Producteurs de grains du Québec

2018 Federal Pre-budget Consultations

Standing Committee on Finance

Comments of the Producteurs de grains du Québec

The Producteurs de grains du Québec represents approximately11,000 grain producers from every region of Quebec. Our members farm more than one million hectares of land and have annual revenues of $1.3 billion. Quebec producers primarily grow and market cereal grains (corn, wheat, barley and oats) and oilseeds (soya and canola).

The Producteurs de grains du Québec (PGQ) is pleased to be participating in these pre-budget consultations in advance of the 2018 federal budget. First, we would like to point out that the recent report by the Advisory Council on Economic Growth, which stated that agriculture has the potential to make a significant contribution to the growth of Canada' economy, was like a breath of fresh air. It is very refreshing and inspiring to have this type of commentary about the agriculture sector, which is a change from the criticism quite often found in the media.

The report highlighted Canada's strengths, in particular food safety, availability of water and arable land, productivity and research by strong public research clusters. These assets would make it possible for us to take advantage of global opportunities resulting from the exploding demand for higher-value food and the global supply constraints in arable land, water, energy and carbon emissions.

We must bear in mind that this growth must take place in a context of sustainable development and it must be aligned with societal expectations that are increasingly complex, although contradictory in some regards. Growth must be achieved with consideration for diversity and it must be realistic. Quebec's agri-food industry must make the most of all the value-added niche markets and also strengthen traditional agriculture, or "sustenance agriculture" as it is called by some European observers, which is and will continue to be the driving force of our industry.

Grain production in Quebec and Canada must adapt to this generalized call for sustainable growth and also minimize risks and disruption.

The growth of Canada's agricultural economy and its value added must come about through the sustainable development of the agricultural sector. This cannot be achieved by regulations, which are not very productive and do not achieve lasting results. Regulations often result in a cumbersome bureaucracy and costs that constrain our competitiveness on local and export markets. The carbon tax as a means of reducing agricultural emissions is a good example of this at the federal level, but there are several other provincial examples as well.

Innovation, the refinement of knowledge, the transfer of knowledge and experimentation are what really have a lasting impact. Furthermore, risk management and income security policies must also be competitive with those of other governments and must be seen as structural and enduring investments.

The countries that will be most successful in generating growth and sustainable production will be those with governments that make appropriate investments by accepting the risk of investing too much rather than too little in order to achieve an optimal level of investment, which is often difficult to pinpoint.

In general, our organization supports the funding structure of the federal programs in place. The envelope for business risk management (BRM) remains a crucial element for the grain sector given that major international players are making massive investments in the grain sector in particular. The planned proportion of funding for BRM and for strategic initiatives must be maintained.

Federal funding for national programs such as AgriMarketing, AgriCompetitiveness and AgriInnovation is necessary. These programs help develop national, co-ordinated strategies to increase competitiveness on the Canadian and foreign markets. With respect to these programs, we recommend that the proportion of funding for innovation be at least equal to that of the current Agricultural Policy Framework (APF), and that it be indexed in order to maintain the research capability put in place.

Finally, there must be a prominent place for innovation in the shared funding component, which is not the case with the current APF. Moreover, it would be beneficial for Quebec to study the possibility of sharing a portion of this funding based on pre-determined amounts calculated in accordance with the importance of the different agricultural sectors.

Our priorities

The PGQ is focusing on two (2) major priorities with respect to the new agricultural policy:

1. Business risk management
2. Research

BRM programs

The grain sector needs good income security programs. This sector is subject to significant income variations. In Quebec, and elsewhere in Canada, the price of grains is dependent on international markets, especially the U.S. market. Its different agricultural policies influence commodity prices. The new U.S. Farm Bill, which went into effect in 2015, now offers programs linked to market prices with the result that support to U.S. grain producers is higher than that paid to Canadians. Moreover, according to the U.S. Congressional Budget Office (CBO), grain subsidies in the next Farm Bill will be maintained or increased.

We recognize that the current economic climate for the grain sector is much more favourable than in the past, especially when we consider the 1996-2005 period. However, we must admit that we are somewhat concerned given that the sector has experienced an extended period of lower prices. It is apparent that the AgriStability Program, which was in place even before the cuts of the current APF, has not provided adequate support for grain producers. A relatively long period of low prices has exerted downward pressure on reference margins, making the program almost inoperable. Thus, there is reason to question the effectiveness of this program in different market situations.

Changes were made to the AgriStability Program when the current APF was implemented. Specifically, the loss rate required to trigger a payment was doubled and the reference margin was capped at the amount of allowable expenses. The program became ineffective for some crops more than others. This is the case for the grain sector. The parameters of the old APF must be restored (15% of loss and uncapping of the reference margin). Keeping current parameters leads us to question the pertinence of this program. It would be better to transfer the funds to another type of program. Additionally, to make this program more functional and capable of managing the specific risk of diversified farms, it would be beneficial to seriously study the possibility of separating the calculation of interventions by type of production.

Producers also need support to help them make investments that will improve the productivity of their businesses and of the entire sector. In that sense, the AgriInvestment Program is beneficial as it provides a source of liquidity that is readily accessible. As this program makes larger payments to businesses that generate higher revenues, we believe that it is appropriate that the contribution rate not be too high. Government support should first be provided to struggling businesses, although investment assistance is also required in order for the sector to improve, to capitalize on market opportunities and to meet various expectations (societal and environmental, among others). The rate in effect before the current APF (1.5%) could be reinstated.

The grain sector must also deal with varying weather conditions. The AgriProtection program (crop insurance) needs to be retained and it should provide adequate protection. To that end, we would like this program to be enhanced, especially since a number of producers have said that it is not satisfactory.

Finally, we note that it takes a very long time for producers to receive payments, especially under the AgriStability program. It takes about 200 days for producers in Quebec’s grain sector to receive payments, which is longer than the average for all other sectors. This puts additional pressure on the financial health of businesses that are already struggling.

Research

Investment in research helps the sector to be better equipped to face the different challenges that arise. However, we are seeing the government disengage from public research. The new APF must absolutely remedy this situation.

More specifically, we firmly support national research and development programs that foster innovation, especially industry-led activities. Agri-science clusters have successfully targeted the sector’s needs. However, we are of the opinion that the cost-sharing formula should be revised so that industry investment once again leverages, and not just supplements, public investment. Thus, industry’s share, mainly that of the agricultural producers in our case, should be 25% (75% for government).

The success of agri-science clusters is highly dependent on having researchers and quality infrastructure in the public sector. Many researchers who are still working are eligible for retirement. Succession planning is vital if we do not want to jeopardize our research capability. Investments must be made to ensure that researchers can access appropriate equipment and infrastructure to complete their research projects.

Research priorities may vary by region in Canada and the operations of these clusters must take this into account. Furthermore, the duration of the agreements should depend on the type of project they cover. For example, genetics projects should be eligible for agreements that last more than five years.

Summary of our recommendations

BRM Programs

- Offer effective and reliable programs for all market conditions
- AgriStability
  - Restore parameters that were in place before the APF2 cuts (15% of loss and uncapping of reference margin)
  - Separate interventions by type of production
- AgriInvestment
  - Restore 1.5% rate
- AgriProtection
  - Make several improvements given producers' dissatisfaction
- Decrease length of time required for processing of files and payment

Research

- Revise the government—producer cost-sharing formula (75%—25%)
- Maintain research capability
  - Index budgets to maintain research capability
  - Ensure succession planning with respect to researchers approaching retirement
- Recognize regional differences in research priorities