

**Written Submission for the Pre-Budget
Consultations in Advance of the 2019 Budget**

**Economic Growth: Ensuring Canada's
Competitiveness in Agriculture and Agri-Food**

Submitted by:



Recommendations

Recommendation 1: As a delivery mechanism for the current Treasury Board Secretariat Regulatory Review, that the federal government convene a government-agriculture and agri-food working group. This group would be tasked with reducing the cumulative regulatory burden facing Canadian companies and combat the inconsistent application of directives and best practices by regulators. This should be a three year plan, with the Minister of Finance reporting on progress towards improved competitiveness via regulatory reform yearly upon the presentation of the federal budget.

Recommendation 2: That the federal government ensures the active and full participation of all Departments, including Health Canada, in achieving the goals of reducing regulatory burden on Canadian businesses in the name of improved economic competitiveness.

Recommendation 3: That in order to improve the competitiveness of Canadian agriculture and agri-food, and to reach the government's stated goal of increasing our agriculture and agri-food exports to \$75 billion annually by 2025, Health Canada amends the mandates of both the Pest Management Regulatory Agency and the Canadian Food Inspection Agency to include the facilitation of competitiveness and innovation as core parts of their mandate.

CropLife Canada – Who We Are

CropLife Canada is the trade association representing the manufacturers, developers and distributors of plant science innovations, including pest control products and plant biotechnology, for use in agriculture, urban and public health settings. We are committed to protecting human health and the environment and we believe in driving innovation through continuous research.

CropLife Canada is a member of CropLife International, a global federation representing the plant science industry and a network of regional and national associations in 91 countries.

Our mission is to enable the plant science industry to bring the benefits of its technologies to farmers and the public. Those benefits manifest themselves in many different forms, including driving agricultural exports, job creation, strengthening the rural economy and increased tax revenue for governments.

The Challenge Facing Canada

Canada is at a crossroads in its efforts to improve its economic competitiveness in a difficult global environment. Successive governments have worked hard to secure and enhance market access for Canadian industry via multilateral trade deals, and the current government is to be commended for the tremendous efforts they have made in this regard. The North American Free Trade Agreement (NAFTA), the Comprehensive and Economic Trade Agreement with the European Union (CETA), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) are all excellent examples of multilateral trade agreements that provide tremendous opportunity for Canada, particularly for our agriculture and agri-food sector. Canada now enjoys a \$10 billion annual trade surplus in agriculture and agri-food, and across Canada, 9 out of every 10 farms are dependent on exports. This represents 210,000 farms and includes a majority of farms in every province.

Canada does not, however, control the political climates of other nations, and at present the forces of economic nationalism are creating rough waters for trade around the globe. Both NAFTA and CETA are under threat from protectionist forces in the United States and Europe, with no immediate resolution in sight. Also, despite the tremendous promise it holds, the complexities of the talks mean that any potential free trade agreement with China is likely several years away. Despite the government's best efforts, the expansion of global trade markets for Canada will proceed slowly for the foreseeable future.

Similarly, Canada has very little fiscal room to implement broad based tax cuts for the foreseeable future, so that is out as a means to fuel economic growth. Interest rates are near historic lows, so an easing of monetary policy is also not going to serve as a means to stimulate growth.

So what tool does the Government of Canada have to spur growth and competitiveness, thus making Canada more attractive to global investors? The answer can be found in a strong and comprehensive,

government wide effort to reduce the use of regulations as the policy tool of choice and to expedite implementation of regulatory reforms for those that remain to unfetter Canada's export-oriented value chains to allow them to contribute to the \$75 billion export goal.

Regulatory Reform

In its recent report, "Death by 130,000 Cuts", The Canadian Chamber of Commerce reported that in 2015, there were 131,754 federal requirements that imposed an administrative burden on business.¹ (In fairness to the federal government, Ontario currently has an estimated 380,000 regulations on the books.)² CropLife Canada and its member companies certainly understand and support the notion that well-designed and well-implemented regulations are an important tool for the protection of Canadians, and for enhancing public trust. With their growth left unattended, however, overlapping, duplicative and overly restrictive regulations can choke innovation and competitiveness, leaving Canadian business in a difficult position relative to our global competitors.

The Global Competitiveness Index, run by the World Economic Forum, tracks the performance of 137 countries on 12 pillars of competitiveness. In the 2017-2018 index, Canada ranked 14th overall.³ While this may at first glance appear to be a strong position, it is worth noting that we were ranked as high as ninth in 2009-2010. The area of clear weakness identified by the Global Competitiveness Index for Canada was the sub-category of burden of government regulation, where Canada ranks 38th. Canada is bested in this category by developed economies such as Germany (7th) the United States (12th) and the developing markets of China and India (18th and 20th respectively.)

This drag may well be contributing to Canada's weak business investment climate. Between 2015 and 2017, business investment as a share of GDP in Canada stood at 15th out of 17 OECD economies.⁴ In the plant science sector, where bringing a new product to market takes many years and investments that can surpass \$150 million or more, the speed and predictability of the regulatory system is of paramount importance when it comes to investment decisions. This is why we believe that regulatory reform is the fastest and most sustainable way for the federal government to deliver results that will pay dividends for Canada's competitiveness for many years to come.

Regulatory Reform in Agriculture and Agri-Food

For the agriculture sector, the economic impacts of regulatory decisions by Health can be significant – either positive or negative. While the primary mandate must remain the protection of health and the

¹ Treasury Board Secretariat, 2015-16 Annual Report, Reducing Regulatory Administrative Burden and Improving Service Predictability (Ottawa: Government of Canada, 2016)

² Phillip Cross, "Ontario's staggering 380,000 regulations are warping the way business runs" – National Post, May 3, 2016

³ Global Competitiveness Index 2017-2018, World Economic Forum, 2017

⁴ Phillip Cross, Business Investment in Canada Falls Behind Other Industrialized Countries (Fraser Institute 2017)

environment, regulators must also be measured on their contributions to economic growth and innovation.

For our members, nothing can happen in terms of innovation and helping farmers be more competitive without first working through either the Pest Management Regulatory Agency (PMRA) or the Canadian Food Inspection Agency (CFIA), both of which fall under the mandate of the minister of Health. It goes without saying that the health and safety of Canadians and protection of our environment must always come first, and our industry takes great pride in our record on safety and stewardship. We have worked closely with regulators on these issues, and will continue to do so. We also believe that it is possible to keep these goals first, while at the same time acknowledging the crucial economic role that both agencies play in the competitiveness of Canadian agriculture and agri-food. Without the active and positive acceptance of the Health portfolio being a critical component of the government's ambitious agricultural growth agenda, we believe that the economic targets for agriculture will go unrealized.

Pest Management Regulatory Agency

Specifically, we need the PMRA to work constructively with industry to address critical process and science issues related to the ongoing re-evaluation of pesticides. Farmers and industry have been hit with a series of surprise decisions from PMRA on re-evaluation in the last two years, ones that threaten the competitiveness of Canadian agriculture. There is also a large volume of re-evaluation decisions to be made by PMRA over the next decade that the agency itself acknowledges will be very difficult to process without reforms and additional resources. Reform of the re-evaluation process, with an eye to keeping Canadian farmers competitive, is vital to our ongoing success. We have submitted a position paper to Health Canada on this subject. In response, the PMRA has begun to actively engage with us at the technical level to better understand our perspectives but urgent action is what is required on this front to provide market and investment certainty.

Canadian Food Inspection Agency

Innovation in seed and grain must be a driving force if Canadian agriculture is to meet its growth targets. Seed is the fundamental mechanism for delivering innovation to our farmers, and grain contributes more than any other sector to Canada's agri-food exports, with 90 percent of some of our commodities destined for international markets. Canadian regulators are respected internationally for their science-based approach to regulating agricultural biotechnology. However, there are a number of challenges embedded in the delivery of our unique regulatory approach that will only be amplified by the current global revolution in plant breeding R&D. These issues are already causing a drag on innovation and investment in Canada with US farmers already having access to technologies Canadian farmers do not. This is discouraging the use of cutting-edge technologies among small and medium-sized companies, public researchers as well as multi-national firms who are looking to invest in Canada. A letter outlining these concerns has been recently sent to the Minister of Agriculture jointly from the Seed and Grain Value Chain Roundtables highlighting the urgency of this matter. The Minister has replied in support of an industry/government dialogue however it is critical the Health Portfolio also fully engages with

industry to explore modern streamlined regulatory approaches which can help foster innovation instead of acting like a brake.

On both of these issues the broad agricultural industry through the Value Chain All Chairs Committee has included summaries to the Economic Strategy Table process and we are confident that they will be included in the final recommendations. Furthermore we have also highlighted these under the regulatory review process currently being led by Treasury Board as they fall directly within its mandate.

Conclusion

Canada's economic performance within the difficult global environment continues to be remarkably resilient, but storm clouds are forming on the horizon. The trade environment is a difficult one, global competition is sharp, and business investment in Canada is lagging. Regulatory reduction and reform present a tremendous opportunities for the Government of Canada to take an organized, comprehensive, whole of government approach to enhancing competitiveness, while ensuring that the health and safety of Canadians and the protection of our environment remains priority one. CropLife Canada and its member companies, and indeed all of Canadian agriculture, stand ready to play a constructive role in the process, one that will help the government of Canada reach its policy goal of \$75 billion in agriculture and agri-food exports by 2025.