
July 23, 2018

Standing Committee on Finance
House of Commons of Canada



Subject: Brief for the pre-budget consultations in advance of the 2019 budget

As indicated in the 2017 budget, Canada's agri-food industry is a major source of economic growth with great potential, and the Producteurs de grains du Québec support the clear growth targets set out for the agricultural sector.

Although Quebec grain growers face a number of budgetary and financial issues, which affect the agricultural policies influencing their operations, our organization wishes to flag but one concern for the pre-budget consultations: investment in Canada's agricultural sector.

Our recent observations lead us to conclude that the agricultural sector's growth targets will be increasingly difficult to reach in the years to come, especially for the grain sector. As you know, growth goes hand in hand with competitiveness, both for companies and their business environments.

Data¹ from the Organisation for Economic Co-operation and Development (OECD) reveal that Canada is investing much less than its competitors in agriculture as a share of national wealth. On average, Canada's total support (TSE) as a percentage of GDP for 2015-17 is much lower (0.4%) than the OECD average, and, more importantly, than that of its major competitors: the United States (0.5%) and the European Union (0.7%).

In the Canadian grain sector, this observation must also be viewed in context. Both the United States and the European Union provide most of their total support (TSE) to the grain sector, whereas a very large portion of TSE is provided to livestock operations in Canada.

The grain sector is therefore very vulnerable and cannot indefinitely rely on Canada's macro-economic situation, especially with regard to the exchange rate, which provides greater revenue in Canadian dollars. However, the exchange rate also leads to major adverse effects on the purchase of inputs and means of production such as machinery and equipment, not to mention the international trade turmoil against which the agricultural sector is quite ill-protected.

¹ https://www.oecd-ilibrary.org/content/publication/agr_pol-2017-en

Recommendation:

We ask the federal government to carefully evaluate the risks associated with the underinvestment of public funds in the Canadian agricultural sector.

Benoit Legault
Chief Executive Officer

Pierre-Luc Daigle, Exectuive Director, MAPAQ
By email, June 27, 2018