping industry prosper from innovation and drive market demand. For the canola industry to prosper from innovation and drive market demand requires that governments play an appropriate role as well. Targeted support from government – especially in areas of research, market access, market development, and communication complements industry's commitment to prioritize investment for the greatest returns. The canola industry demonstrates the value of being driven by a vibrant private sector with a clear federal government commitment in necessary areas. Continuing to support priority areas identified by the canola value chain contributes to sustaining the \$15.4 billion in economic impact and 228,000 jobs created by the canola industry. They are jobs and economic growth driven by international market demand, bringing returns and spillover benefits to communities across the country. More than 85% of the canola and canola products produced in Canada are exported – totaling almost \$8.5 billion in 2011. The canola industry shows how targeted federal government investments in research, market access, and market development can allow industry to contribute to economic growth.

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?

In a small open economy such as Canada, creating jobs and economic growth ultimately relies upon gaining more income and sales from international markets. As a developed country, world class innovation and productivity allows us to compete effectively in international markets – though we must have effective access to these markets to allow Canadian industry to obtain the most value. The canola

industry is an example of how access to international markets and innovation at home leads to jobs and economic growth in Canada. We must also work to inform our customers of the value of this innovative crop. The federal government has an essential role in supporting industry-led market access efforts and assisting the industry in promoting the products of our innovation – including a strong government-industry partnership to communicate research, innovation and their benefits to consumers and the canola value chain. Canada’s production and exports of canola seed, oil, and meal to international markets continues to expand. As exports expand, so does the industry’s contribution to the economic growth. Research undertaken in 2007 showed that the canola industry contributed almost \$14 billion annually and 216,000 jobs to the Canadian economy. More recent research in 2010 showed the industry contributes \$15.4 billion annually and 228,000 jobs. As the amount of canola produced grows, so does its economic impact. Building and maintaining markets for canola and other agricultural products is a priority for the Canadian economy and jobs. To this end, the Canola Council recommends: Continuing the Government’s Aggressive Approach to Free Trade Agreements: Closer economic association with major economies is essential for the canola industry to garner the greatest returns from the international marketplace – returns that create jobs and economic growth in Canada. The Government of Canada must continue its focus on obtaining free trade agreements with significant economies such as the European Union, Korea, China, Japan, and India. Supporting Market Access: In 2009, the Government of Canada partnered with the canola industry to invest in the Canola Market Access Plan – a \$9 million cost shared program to maintain and expand access to key international markets. As a result of this investment, the canola industry led initiative has maintained and grown markets worth more than \$1.6 billion annually – though this program is slated to end in 2013. The investment has been an incredible success story for the industry, helping to create jobs across the country as the amount of canola produced continues to increase. Increased market access allows growers to increase the amount of canola grown, increasing returns for farmers and the entire industry. This enables more investment and jobs in research, production, processing and exporting. The federal and provincial governments are currently finalizing a new five year policy framework for Canadian agriculture, known as Growing Forward II. The Canola Council recommends that Growing Forward II include a shared cost industry-government program dedicated to maintaining and expanding international market access. Supporting Market Development: The Government of Canada currently partners with industry to increase the value of our export markets, through Agriculture and Agri-food Canada’s Agri-Marketing Program. This valuable program allows the canola industry to increase awareness of the benefits of canola in key markets such as the United States, India, China, and Mexico. Informing potential customers of the health benefits of canola oil and the value of canola meal in livestock rations increases returns for the entire Canadian industry – creating jobs and economic growth. The Canola Council recommends that the federal government continue to offer the Agri-Marketing Program to increase the value our industry can capture from international markets.

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?

The federal government plays pivotal roles in agricultural and health research, international trade negotiations, and market access discussions with other governments. All of these efforts rely upon the skill and experience of officials and researchers within the Department of Foreign Affairs and International Trade, Health Canada as well as Agriculture and Agri-food Canada. As the workforce in Canada and the federal public service ages, it is imperative that the federal government retain the human resources to continue its leadership in these areas. For research, the Government of Canada has significant human and capital resources that are relied upon by the canola industry. Agriculture and

Agri-food Canada research scientists play important roles in agronomic and genomic research – offering expertise that is used directly or training opportunities that build the expertise of the Canadian genomics/germplasm development community more broadly. Significant government research capacity is also essential for understanding the link between food and health as the population ages. For international trade and market access, highly specialized personnel within the federal government are essential for the canola industry’s continued success. Relying on international trade, government to government negotiation of market access will continue to be required to maintain and grow market access. As senior officials and negotiators retire over the coming years, it is important that the federal government invest in maintaining a highly skilled workforce to ensure Canada maintains its ability to negotiate effective market access for our exports. As well, opportunity draws talented young people. The tremendous opportunity that has been created by the Canadian canola industry helps to ensure that young people are attracted to agriculture and continues to replenish the human capital in Canadian agriculture. Thanks to the Government’s support in the areas of innovation, market access and market development, the industry continues to attract skilled human resources which, in turn, foster a sustainable industry.

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?

The principle way the federal government can increase productivity in the canola sector is to support research. In addition to maintaining current human and capital resources within Agriculture and Agri-food Canada, it’s important that the federal government also continue industry-government research partnerships such as the Agri-Science Cluster program. The Science Cluster program is a jointly funded, industry driven program that invests in research that reflects industry priorities – though it is scheduled to end in March 2013. Currently the Canola Council is managing research projects focused on producing canola in a more sustainable and environmentally responsible way while minimizing financial risk, demonstrating the value of canola meal for animal health and productivity, and demonstrating the health benefits of canola oil. All of this research contributes to the competitiveness of the Canadian canola industry with significant productivity enhancements coming from production research in the areas of crop establishment, crop nutrition, crop protection, harvest management, storage, integrated crop management and sustainability. To continue enabling this research to increase the productivity of the canola industry, the Canola Council recommends that the federal government continue the Research Cluster program. For private and industry led joint research to have the largest benefit for competitiveness in Canada, the Government of Canada must continue to seek an international trade environment that allows Canadian innovation to excel. Breaking down protectionism and promoting a rules-based approach to trade are key to supporting Canadian productivity. The Canola Council recommends that the Government of Canada continue to seek science-based regulation with international trading partners whenever possible.

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?

Challenges impeding the canola sector’s ability to prosper from innovation and productivity gains are primarily related to market access and international trade. The federal government has a key role in facilitating trade in international markets. The Canola Council recommends that the Government of Canada continue to focus on regulatory cooperation to facilitate trade as well as expanding trade and

market access through trade negotiations. Regulatory Cooperation: Both Canadian and American food safety systems are currently undergoing significant legislative, regulatory, and inspection modernization. As the canola industry's largest export market, the United States and its regulatory requirements for imports are of utmost importance to the canola industry. One cost effective way to ensure that the job creation and economic contribution of the canola industry remain strong is to continue alignment of food safety and crop protection regulations started by the Regulatory Cooperation Council. The Canola Council recommends that the Government of Canada continue to support the ambition of the Regulatory Cooperation Council to minimize unnecessary trade barriers for Canadian exports to the US.

Trade and Market Access: Strong trade negotiators, diplomats, and support for industry led market efforts have always been important to ensuring Canada can profit from its innovative exports. What has changed since the collapse of the current WTO negotiations is that gains in the terms of trade now come primarily from bi-lateral negotiation. This means that countries can capture more value from export markets if they have obtained better market access through bi-lateral trade negotiations. When other countries have bi-lateral agreements and Canada does not, Canada loses market opportunity – reducing the ability of exporting industries to profit from international markets. A recent example of this is Korea where the United States has concluded a free trade agreement that will eliminate tariffs on oilseeds and their oils imported into Korea – putting existing Canadian canola oil exports at significant risk and all but eliminating future export potential. The Government of Canada must continue its focus on obtaining free trade agreements with significant economies such as the European Union, Korea, China, Japan, and India.