Canadian Horticultural Council | Conseil canadien de l'horticulture

The voice of **Canadian fruit and vegetable growers**

A Healthy Economy Begins with Canada's Fruit and Vegetable Growers

Pre-Budget 2018 Consultation

Introduction

The Canadian Horticultural Council (CHC) is an Ottawa-based voluntary, not-for-profit, national association that represents fruit and vegetable growers across Canada involved in the production of over 120 different types of crops on over 27,500 farms, with farm cash receipts of $6 billion in 2016. Since 1922, CHC has advocated on important issues that impact Canada's horticultural sector, promoting healthy, safe and sustainable food, and ensuring the continued success and growth of our industry.

Budget 2017 set the ambitious target of growing agri-food exports from $52 billion to $75 billion annually by 2025. CHC strongly supports this target and a federal budget that encourages science-based policies to facilitate economic growth, increase productivity and global competitiveness, and support environmental sustainability.

Currently, one in eight Canadians is employed by agriculture. Thanks to these passionate and innovative farmers, marketers and entrepreneurs who respond to growth opportunities, meet trade and regulatory challenges, and offer jobs for both high and low-skilled labour, the industry continues to grow. And, in turn, so will the economic opportunities for Canadians.

In support of Canadian farmers, agricultural growth, and a strong Canadian economy, CHC recommends the following inclusions in Budget 2018.

Investment in tree fruit program

Canada's apple sector contributes over $222 million annually in farm cash receipts to the national economy. Canada is poised to become a significant international player in the growing, packing and distribution of these and other tree fruits. CHC urges government to assist the sector through a new National Tree Fruit Investment Program, which mirrors the Government's agenda to grow productivity and enhance Canada's competitiveness. The program would strengthen Canada's apple sector, put money back into our economy, and push Canada to the forefront of smart environmental innovation. A project proposal is available upon request.

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Relief for farmers penalized by recent changes to the *Income Tax Act*

CHC urges the Government of Canada to provide relief for Canadian farmers who, because of recent changes to the *Income Tax Act*, have lost the ability to claim the Small Business Deduction (SBD). CHC supports Finance Canada's decision to exempt sales to agricultural cooperatives from new tax requirements under recent changes to the SBD. However, farmers also regularly come together to invest in corporations that maintain necessary processing and marketing infrastructure in their local regions. Without the ability to claim the SBD for sales to local processing corporations, farmers will be required to pull their investments, resulting in the loss of critical, local, value-added opportunities essential to achieving Budget 2017's growth targets.

Regarding Finance Canada's current consultation on tax planning strategies, new policies should maintain a stable business environment with tax relief that is favourable towards businesses to ensure continued investment in Canada.

With relief, farmers will continue to be competitive and contribute to Canada's economic growth, and strengthen the processing and marketing infrastructure that supports the agricultural industry.

Increased funding for the Canadian Food Inspection Agency (CFIA)

CHC urges the government to increase funding for CFIA to protect Canada's plant resources, gain access to new markets, help eliminate non-tariff trade barriers, and absolve growers from paying additional CFIA fees they cannot afford.

Protection of Canada's plant resources

Increased funding would improve CFIA's ability to manage plant health programs and to predict, prevent, prepare for, and respond to pest incursions, leading to increased protection and production of Canada's plant sector.

In 2015-16, CFIA spent $376.1 million, or 50.2% of its budget, on its Food Safety Program. In comparison, the agency only spent $79.8 million, or 10.6% of its total annual budget, on protecting Canada's plant resources.

At a time when international trade of agricultural commodities is increasing, CFIA's ability to develop and regulate plant health initiatives is vital to both domestic and international markets.

Increase and preserve market access

In addition to protecting plant resources, increased funding would allow CFIA to enable access to new and existing markets for Canadian fruit and vegetables, in support of Canada's increased agricultural export goals.

In recent years, CFIA's capacity to support new market access for Canada's plant products has significantly decreased, resulting in lost opportunities to export high quality Canadian fruits and vegetables. For example, Canada stands to dramatically increase its export of fruits and vegetables if it enters into a free trade agreement with China. CFIA must have the necessary resources to perform such inspections, to mutually recognize science-based standards, of produce destined for Canada's new trading partners.

CFIA also needs additional resources to address the international harmonization of phytosanitary standards, maximum residue limits, and laboratory tests for the identification of pests. These issues act as significant trade barriers to new and existing markets. CFIA must remain actively involved in organizations such as the North American Plant Protection Organization and the International Plant Protection Convention to ensure increased harmonization and to keep existing markets open for trade.

Growers cannot afford increased CFIA fees

As CFIA continues to consult stakeholders on Cost Recovery initiatives and proposed regulations under the *Safe Food for Canadians Act*—which CHC was pleased to submit comments on—the government must recognize that, with very thin profit margins as it is, fruit and vegetable growers have a limited ability to accept increases in fees. Some horticultural sectors, such as greenhouses and seed potatoes, already have significant costs associated with inspection and certification, especially where exports are concerned. Because of unfair competition from other countries, Canadian growers cannot increase their prices in order to pass costs on to consumers. Although CFIA budgets must be adequately funded to support inspection and certification activities, this funding must not involve fee increases that growers cannot afford.

Increased funding for the Pest Management Regulatory Agency (PMRA)

CHC urges the government to increase funding for the PMRA to speed up registration of much-needed pest control products and to support international cooperation on joint reviews.

More efficient pest control product registrations

The PMRA must have the necessary resources to process and review new active ingredients and to register new crop protection products that are essential to fruit and vegetable growers. Without these products, growers cannot remain competitive in a global market. The horticultural sector is constantly threatened by destructive invasive pests that become resistant to current crop protection products. With climate change, the expectation is that the numbers of invasive species will increase. Support for PMRA activities related to pesticide registration must be recognized as a priority.

Improved international cooperation on joint reviews

The PMRA requires resources to increase international cooperation on joint reviews of new and existing crop protection products, particularly with the United States Environmental Protection Agency (USEPA).

Because of insufficient cooperation, wildly divergent regulatory decisions have been taken by both agencies. The PMRA's unilaterally proposed ban of certain critical crop protection products will jeopardize the health and sustainability of Canadian crops, create an uneven playing field with the U.S., and put Canada's horticultural sector at risk.

Increased cooperation on joint reviews would allow Canada and the U.S. to align risk assessments and the regulatory decisions taken by both countries. Increased resources will enable the PMRA to further its efforts to harmonize product evaluations, directly increasing the competitiveness of Canada's horticultural sector.

Joint reviews of new crop protection products would also allow Canadian growers to access new resources at the same time as growers in other countries and encourage the competitiveness of Canadian agriculture.

Continued support for AAFC's Pest Management Centre

CHC urges the government to continue to support Agriculture and Agri-food Canada's Pest Management Centre (PMC), as its Canadian Minor Use Program facilitates access to crop protection tools for horticultural growers. The PMC coordinates, compiles data and submits registration packages on behalf of growers, as well as develops risk reduction initiatives that support Canada's horticultural sector.

Carbon Pricing Exemption

CHC requests a greenhouse exemption from carbon pricing on the natural gas burned to create $C0_2$ for fertilizing their crops. The use of $C0_2$ is essential for all plant growth. Greenhouse vegetable growers have found that it is more efficient to produce food grade $C0_2$ themselves than to purchase it. Because Canadian greenhouse vegetable growers are early adopters of innovation, there is currently no newer technology to create CO_2 while reducing emissions. Therefore carbon policies designed to encourage the creation of carbon credits, are of no use to greenhouse vegetable growers.

The lack of a uniform implementation of carbon policy across Canada has caused disparate carbon pricing policies among the provinces. These differences have a disproportionately large impact on the competitiveness of the greenhouse vegetable sector compared to other agricultural sectors. The added costs, together with the capital-intensive infrastructure needed for the construction of greenhouse facilities, opens the sector up to "carbon leakage", whereby companies, in an attempt to remain competitive, move their operations to jurisdictions that do not have a price on carbon.. Due to the global nature of the produce market, carbon pricing cannot be simply passed onto consumers. This reality impacts the price of local food in the marketplace and, ultimately, Canada's competitiveness.

A strong horticultural sector means greater infrastructure investments, more jobs, and more Canadian-grown food for consumers.

Investment in Canadian agricultural infrastructure

CHC advocates for Canadian agricultural infrastructure investments to be supported by low cost loans through the newly created Canada Infrastructure Bank. Investments in large communal agricultural irrigation systems will help conserve Canada's waters by rationalizing its use, while helping the agricultural sector grow.

Investment in educating young Canadians to pursue a career in agriculture – the next generation

While the government has identified agriculture and agri-food as a key growth industry, employment in the sector continues to be a challenge, particularly in attracting underrepresented groups (such as women, indigenous peoples and youth). According to 2016 data, the horticultural sector is estimated to be short over 29,000 workers, representing 50% of the labour gap in Canadian agriculture.

CHC urges the federal government to invest in collaboration with provinces and stakeholder groups to educate young Canadians on the dynamic and innovative agricultural sector, to encourage them to pursue it as a career, and provide support mechanisms to enter the business, so Canada's agricultural industry will remain competitive for generations to come, increasing the number of good quality, permanent jobs.

Continued support for the Temporary Foreign Worker Program and the Seasonal Agriculture Worker Program

Despite great efforts, growers are unable to find enough Canadians willing to fill agricultural positions. CHC urges the government to continue supporting both the Temporary Foreign Worker Program (TFWP) and the Seasonal Agriculture Worker Program (SAWP). The existence of these programs and the availability of a reliable workforce has enabled our sector to contribute $6 billion to the Canadian economy every year. A 2016 study shows that, for every temporary worker hired through the SAWP, 2.1 Canadian jobs are created. These programs have been working well overall, filling the domestic labour gap and contributing to the productivity on farms, yet certain improvements are still needed.

CHC believes that Service Canada requires additional resources to process applications more efficiently, thereby reducing wait times, and to create an expedited hiring process for trusted employers who have a history of good standing with SAWP.

Further, CHC requests that, when a placement is approved by Service Canada, but the seasonal foreign worker is unable to complete the contract, the employer will not need to reapply for the previously approved placement. Implementing these efficiencies will enable lower costs for farmers, and free up administrative resources at Service Canada.

The fresh produce sector is the only farm commodity group that creates jobs in every province across Canada. It is also the largest employer of any agricultural sector within a two-hundred mile distance of the U.S. CHC seeks to collaborate with the federal and provincial governments to ensure continued growth and job creation in agriculture, helping to create opportunities for our farmers to compete on a global scale.

Thank you for the opportunity to comment. We are available to discuss at the request of the Standing Committee of Finance.

Sincerely,

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