2019 Budget Consultation

NATIONAL
CATTLE FEEDERS'
ASSOCIATION

ASSOCIATION
NATIONALE DES
ENGRAISSEURS DE BOVINS

August 2018

RECOMMENDATIONS

1. Infrastructure Competitiveness

a) Boldly prioritize federal financial resources to address the infrastructure needs of rural municipalities so agriculture can deliver products to market and the appeal of living in rural Canada is enhanced.

b) Implement a “dedicated line item” in the budget for investment in rural and agriculture infrastructure that includes roads, bridges, flood mitigation, and high-speed broadband internet.

2. Labour Competitiveness

a) Implement reforms to the Temporary Foreign Worker Program (TFWP) identified by the HUMA Committee Report tabled in Parliament in September 2016, and those that emerge from consultations underway at Service Canada.

b) Reforms must streamline processes, remove obstacles, and eliminate red tape to provide an enduring solution to the chronic labour shortage in agriculture and agri-food. A new foreign labour program for the sector should be established if meaningful reform is not possible.

c) Reforms must provide a clear “pathway to permanent residency” for successful Temporary Foreign Workers.

3. Tax Competitiveness

a) Review Canada’s federal and provincial business tax regime to identify opportunities for improvement and ensure comparability to our competitors, particularly the U.S.

b) Maintain a competitive business tax regime through comparable rates of corporate income tax, consideration of the total tax burden, and specific variables within each tax (i.e., deductions for capital purchases, abatements for manufacturing and processing, deductibility of state and local corporate taxes from U.S. federal corporate tax).

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Context

Agriculture and agri-food is a $100 billion industry employing over two million Canadians. The 2017 Report of the Advisory Council on Economic Growth (the Barton Report) identified agriculture and agri-food as a high-growth sector with potential to substantially increase its contribution to the Canadian economy.

Global demand for agricultural products will continue to grow, and Canada is uniquely positioned to capitalize on this growth. To do so, however, we must seize opportunities and remove barriers.

Put simply, expansion of Canada's agriculture and agri-food industries is constrained. The challenges to growth and competitiveness are many—deteriorating infrastructure, labour shortages, and a growing tax burden.

Infrastructure Competitiveness

1. Issue

Deteriorating rural infrastructure is a barrier to competitiveness and growth. Most agriculture operations are located in small rural municipalities with a limited tax base that cannot afford—even with matching funds—to make needed investments. This is particularly the case with local roads and bridges that provide a national benefit by moving Canada's agriculture goods.

Efforts to connect rural communities to high-speed broadband internet service must also continue. More and more agricultural business is now being conducted on web-based digital platforms. Reliable internet service is a prerequisite to maintaining a competitive edge in global agriculture production.

While the federal government infrastructure funding envelope is substantial, very little goes to infrastructure in rural communities. This has led some municipalities to pursue counterproductive policies such as the "Livestock Head Tax" in the County of Lethbridge.

2. Infrastructure Competitiveness Recommendations

a) Boldly prioritize federal financial resources to address the infrastructure needs of rural municipalities so agriculture can deliver products to market and the appeal of living in rural Canada is enhanced.

b) Implement a "dedicated line item" in the budget for investment in rural and agriculture infrastructure that includes roads, bridges, flood mitigation, and high-speed broadband internet.

Infrastructure in Lethbridge Country

The County of Lethbridge in southern Alberta is home to some of Canada's most productive land for crops and livestock.

Significant federal investment in irrigation has levered favourable climate conditions and established the region as North America's fourth largest cattle feeding jurisdiction after Texas, Nebraska, and Kansas.

In January 2018 Alberta had 4.6 million head of beef cattle (47.3% of the national herd) and was responsible for 68% of Canada's total fed cattle production. A significant amount of this activity is located in the Lethbridge area, where up to 500,000 head of cattle can be on feed at any given time.

Municipal governments in southern Alberta are hard pressed to make the infrastructure investments required to continue supporting the needs of this valuable agricultural region.

For example, the County of Lethbridge has an annual infrastructure funding shortfall of $3.5 million for its roads and bridges. Because of the funding shortage and its limited property tax base, the county has increasingly resorted to road bans, bridge restrictions, and even closures.

The County has also implemented a controversial "Livestock Head Tax" that requires livestock owners to pay a levy on each animal in their operation. In 2017, this tax was set at $2.50 per animal unit. A beef feedlot with a standing capacity of 30,000 is required to pay $75,000. This tax has eroded competitiveness of cattle feeders in southern Alberta.

Future infrastructure programming and federal funding must not ignore the needs of Canada's rural areas. In the next budget, NCFA believes the government should make a funding commitment to Canada's rural communities with a particular focus on rural roadways and bridges, which can consume up to 70% or more of a rural municipality's annual budgetary expenditure.

Labour Competitiveness

1. Issue

A chronic shortage of labour is the single largest competitive barrier confronting Canadian agriculture and agri-food, which has the highest job vacancy rate of any industry in Canada.

The current labour gap is 60,000 workers—double the 30,000 ten years ago—and it is projected to increase to 114,000 workers by 2025.

As a result, primary producers are reporting a combined loss of $1.5 billion in farm cash receipts annually. The labour shortage, however, is not just causing economic losses today. It also carries consequences for tomorrow by hitting on future competiveness and profitability, dimming prospects of future growth and expansion, undermining Canada's food security, and limiting our export potential.

Cattle feeders have turned to the Temporary Foreign Worker Program (TFWP) as a last resort to augment the Canadian workforce. However, bringing in foreign workers through the TFWP is expensive and time-consuming, and the program itself is plagued with administrative problems and red tape.

Neither is the immigration system of much help. Statics Canada shows that up to 99% of all immigrations are either in the family class, the refugee and humanitarian class, or the highly skilled economic class. Very few applicants possess the skills needed by agriculture.

2. Labour Competiveness Recommendations

a) Implement reforms to the Temporary Foreign Worker Program (TFWP) identified by the HUMA Committee Report tabled in Parliament in September 2016, and those that emerge from consultations underway at Service Canada.

b) Reforms must streamline processes, remove obstacles, and eliminate red tape to provide an enduring solution to the chronic labour shortage in agriculture and agri-food. A new foreign labour program for the sector should be established if meaningful reform is not possible.

c) Reforms must provide a clear "pathway to permanent residency" for successful Temporary Foreign Workers.

On the Ground Experience with the TFW Program

As part of a submission to Service Canada in 2017, NCFA asked cattle feeders to detail their frustrations with the TFW Program. The following excerpts are from the Hamiota Feedlot in Manitoba.

"Hamiota Feedlot is a quality custom feedlot in Hamiota, Manitoba with a capacity of 27,000 head annually. Being located in a rural area, employment has become a primary issue for us."

"The last 12-24 months have been our first foray into the TFW Program. We wish to outline our challenges as the process has been quite onerous, confusing, inconsistent, frustrating, and administratively heavy. It has also been costly to our bottom line."

"Service Canada denied our most recent application in the spring, stating our ads did not have the current minimum wage listed correctly based on the Government of Canada website. This proved to be their error, as this was not indicated on the government website. We had to start over and re-advertise with their new information."

"Our application was declined again due to no tenancy agreement and fire inspection of the housing. This turned out to be different from other provinces. We were then directed to re-list again with new information and re-apply. Due to the requirement to now find housing and get inspection completed, we could not re-apply immediately. The two candidates we had lined up, we then lost due to timing."

"Once again, we were declined based on the fact that our ad wage was lower than our lowest paid employee for the department hiring. This was new information, as we advertised based on the NOC code and specifications as outlined by Service Canada and the program parameters. It was not clear that we had to advertise based on what we pay staff currently in that position, as we were instructed to advertise based on the wages as outlined according to the NOC code. We then had to re-apply again."

"We again advised Service Canada that we had a candidate lined up to bring from Mexico, so upon re-advertising and re-applying, they instructed us to send the LMIA back in 14 days and this time they would watch for it. However, our provincial WRAPA (Workplace Recruitment and Protection Act) is only in effect for six months at a time. Due to all the delays federally with Service Canada, our WRAPA expired and we had to re-apply provincially. We had to start the process over once again."

Tax Competitiveness

1. Issue

Canadian agriculture faces a growing tax burden from every level of government. Federally, there is the implementation of a new carbon tax. Provincially, corporate income taxes remain higher than those in U.S. states, and some provinces have recently increased their rates. Municipally, agriculture is confronting strange new taxes such as the "Livestock Head Tax." At the same time, there have been reductions in the business tax regimes of our competitors, particularly the U.S. For example, the 2017 *Tax Cuts and Jobs Act (TCJA)* reduced the U.S. federal corporate tax rate from 35% to 21%.

2. Tax Competitiveness Recommendations

a) Review Canada's federal and provincial business tax regime to identify opportunities for improvement and ensure comparability to our competitors, particularly the U.S.

b) Maintain a competitive business tax regime through comparable rates of corporate income tax, consideration of the total tax burden, and specific variables within each tax (i.e., deductions for capital purchases, abatements for manufacturing and processing, deductibility of state and local corporate taxes from U.S. federal corporate tax).

Tax Burden Facing Alberta's Cattle Feeders

Alberta is responsible for 68% of Canada's fed cattle production and is the fourth largest cattle feeding jurisdiction in North America. Alberta is also home to Canada's largest beef processing plants. As such, Alberta's cattle feeders are the critical link in the Canadian beef production chain, connecting tens of thousands of ranchers across Canada to the major beef packing plants that process and export our beef.

But all is not well with this essential link. The number of cattle in Alberta has fallen from 5.7 million head in 2006 to 4.6 million today. Calf production is down, feedlot numbers are in decline, and fed production has dropped 20% from 2 million head per year to 1.6 million today.

Tax pressure is helping fuel the decline. In 2015, the provincial corporate income tax rate was increased from 10% to 12% and the fuel tax was increased from 9¢ per litre to 13¢ with no increase in the farm rebate. In 2017, a carbon tax of $20 per tonne was implemented, which increased to $30 in 2018. In 2016, the Country of Lethbridge introduced a $2.50 "Livestock Head Tax."

This "piling on" of taxes is eroding competiveness and diminishing long-term viability.

The combined federal and provincial corporate tax rate facing Alberta cattle feeders is 27% (15% federal and 12% provincial). The effective combined rate is 23.5% in Texas and 26.5% in Kansas, and neither have a carbon tax or local "Livestock Head Tax."

The federal government must take the lead and conduct a comprehensive review of the nation's business tax regime and ensure it is comparable to our international competitors.

(Word Count = 1,987)