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Canadian Federation of Agriculture (CFA) Submission
Standing Committee on Agriculture and Agri-Food
Advancements of technology in the agriculture industry that can support Canadian exports
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Realizing the potential of the Canadian agriculture sector through technology

The Canadian Federation of Agriculture's (CFA) members are eager to meet the goal set out in the 2017 federal budget of increasing agricultural exports to $75 billion by 2025. The Barton report, a comprehensive set of recommendations from the federal government's Advisory Council on Economic Growth, identified the agriculture sector as having the potential for substantial growth and export improvement.

This submission will help to identify issues that are hindering growth in the sector, and the ways in which technology and Canada's regulatory environment can effectively realize the potential of the sector.

The importance of trade as an engine of growth for agriculture

As identified in Budget 2017, Canada's agri-food industry is a significant driver of economic growth, with considerable unmet potential. CFA was pleased to see clear growth targets set for the sector, specifically the target of $75 billion in agri-food exports by 2025.

While CFA believes there are significant growth opportunities for the agri-food sector within Canada's domestic market, Canada has immense potential to expand its exports and meet the increasing global demand for food. Canada already exports 50% of its beef and cattle, as much as 65% of its soybeans, 70% of its pork, 80% of its wheat, 90% of its canola and 95% of its pulses. Over 90% of Canada's farmers are dependent on exports as is approximately 40% of the food processing sector.

In crop production, 50% of jobs depend on exports. In food manufacturing, 1 in 4 jobs depend on exports. Capitalizing on emerging export opportunities has been a critical driver of growth for much of the agriculture sector. Over the last 10 years in Canada, agriculture and agri-food exports have grown by 103%, with farm cash receipts rising by 46% over the same period. However, many primary producers do not export product directly, but instead market through other companies within the broader agri-food value chain. Canada's agri-food sectors, combined, account for 11% of Canada's goods GDP and almost 10% of Canada's total merchandise trade.

Encouraging the discovery, development and marketing of new products and technologies

Superclusters

Given the need for this value chain focus, CFA was pleased to see the recent announcement of an agri-food supercluster. A collaboration of more than 120 private sector stakeholders, including technology companies, secured $150 million in funding for a plant protein supercluster to explore value addition opportunities in the plant protein industry.

In addition to this successful supercluster application, a number of other collaborations were developed in response to this call for proposals that were focused on the adoption of new technologies and their benefits for Canadian agriculture. CFA believes there is potential for these other collaborations to result in further gains in technology adoption as a result of the private sector support that was brought together.

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Tax policy

In addition to this direct support for technology adoption in the Canadian agri-food value chain, Canada's tax policy is another key driver behind the adoption of technology. To this end, CFA applauds the recent reduction in the small business tax rate. However, Canada's largest trading partner just undertook sweeping tax reforms that directly affect the competitiveness of Canadian agriculture. Canada remains the number one export market for US agricultural products, with total US-Canada agriculture and agri-food trade now exceeding $47 billion dollars annually.

To address this competitive imbalance, Canada needs to review the *Income Tax Act* and consider immediate reforms that respond to those changes. CFA recommends that Canada immediately introduce 100% first year deductibility for farm equipment. This first-year depreciation is available to U.S. farmers for many farm equipment purchases and puts Canadian farms at a distinct disadvantage in their ability to purchase new equipment. Introducing this measure in Canada would encourage farmers in profitable years to invest in innovative technologies and, as a result, promote Canadian agriculture's global competitiveness.

Rural broadband and technology adoption

To truly unleash agriculture in Canada, farm gate competitiveness is critical. Rural broadband is an essential investment that allows farmers to take advantage of advances technology. For farmers operating in global markets, smartphones, tablets and other mobile devices are critical.

Furthermore, precision agriculture represents a critical source of future growth for the sector. Precision agriculture better targets inputs, increases yields and allows for better planning and decision making. Without reliable, high-speed internet it is impossible for farmers to utilize these advanced technologies to their full extent, rendering all other technological advancements less valuable.

These technologies offer farmers the potential to collect and analyze a wealth of farm-level data to help run their operations more efficiently. However, without affordable access to consistent broadband, these technologies are unavailable, resulting in inefficiencies and lost opportunities. 82% of Canadians had access to broadband internet in 2016. The remaining 18% were largely in remote, rural communities, leaving many producers without access, and a larger number without access on a reliable basis.

The recent report from the Standing Committee on Industry, Science and Technology entitled *Broadband Connectivity in Rural Canada: Overcoming the Digital Divide*, presents a series of critical interventions to address this issue. While supportive of many of the report's recommendations, CFA is strongly supportive of recommendation 11, which asks that "Innovation, Science, and Economic Development Canada develop a comprehensive rural broadband strategy in collaboration with key stakeholders including, but not limited to, all levels of government, civil society, Internet services providers, First Nations, and non-profit organizations." CFA has long advocated for this approach, as s strategic approach to rural broadband is critical to capturing the opportunities ahead of us as Canadian farmers.

Big data and privacy

Although precision agricultural technologies present a significant opportunity to drive further operational efficiencies and growth in the sector, both domestically and abroad, it is critical that the competitive data of farmers is protected. Modern farm equipment can share large amounts of data that potentially changes hands a number of times. This presents real opportunities, such as through enhanced traceability, providing highly sought-after supply chain transparency that is critical for Canada to grasp emerging market opportunities as a trusted supplier.

Projects are already exploring how blockchain technology can securely provide supply chain transparency and continued support for this kind of infrastructure is critical. However, access to farm-level data could also create competitiveness concerns, if used inappropriately. Farmers need the right to manage the business data collected by companies who are using cloud based and any other data-collection technology.

In the United States, seen farmers and technology providers have come together and sign the *Privacy and Security Principles for Farm Data*, which define standards and best practices for agriculture data ownership, consent and privacy. This is accompanied by the *Ag Data Transparent Project*, a process to independently review technology providers' data contracts, ensuring they stand up to these principles. CFA believes a similar approach is needed in Canada, providing farmers with the tools to manage and place limitations on the data collected from their operations.

Market access and technical barriers

The ratification of CETA and the signing of the CPTPP will result in significant increases in market access. To ensure this market access is realized, considerable follow-up work is required by CFIA and other regulatory agencies to address technical barriers that would otherwise limit access to technology on Canadian farms.

CFA was pleased to see Budget 2018's investments into Canada's trade commissioner service, but believe further investments are required into the CFIA and other regulatory agencies to conduct the follow up work needed to support these agreements, such as through the development of export certificates.

These agencies also play a critical role in international fora, demonstrating Canada's commitment to science-based regulations and promoting the adoption of science-based, international standards. Further investments into these areas will help ensure any new market access does not unduly limit access to technology and results in meaningful opportunities for Canada's farmers.

Regulatory frameworks

Regulatory modernization and harmonization

The reduction of technical barriers between trading partners is critical to realizing increased market access. Regulatory harmonization between trading partners is also a driver of farm comptetitiveness and technology adoption. Canada's regulatory environment directly affects producers' access to technology, a critical driver behind farm competitiveness.

Canada continues to struggle with cumbersome, costly regulatory processes that do not support product safety or innovation, resulting in delayed access to novel, innovative products. Investing in regulatory modernization to accelerate Canadian regulatory assessments and approval of new innovations will spur improvements in production, food safety, environmental performance, and long-term agricultural growth, resulting in a net increase in public revenues. For example, Canadian farmers continue to see delays in the approval of crop protection products, leaving Canadian farmers at a disadvantage.

For this reason, CFA was pleased to see Canada's agri-food and aquaculture sector identified in the short-list for targeted reviews of regulatory bottlenecks in Budget 2018. Regulatory modernization and harmonization will be critical to the continued growth and advancement of the sector.

Chapter 21 in CETA

Without limiting the ability of each Party to carry out its regulatory, legislative, and policy activities, the Parties are committed to further develop regulatory cooperation in light of their mutual interest in order to:

a. Prevent and eliminate unnecessary barriers to trade and investment

b. Enhance the climate for competitiveness and innovation, including by pursuing regulatory compatibility, recognition of equivalence, and convergence, and

c. Promote transparent efficient and effective regulatory processes that support public policy objectives and fulfill the mandates of regulatory bodies, including through the promotion of information exchange and enhanced use of best practises.

Regulatory differences are the largest technical, and competitive, barrier to trade Canada has with the U.S., Canada's largest trading partner. Canadian farmers' competitiveness challenges related to crop protection products and the US position on meat re-inspection are two good examples of this. Meat re-inspections cause an un-necessary "thickening" of the border, resulting in delays and higher costs. This is why Canada's position on Regulatory Cooperation in NAFTA is so important. Furthermore, we should make every effort to build on the regulatory chapters in CETA and the CTPP, in the Nafta renegotiations.

Example of Trade Integration

- **Kansas imports $10 million live cattle from Canada**
- **Kansas exports $162 million beef in return**
- **Iowa exports $128 million soybean meal to Canada**
- **Iowa Imports $127 million live hogs from Canada**
- **Iowa exports $136 million fresh and frozen pork back**

Domestic support is another issue that can impact on Canadian agriculture's ability to compete around the world. More importantly, it can become a significant competitive trade barrier with the US because of our integrated industries, our proximity to the US market, and in international markets where we compete against US products. How the US defines and notifies its spending isn't as important as the fact that, because of our highly integrated agriculture industries and because of our open border, almost any amount of domestic support regardless of method of payment, can be highly trade distorting including green box spending.

Furthermore, the U.S. has considerable expenditures in agriculture that by their very nature are trade distorting but fail to fall into any spending category. Examples include public money spent on the Mississippi River system, which is a major transportation corridor for agricultural products, irrigation subsidies, and the use of natural capital, which in reality is borrowing/spending public money from the future.

The role of the Pest Management Regulatory Agency (PMRA)

Health Canada must acknowledge the role that the PMRA plays in facilitating, or inhibiting, access to innovative technologies. It plays a large role in realizing the vision articulated by the Barton report and Budget 2017.

PMRA must actively collaborate with other regulatory agencies to share the workload of post-market regulatory reviews.

CFA believes significant efficiency gains would arise from a review of PMRA evaluation and re-evaluation processes, where opportunities exist to expedite the approval process through joint evaluations with trusted regulatory agencies.

In proposing this review of the current re-evaluation process, CFA would propose the following considerations as potential opportunities to streamline the process:

- Seek early input from the most affected stakeholders when issues arise to ensure the proposed decision is based on the most up- to-date and accurate data.
- Make improvements to the scoping period that precedes the initiation of a re-evaluation to ensure that data gaps are identified in advance and registrants have sufficient time to initiate required studies before the re-evaluation commences.
- Increase the number of opportunities for stakeholders to provide input during the re-evaluation process. Publish a draft risk assessment for public consultation before publishing the proposed risk mitigation plan and re-evaluation decision.
- Explore the use of emerging tools and technologies that could help streamline the re-evaluation process using cutting-edge scientific information.

Canada should also seek to further align its generic registration regulation to that of the US, so Canadian farmers have access to lower cost generics on a more timely basis, similar to what is afforded farmers in the United States.

In Summary:

There are many policies, frameworks and technologies that can be improved or introduced which would support further technology adoption and result in subsequent growth of Canadian exports. CFA wishes to highlight a number of important recommendations made in this submission:

1. Build upon the superclusters announcement through continued support for technology adoption across the agri-food value chain.
2. Review Canada's *Income Tax Act* to address competitive imbalances with Canada's key trading partners. CFA strongly recommends the introduction of 100% first year deductibility on farm equipment purchases to align with similar measures in the United States.
3. Develop a comprehensive rural broadband strategy in collaboration with key stakeholders, including farm organizations.
4. Adopt similar measures to the *Privacy and Security Principles for Farm Data* and *Ag Data Transparent Project* from the United States, which provide producers with tools to protect valuable on-farm data that is currently collected and shared with third parties.
5. Further invest in CFIA and other regulatory agencies to address technical barriers to trade and support the development of internationally recognized, science-based standards.
6. Incorporate a regulatory cooperation chapter into NAFTA.
7. Undertake a third-party review of the PMRA evaluation and re-evaluation processes, with the goal of streamlining these processes, supporting joint evaluation processes, and allowing for more input from affected stakeholders.
8. Improve generic pesticide registration regulation to allow quicker access to generic products, which will improve Canadian farmers' competitiveness

The Canadian Federation of Agriculture:

The CFA was formed in 1935 to answer the need for a unified voice to speak on behalf of Canadian farmers. It continues today as a farmer-funded, national umbrella organization representing provincial general farm organizations and national commodity groups. Through its members, it represents over 200,000 Canadian farm families from coast to coast. The CFA's mission is to promote the interests of Canadian agriculture and agri-food producers, including farm families, through leadership at the national level and to ensure the continued development of a viable and vibrant agriculture and agri-food industry in Canada.

CFA works to coordinate the efforts of agricultural producer organizations throughout Canada for the purpose of forming and promoting national agricultural policies to ensure Canadian agriculture remains profitable, competitive, and has the stability needed to innovate and adapt to meet changing domestic and international conditions.