



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 2020 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 \$5.7 billion in 2018. 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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Recommendations

Financial Protection for Produce Sellers

- Implement enabling legislation to provide Canadian fruit and vegetable farmers with financial protection against insolvent buyers

Crop Protection

- Provide essential funding for plant health agencies (Pest Management Regulatory Agency and Pest Management Centre) and their initiatives
- Re-instate a pan-Canadian water monitoring program with Environment and Climate Change Canada to measure pesticide residues in Canadian water. PMRA needs this data to make science-based decisions from real Canadian data
- Explore means, such as through Agriculture and Agri-Food Canada, to collect the necessary data and actual grower pesticide use information for all horticultural (minor use) crops as required by the PMRA for use in support of re-evaluation of crop protection products
- Provide a sufficient budget to PMC to get innovative new active ingredient products approved for market in order to strengthen the crop protection tool box

Labour

- Provide sufficient funds for Employment and Social Development Canada to improve service standards and processing times for LMIAs under the Agriculture Stream of the Temporary Foreign Worker Program
- Implement a Recognized Employer Program to facilitate streamlined LMIA processing for employers who have a positive and lengthy history of employing international farm workers

Business Risk Management

- Increase the AgriStability margin coverage to 85%. The current 70% trigger level provides very limited protection to farms
- Remove the AgriStability Reference Margin Limit (RML)
- Implement the most promising recommendations made by National Producer Advisory Committee (NPAC) to improve AgriStability
- Examine options for enhancing access for greenhouse growers to production insurance

Taxation

- Increase both the federal business limit of \$500,000 and the capital assets limit and subsequently tie amounts to inflation, in order to reflect modern operating costs and business operations

Trade

- Establish a comprehensive system of monitoring prices of imported goods, subsidies and export assistance to industry in foreign countries to evaluate potential violation of trade agreements

- Continue to support and provide resources for the Regulatory Cooperation Council to encourage collaboration between Canada and the U.S.

Carbon Pollution Pricing

- Explicitly reference the CRA guidance document (Income Tax Folio S4-F11-C1) in carbon pollution pricing regulations so farming definitions are consistent in their technical interpretation by farmers, regulators, and government officials
- Add “natural gas and propane” to the definition: Qualifying Farming Fuel
- Increase the fuel exemption to greenhouse growers from 80% to 100%; or examine mechanisms to offset the 20% fuel charge, and how to stabilize the cost to growers over time
- Add “heating and cooling of a building for agricultural production, including greenhouse vegetable production” to the definition: Eligible Farming Machinery under the GGPPA
- Ensure federal, provincial and territorial governments examine how to harmonize the fuel charge relief across Canada via agricultural exemption certificates

Industry Standards and Food Safety

- Dedicate funds for the long-term maintenance of Canadian Organic Standards (cyclical 5-year reviews and trade equivalency work)
- Provide an assistance program to support the work and the purchasing of new equipment required to meet the standards of the Safe Food for Canadians Regulations, including changes in labeling
- Build the capacity of agricultural businesses to adapt to the Safe Food for Canadians Regulations with financial support for the use of advisory services
- Dedicate resources to the Canadian Food Inspection Agency and Canada Border Services Agency to conduct rigorous inspections of imported products, ensuring they have met the same regulations and production standards as Canadian producers

Infrastructure

- Provide funding for rural infrastructure services including water, sewage, hydro, internet and natural gas

Background

Financial Protection for Produce Sellers

Canada's fruit and vegetable sellers have no financial protection from losses as a result of insolvent buyers. In short: because fresh produce is perishable and spoils quickly (unlike other commodities), and sellers cannot recover product from incomplete sales.

Current provisions of the Bankruptcy and Insolvency Act (BIA) do not provide a workable tool or mechanism for when buyers of produce become insolvent. This lack of financial protection results in tremendously high risk for Canadians selling fruits and vegetables, negatively impacting the sector's sustainability, decreasing investments in innovation, threatening job opportunities for the middle class, and limiting Canada's export potential. Implementation of a statutory deemed trust would significantly reduce supply chain disruptions and the vulnerability of small businesses and rural communities. It will also improve trade relations with our largest and most important trading partner, the United States.

- Draft legislation has been written by Ronald C.C. Cuming, an expert in Canada's bankruptcy laws, entitled the *Fresh Fruit and Vegetable Products Protection Act*
- The legislation would create assurance for Canadian fruit and vegetable farmers by giving them priority access to the buyer's cash, inventory and accounts receivable from an insolvent produce buyer to help offset losses associated with product delivered but not paid for
- The legislation would be administered by the Minister of Agriculture and Agri-Food as complimentary legislation to the Bankruptcy and Insolvency Act, but once enacted, the government would not have a direct role in the insolvency process, and would not carry any financial liability as a result of the legislation. The legislation does not require government to offset or backstop losses

Crop protection

CHC strongly urges the federal government to ensure PMRA is given substantial resources. PMRA is in need of additional funding to fulfill their mandate. Because of the long list of pesticides up for re-evaluation under tight deadlines, PMRA has been making hurried decisions, without looking closely at the impacts to growers, and without offering viable alternatives. In addition, the PMRA lacks enough real, Canadian data to make these decisions. Environmental data and Canadian pesticide use data are critical in order for regulators to make informed, scientific decisions. When combined, these factors have been catastrophic for growers across Canada and in some cases, have resulted in farm shut downs/closures.

A sufficient budget is critical for PMC to test and approve innovative new active ingredient products 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.

Labour

Without an adequate workforce to grow and harvest fruit and vegetables, 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) and/or the Agricultural (Ag) Stream of the Temporary Foreign Worker Program (TFWP) to address their labour needs.

CHC urges the federal government to allocate funds to implement a Recognized Employer Program, which would 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 Recognized Employers during harvest seasons.

In order to become eligible to apply for Recognized 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.

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.

Fixed government budget envelopes for the national BRM programs over a prolonged period of time do not recognize inflation of production costs or the growing volatility of the risks that farmers face.

Program budgets need to provide for the ability to fix shortcomings that are leaving increasing gaps in coverage. Accordingly, a fundamental change to the approach to the BRM Program suite is necessary.

Taxation

CHC encourages the government to ensure any new policies maintain a stable business environment with tax relief that stimulates continued investment in 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.

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 2019, 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.

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, in particular, establishing financial protection for produce sellers, establishing a perimeter strategy, as well as crop protection and food safety harmonization.

Carbon Pollution Pricing

We are pleased that the government recognizes that farming is among the sectors that require targeted relief from the fuel charge – in particular because of the lack of alternative options available to them. The proposed carbon pollution pricing relief for farmers and greenhouse growers still has several pain-points, including inconsistency and lack of clarity in the farming definitions, and a lack of harmonization across the country.

Industry Standards

CHC requests the government of Canada dedicate resources to the cyclical 5-year review of the Canadian Organic Standards to ensure due process and oversight maintains the integrity, credibility and modernization of the Standard. The Standard is vital to provide agricultural producers access to organic markets, both domestic and export, and is essential to the development and monitoring of organic equivalency agreements, i.e. with important trading partners such as the United States, the European Union, and Japan.

The CHC strongly urges the federal government to ensure the CFIA and CBSA are provided with resources that will ensure the protection of Canada's plant resources. Adequate funding for import plant inspection services and CFIA domestic plant programs will contribute to the mitigation of the serious risks to the Canadian horticultural sector.

With the introduction of the Safe Food for Canadians Regulations, more resources must be dedicated to CFIA and CBSA to ensure that imported products are meeting Canada's rigorous food safety requirements.

Food Safety

The industry took a proactive approach in food safety by creating the government-recognized program known as CanadaGAP. Farmers have had to make financial investments to ensure their sites and work conditions comply with CanadaGAP requirements. With the federal government's new Safe Food for Canadians Regulations (SFCR) coming into force food safety requirements, including certifications and audits, will grow exponentially for the fresh fruit and vegetable industry.

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.