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

By the Agricultural Manufacturers of Canada

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List of Recommendations

Recommendation 1: That the government increase the Capital Cost Allowance rates for purchases of new farm machinery and equipment by combining the two classes they currently fall into and providing a higher rate of amortization.

Recommendation 2: That the government continue and intensify its pursuit of fair free-trade agreements and the diversification of Canada's export markets.

Recommendation 3: That the government encourage Export Development Canada to continue and strengthen its support for Canadian exporters active in developing markets such as South America.

Agricultural Manufacturers of Canada

Introduction

The Agricultural Manufacturers of Canada (AMC), which represents nearly 300 member companies, welcomes the opportunity to contribute to the House of Commons Finance Committee's consultations for Budget 2019.

While our members do not always make headlines, these agricultural equipment manufacturers are at the centre of a truly Canadian success story—one of which we can all be proud. That is because Canada has developed a uniquely innovative farm machinery and equipment sector with a special interest in measures to promote productivity, competitive development and global sales opportunities.

This one-of-a-kind sector emerged as a result of many Canadian agricultural equipment manufacturers starting businesses themselves as farmers or otherwise as members of rural communities. Over the decades, they used their experience and ingenuity to develop cutting-edge agricultural equipment that met the unique needs of local farmers' given the harsh climate and growing conditions of the region.

Their success was based precisely on excellence in innovation—long before that term entered common usage. Today, the success of these endeavours can be seen in the high regard for Canada's brand in the agricultural equipment sector globally.

Canadian agricultural equipment most sought-out globally

Canadian-made agricultural equipment is among the highest quality and most sought-out in the world. In 2017, AMC member companies exported more than $1.9 billion in agricultural implements to 154 countries. Although the U.S. accounted for almost 77% of these exports, other substantial markets included but were not limited to Australia, Russia, China, Chile, Germany, Brazil and New Zealand.

Our companies see themselves as important contributors to the federal government's campaign to maximize the country's long-term economic potential by making innovation an over-arching goal.

We further believe our members can play a significant role advancing the federal government's key goal of increasing Canada's exports of agri-food and agricultural products to at least $75 billion by 2025.

However, our manufacturers and our farm customers face significant challenges at a time of changing world economic conditions, trade uncertainties and the need to balance growth with our commitment to the continuation of a safe, secure, competitive and environmentally sustainable agricultural sector.

The agricultural equipment manufacturing sector is an important one for Canada's economic success. In order for our sector to thrive and ensure Canada's competitiveness, the federal government should increase the capital cost allowance rate, continue pursuing free trade agreements, and encourage Export Development Canada to strengthen its support for exporters active in developing markets.

Detailed recommendations follow.

Increasing Capital Cost Allowance (CCA) rates for the purchase of farm machinery and equipment

For farmers, machinery and equipment represent their second most important asset after their land. For this reason, preserving the environment—managing and being stewards of the soil, water and air--has always been a part of their lives.

In keeping with this responsibility, the agricultural sector is already taking significant steps to meet the objective of producing more with less while at the same time reducing pollution.

To help our farmers face additional challenges as Canada takes steps to meet its international commitments to reduce greenhouse gases, AMC is recommending increases in the Capital Cost Allowance (CCA) rate to encourage farmers to purchase the latest, most technically advanced and environmentally friendly machinery.

Currently, agricultural machinery and equipment purchases fall into one of two CCA classes amortized at different rates based on whether the equipment is “drawn” or self-propelled. AMC is recommending amalgamating this machinery and equipment into a single class with a CCA rate similar to that of Class 53. With 50% amortization, as is the case of Class 53, purchases of agricultural equipment can result in a 90% write down after five years.

The potential magnitude of such a change to promote environmentally sustainable farming can be seen in a simple fact: a tractor manufactured today produces one twenty-fifth of the emissions of a tractor manufactured in the 1990s.

Of equal importance, enhanced CCA rates would also provide very valuable assistance to our agricultural sector as it presses ahead with the innovations needed to improve productivity and excel in the all-important international export arena.

The federal government-appointed Advisory Council on Economic Growth, led by Dominic Barton, singled out the agri-food sector as a powerhouse capable of driving future Canadian prosperity.

“The Canadian ag-food sector has great potential, given the large natural endowment of water and arable land, distinctive record of accomplishments in research, and exceptional base of companies and entrepreneurs,” the Council said in its 2017 report.

The sector’s assets “provide the potential for material economic gains for Canadians while also providing a blueprint for how the government and private sector may work together to unleash Canada’s potential in other sectors,” the Council further stated.

More to the point, the Barton report specifically recommended the federal government use “targeted” measures to remove growth obstacles and unlock the expansion potential of certain sectors. We believe an increased CCA rate would be very much in line with this recommendation.

The need for such measures is all the more urgent today because of the potential new challenges of protectionism and trade barriers faced by Canada’s producers.

Recommendation 1: That the government increase the Capital Cost Allowance rates for purchases of new farm machinery and equipment by combining the two classes they currently fall into and providing a higher rate of amortization.

Continue pursuing free-trade agreements and diversifying Canada's export markets

With protectionism raising concerns about Canada's access to its traditionally most important market in the United States, it is imperative that the federal government continue its efforts to expand export opportunities and diversify markets by engaging in free-trade agreements on the widest possible basis.

Canadian agri-food producers are favourably exposed to the global market, including fast-expanding Asian economies where demand for protein is rising. This potential can be seen in forecasts that worldwide food demand will grow by 50 to 70 per cent in the next 30 years.

Based on the favourable global reputation of specialized Canadian-made farm machinery and equipment, Canada's manufacturers are in a strong position to take advantage of expanded market access through reduced tariffs and other barriers to trade in Asia, Europe, South America and other regions. However, this same positive reputation as well as the innovative nature of Canadian agricultural equipment manufacturers makes it essential that any free-trade agreements incorporate measures to protect the intellectual property of Canadian entrepreneurs and innovators.

Recommendation 2: That the government continue and intensify its pursuit of fair free-trade agreements and the diversification of Canada's export markets.

Export Development Canada support for Canadian exporters active in developing markets

We commend the government for its valuable support for Canadian exporters in emerging markets through the services and resources provided by Export Development Canada (EDC).

EDC's financing activities in emerging markets reached $9.6 billion in 2017, up 10 per cent from 2016.

For AMC's member companies, the support of EDC can make the difference between achieving a sale and being unable to do so. We therefore recommend that the government encourage EDC to continue to expand its services for exporters in emerging markets in South America, Central America and other developing regions.

Recommendation 3: That the government encourage Export Development Canada to continue and strengthen its support for Canadian exporters active in developing markets such as South America.

Agricultural Manufacturers of Canada

Conclusion

AMC greatly appreciates the federal government's acknowledgement of the importance of the agri-food sector to the Canadian economy. As they have done for decades, our member companies will continue to expand and innovate in the name of competitiveness, particularly when it comes to the export markets so important for ours, and Canada's, future growth and prosperity.

We value this opportunity to take part in the 2019 pre-budget consultations and would be more than happy to address these issues when the committee holds public consultations.