



Canadian
Horticultural
Council

Conseil
canadien de
l'horticulture

The voice of **Canadian fruit and vegetable growers.**
La voix des **producteurs de fruits et légumes du Canada.**

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

By: the Canadian Horticultural Council

The Canadian Horticultural Council (CHC) represents fruit and vegetable growers across Canada involved in the production of over 120 different types of crops, with farm cash receipts of \$5.4 billion in 2017. Since 1922, in collaboration with members and the government, CHC has advocated on important issues to ensure a viable future for Canada's fruit and vegetable sector.

Since • Depuis 1922

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The Canadian Horticultural Council is pleased to recommend the following requests for federal funding in areas that greatly affect our sector's competitiveness:

- Additional resources for the Pest Management Regulatory Agency (PMRA) for pesticide re-evaluations;
- Additional resources for the Pest Management Centre (PMC) to get new active ingredient products to market and help PMRA with re-evaluations;
- Funds for plant health activities including regulation of pests and diseases;
- Sufficient funds for Employment and Social Development Canada to support continued open communication with employers, increase officials' service standards, and develop educational workshops for farmers;
- Implement a Trusted Employer Program to facilitate timely access to international farm workers;
- Review the National Occupational Classification codes to reflect modern agriculture;
- Ensure AAFC and industry can continue the joint review of Business Risk Management programs;
- Establish a comprehensive system of monitoring prices of imported goods, subsidies and export assistance to industry in foreign countries for potential violation of trade agreements;
- Funds for the Canadian Organic Standards review work to provide farmers access to the organic products market;
- Infrastructure funding for rural services (water, sewage, internet, hydro, natural gas);
- Infrastructure funding for the National Tree Fruit Investment Program;
- Resources for trade diversification to remove technical trade barriers and increase market access for agri-food exporters;
- Support for the Regulatory Cooperation Council to encourage collaboration between Canada and the U.S.

Additionally, CHC urges the federal government to:

- Amend carbon pricing definitions to ensure all modern primary agriculture is included in the federal backstop exemption;
- Exempt agricultural Canadian controlled private corporations from the changes announced to the Small Business Deduction;
- Create a limited statutory deemed trust to provide financial protection for produce sellers in Canada.

Crop protection:

CHC strongly urges the federal government to ensure PMRA is given substantial resources. PMRA is in need of additional funding to make scientific decisions regarding pesticide re-evaluations. Because of the long list of pesticides up for re-evaluation under tight deadlines, PMRA has been making quick decisions, without looking closely at the impacts to growers, and without offering viable alternatives. In some cases, this has been catastrophic for growers across Canada who had to shut down their farms.

A sufficient budget is critical for PMC to get innovative new active ingredient products approved for market, which benefit crops, the environment, and workers. These new products will help Canada's growers stay competitive with the U.S. Further, additional funds will allow PMC to help PMRA determine effective personal protective equipment for workers.

In 2017, the federal and provincial governments adopted a Plant and Animal Health Strategy which would greatly reduce the risk of invasive pests. CHC requests that sufficient funding and personnel are dedicated to the continuation of critical plant health activities, including regulation of pests and diseases, monitoring activities, and the development of the Plant Health Council. It is critical that plant health activities be maintained to protect the sustainability, profitability and competitiveness of the Canadian horticultural sector.

Labour:

Without an adequate workforce to grow and harvest fruit and vegetables, the crops rot in the field, on the tree or on the vine, resulting in food and financial loss. When farmers are unable to find enough Canadian workers through ongoing and vigorous recruitment, they access the Seasonal Agricultural Worker Program (SAWP) or the Agricultural (Ag) Stream of the Temporary Foreign Worker Program (TFWP) to address their labour needs. While both farmers and workers currently benefit from these programs, certain improvements could be made to further advantage workers, farmers, and the economy.

Due to the complexity of the international worker programs, CHC recommends workshops should be offered for first time farmers using the program to ensure they understand requirements of farmers and how the process works within government. This will initiate open communication between ESDC and the employer. CHC requests suitable funds for Employment and Social Development Canada (ESDC), which could be added to or redirected from Budget 2018's funding allocated to protect temporary foreign workers.

Additionally, CHC urges the federal government to allocate funds to implement a Trusted Employer Program, which help streamline and standardize the Labour Market Impact Assessment (LMIA) application process, as per the House of Commons HUMA Committee report. This proposed program aims to reduce the regulatory and administrative burden on employers in good standing using SAWP / TFWP Ag Stream to fill current labour gaps and facilitate the mobility of workers between Trusted Employers during harvest seasons.

In order to become eligible to apply for Trusted Employer status, an employer would have to have used either SAWP or TFWP Ag stream for a predetermined amount of time and be in good standing with Service Canada throughout this time or have completed a satisfactory audit. These requirements would

provide enough time to establish a pattern of behaviour required to be eligible for the program or prove a record of compliance.

Additionally, CHC requests ESDC funds to review and modernize the National Occupational Classification codes in order to include packing and processing of fresh fruits and vegetables in any type of customized building with agricultural tasks, which is essential to accurately represent modern agriculture.

Further, it is essential that in the current Primary Agriculture Review, ESDC ensures the definition of primary agriculture include both packing and processing tasks performed to market fresh fruits and vegetables, regardless of the nature of the building where these operations are performed. The federal government needs to work under one definition across government departments to ensure consistency and stability.

Business Risk Management:

Business risk management (BRM) tools are essential to Canada's agriculture. CHC requests that the federal government ensure there are funds allocated to allow AAFC's continued review of current BRM programs, and work with industry to ensure these programs are effective. A comprehensive BRM suite will ensure Canada's agricultural sector is equipped to compete globally.

Regarding Finance Canada's tax planning strategies, CHC encourages the government to ensure any new policies maintain a stable business environment with tax relief that stimulates continued investment in Canada.

CHC urges the Minister of Finance to consider an exemption for agricultural affiliated corporations whose operating structure is similar to that of cooperatives, the difference being the shareholder structure. Agricultural affiliated corporations, which pool revenue in a similar fashion to cooperatives and pay-out shareholders in a similar way to cooperative members, should be exempt from the Small Business Deduction changes announced on March 22, 2016. Just as cooperatives were given an exemption, these modern agricultural business structures should be offered the same benefits, which encourage business growth and competition.

Trade:

Canada's trade diversification gives opportunity for exports and allows for an increase of imports. Specific to fruit and vegetables, CHC urges the federal government to establish a comprehensive system of monitoring prices of imported goods, subsidies and export assistance to industry in foreign countries, in order that fast and appropriate action may be taken against imports in violation of trade agreements.

Further to Budget 2018, where market access was identified as an area to grow, CHC asks that the federal government put additional funds towards trade diversification which will help remove technical trade barriers and increase fruit and vegetable exports. For example, greenhouse peppers and tomatoes have been trying to access the Chinese marketplace for years and are capable of helping Canada reach our agri-food export goal. China represents one of the fastest growing economies worldwide, with significant market potential in the growing middle class, yet technical trade barriers, substantial tariffs, and market access issues create substantial obstacles.

The lack of financial protection for Canadian fruit and vegetable sellers relating to insolvent Canadian buyers results in disproportionate financial risk for produce sellers in Canada. To help Canadian produce

sellers both domestically and for our trading relationship with the U.S., CHC requests the federal government to create a limited statutory deemed trust to provide financial protection for produce sellers in Canada, in a manner that is equivalent to the U.S. *Perishable Agricultural Commodities Act* (PACA). While the trust itself will not cost the government money, CHC requests the necessary funds for any legislative, administrative, personnel and set-up costs. The United States Department of Agriculture has indicated its willingness to reinstate Canada's preferred status under PACA, if Canada provides equivalent protection for U.S. sellers to Canadian buyers. This would in turn encourage more produce exports to the U.S.

CHC was pleased that the President of the Treasury Board signed a Memorandum of Understanding for the Canada-U.S. Regulatory Cooperation Council (RCC) on June 4th, 2018. To encourage increased collaboration and cooperation between Canada and the U.S., CHC urges the government to increase support for RCC activities.

Environment and Climate Change:

CHC continues to request a national exemption should be implemented from the Pan-Canadian Framework on Clean Growth and Climate Change's national carbon pricing policy to cover all fuel, including natural gas and propane, used for agricultural activities, including greenhouses, thereby minimizing interprovincial and global competitiveness impacts. In order to achieve the government's agri-food export goal, the federal government needs to ensure its policies recognize the role farmers have with our food, environment and economy, by providing the necessary tools so that Canada's agri-food businesses remain competitive.

Given Ontario's recent change in government, it is our understanding that the federal carbon pricing backstop will now apply to Ontario. Many farmers will be severely impacted by the policy, putting Ontario farmers at a competitive disadvantage. We urge FINA and the Minister of Finance to review and amend the definitions in the Budget Implementation Act, through regulations or subsequent legislation, to add:

-“natural gas and propane” to the definition: *Qualifying Farming Fuel*

-“heating and cooling of a building for agricultural production, including greenhouse vegetable production” to the definition: *Eligible Farming Machinery*

Without changing these definitions, some of Canada's fastest growing agricultural sectors, including greenhouse vegetable production, will not be captured under the exemption for agriculture. As farmers constantly modernize and evolve their farming activities to keep up with global competition, we want to ensure Canada's policies are not limiting economic growth.

Industry Standards:

CHC requests the Government of Canada grant sufficient funds for the Canadian Organic Standards review work which is to be performed by 2020, in accordance with the Canadian General Standards Board procedures. The maintenance of these procedures is vital to provide agricultural producers access to the organic products markets, both domestic and export, as part of equivalency agreements on organic products with the United States, the European Union, and Japan. These three markets are

growing and create significant economic impacts in Canada and the organics standards are vital for Canada's organic sector.

Infrastructure:

CHC requests infrastructure support for services including water, sewage, hydro, internet and natural gas, so farms can continue to expand and further contribute to Canada's economy. In the current environment, many farms cannot expand their operations to take advantage of market opportunities and are at a competitive disadvantage due to the lack of infrastructure.

A specific infrastructure project CHC urges Finance Canada to consider is a new National Tree Fruit Investment Program, which mirrors the Government's agenda to grow productivity and enhance Canada's competitiveness. Canada is poised to become a significant international player in the growing, packing and distribution of apples and other tree fruits. 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 will be provided as follow-up to our submission.

We would be honoured to appear before FINA and show how the horticultural sector continues to innovate, competes on a global scale and contributes significantly to the Canadian economy.

Sincerely,



Brian Gilroy
President



Rebecca Lee, PhD
Executive Director