



**Written Submission for the House of Commons Finance
Committee Pre-Budget Consultations in Advance of the
2019 Budget**

**Submitted By: The Canadian Produce Marketing
Association**

Date: July 27th, 2018

List of Recommendations

Recommendation 1: That the Government increase the federal business limit and capital asset limits by inflation for the Small Business Deduction and tie it to inflation moving forward.

Recommendation 2: That the Government expand the agricultural cooperative exemption for affiliated corporations to include any agricultural affiliated corporation and their shareholders or any affiliated corporation wholly owned by agricultural stakeholders.

Recommendation 3: That the Government include implementation funding for the new Food Policy for Canada, including funding for a multi-stakeholder National Food Policy Council.

Recommendation 4: That the Government establish a data working group between Agriculture and Agri-Food Canada and Innovation, Science and Economic Development Canada to prepare and implement a comprehensive, long-term data strategy which will fuel our competitiveness and inform key strategic decisions for our members.

Recommendation 5: That the Government provide innovation funding for those industries not covered under the Innovation Supercluster Initiative.

Introduction

The fruit and vegetable industry contributes significantly to Canadian productivity and competitiveness, but the Government of Canada must ensure policy and programs are in place to ensure the ongoing growth of the industry. As such, we are pleased to submit comments to the House Committee on Finance as part of their pre-Budget consultation process under the theme *Economic Growth: Ensuring Canada's Competitiveness*.

The Canadian Produce Marketing Association (CPMA) represents over 860 members across Canada and the world who are involved in the marketing and sales of fresh fruit and vegetables in Canada. Combined, CPMA members are responsible for 90% of fresh fruit and vegetables purchased by Canadians. As an industry association, CPMA represents the entire fresh fruit and vegetable supply chain, from farm gate to dinner plate. Our comments are reflective of a wide array of members across the supply chain who work daily to provide Canadians with the fresh and healthy fruit and vegetable options they demand.

Changes to the Small Business Deduction – Lead: Finance Canada

Over 80% of Canada's fruit and vegetable farmers are small businesses and rely on the Small Business Deduction (SBD) as a way of staying competitive and further growing their business. However, no significant changes to the SBD have been implemented since 2009.

The current capital asset limits to qualify for the SBD were established in 1994 and have not changed for the past 14 years. As it stands, small businesses are eligible for the SBD provided their capital assets are below \$15 million with a straight line deduction beginning at \$10 million. Additionally, since 2009, the SBD is applicable on the first \$500,000 of active business income, up from the \$400,000 prior to the 2009 change. **It is our recommendation that the both the federal business limit of \$500,000 and the capital assets limit be increased and subsequently tied to inflation in order to reflect modern operating costs and business operations.** In 2018 numbers, the federal business limit would be increased to \$581,000 and capital asset limits increased to \$15.7 million with a straight line reduction and up until and eliminated at \$23.5 million. We believe that this would be a marked improvement on how the SBD currently operates and will ensure that our small businesses remain competitive.

Furthermore, **we recommend that the Government expand the agricultural cooperative exemption for affiliated corporations to include any agricultural affiliated corporation and their shareholders or any affiliated corporation wholly owned by agricultural shareholders.**

As part of Budget 2016, the Government announced significant changes to the rules of affiliation which have had unintended consequences on the fresh produce industry. While we support the Government's exemption for agricultural cooperatives, we believe that the Government should extend the exemption to affiliated corporations as described above which function in the same manner as an agricultural cooperative, but with a more equitable voting structure amongst its shareholders. In order to be competitive, many small farmers group together and form affiliated corporations to create a critical mass of product to meet the requirements of major retailers and to pool marketing and sales resources. With the changes to the rules of affiliation, the first \$500,000 for qualifying businesses must be divided pro rata amongst the shareholders of the affiliated corporation as well as the affiliated corporation itself. For many of these corporations in the produce industry, this will increase their shareholders' cumulative taxes in the

hundreds of thousands or millions of dollars annually. With such significant increase in taxes, many businesses will have to forego much of their planned growth or reinvestment.

Additionally, the requirements surrounding family members and reporting shares for aunts, uncles, grandparents and others is both extremely challenging and put the onus on the tax filer to have a comprehensive list of their family's financial engagements. Beyond the complexity of this requirement, it raises serious issues of privacy and what expectations the Government has of taxpayers to know their entire family's financial engagements and investments. This issue is further compounded by the fact that no comprehensive guidance document has been released to industry or tax practitioners on these significant changes. We look forward to the release of the SBD folio by the Canada Revenue Agency in Fall 2018, but we fear that for many, this information comes too late and that this folio should have been available for the 2018 filing year.

Funding for Food Policy Implementation – Lead: Agriculture and Agri-Food Canada

In spring 2017, Minister MacAulay launched consultations on a Food Policy for Canada. This important initiative is part of the Minister's Mandate Letter and one which CPMA fully supports. While there is much promise for the Food Policy, the Government must ensure that it has tangible strategies and deliverables year-over-year and that government leverages the commitment by the private sector to implement and advance the Policy. To this end, **CPMA urges the Government to include implementation funding for the new Food Policy for Canada, including funding for a multi-stakeholder National Food Policy Council to oversee the governance of the Policy.**

As part of the Government's consultation on the Food Policy, CPMA has strongly advocated for the inclusion of a national target to increase consumption of fresh fruits and vegetables, greater links between the Policy and economic growth, and the establishment of a National Food Policy Council to oversee the governance of the Policy and ensure continuity irrespective of which party is in power.

The Food Policy can bring cohesion, coherence and a long-term strategy to addressing some of the major challenges industry faces in terms of growth and competitiveness while also tackling some of the major social issues affecting Canadians, such as climate change, health, and food security. Proper funding by the Government is essential if this Policy is to be successful and achieve many of the goals it will strive to achieve.

Better Data – Leads: Agriculture and Agri-Food Canada and Innovation, Science and Economic Development Canada

A key input for global competitiveness is data. Unfortunately, Canadian data, particularly in agriculture, is difficult to find, incomplete or onerously expensive for associations and businesses to purchase. A robust and fully funded data strategy must be implemented by the Government if we are to be competitive on the global stage and reach our agri-food export target of \$75 billion by 2025.

CPMA recommends that a data working group be established between Agriculture and Agri-Food Canada and Innovation, Science and Economic Development Canada to prepare and implement a comprehensive, long-term data strategy that will fuel our competitiveness and inform key strategic decisions for our members. CPMA is eager to work with government on such a strategy and discuss potential industry-government cost-sharing scenarios. Currently, much of the data captured by Statistics Canada only goes to the Food & Beverage level and does not break down by industry or commodity group.

More granular data on consumption, trends, trade, and consumer preferences would act as a catalyst for growth and greater competitiveness.

Innovation - Leads: Innovation, Science and Economic Development Canada and Agriculture and Agri-Food Canada

CPMA is pleased that innovation has been a key priority for the Government. The Innovation Supercluster Initiative and AgriInnovate funding stand to be a transformational investments in Canadian innovation and industry and will position the successful applicants well for future success. While these investments are welcomed, **CPMA requests that the Government provide innovation funding specific for the fresh produce supply chain, including value-added.** CPMA has engaged with a number of post-secondary institutions, research centres, and innovation experts to begin the development of an innovation strategy for the fresh produce industry. Funding for future innovations, including a potential industry-researcher portal and a national hackathon, would bolster the fresh produce industry and contribute to our competitiveness.

Conclusion

In conclusion, we appreciate the opportunity to submit comments to the House of Commons Standing Committee on Finance regarding Budget 2019 and how if implemented they could can increase the competitiveness and growth of the Canadian fresh produce industry and the supply chain they depend on. Indeed, we have been actively engaged on these files with government officials and remain readily available to work with parliamentarians and public servants to advance these issues.

Thank you for reviewing our submission. We would be pleased to answer any questions members of the committee may have.

Regards,

A handwritten signature in black ink, appearing to be 'RL' followed by a long horizontal line.

Ron Lemaire
CPMA President