

May 4, 2021

EMAIL TO: AGRI@parl.gc.ca

Subject: Supporting Bill C-206, *An Act to amend the Greenhouse Gas Pollution Pricing Act (qualifying farming fuel)*

Dear Members of the Standing Committee on Agriculture and Agri-Food,

As you may know, the Canadian Federation of Independent Business (CFIB) is a non-profit, non-partisan business advocacy organization that brings the views of small business owners to all levels of government across Canada. CFIB represents over 95,000 small- and medium-sized enterprises (SMEs), including 6,000 farm and agri-business owners. As such, we are writing to encourage you to support Bill C-206, *An Act to amend the Greenhouse Gas Pollution Pricing Act (qualifying farming fuel)*.

COVID-19 has been difficult for small businesses across the country, including many in the agriculture sector. Remarkably, our food supply chain has adapted relatively well during this very challenging time and Canadians have recognized the importance of our safe and reliable food supply. Agriculture can and must play a key role in Canada's economic recovery, but a strong policy environment must be in place so the industry can perform to its potential.

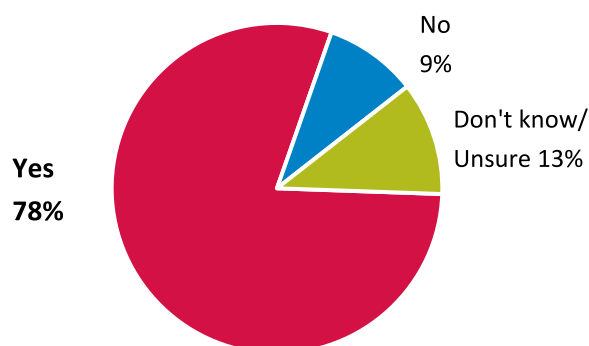
Bill C-206 is important because it provides a real and meaningful way to help farmers and protect our food supply in the immediate future. While the federal carbon tax currently exempts most gasoline and diesel fuels for on-farm use, we know farmers are facing huge cost increases on natural gas and propane. Certain exemptions already apply to greenhouses, but we believe that fully exempting all farm fuels makes the most sense. As you know, Bill C-206 would extend the exemption for qualifying farming fuel to include natural gas and propane used to dry grain and is an important first step in addressing the unfairness of the federal carbon tax on farmers.

Farmers already taking steps to protect the environment

We know that a majority of our farm members have already taken steps to protect the environment – their livelihoods depend on it. In fact, **78 per cent of farmers** have taken action in the last several years to lessen their environmental impact (see Figure 1). When analyzing the data by sectors, we found **85 per cent of the field crop and combination farm sector, 80 per cent in the fruit, vegetables, and horticultural sector, and 77 per cent in the livestock sector** have all taken action to lessen their farm's environmental impact.

Figure 1

Has your business taken action in the last several years to lessen its environmental impact?



Source: CFIB, National Energy and Environment Survey, Agriculture responses, Canada n=371, February 2020.

Many farmers say they have purchased newer and better equipment, adopted minimum tillage practices, used technology to maximize efficiency and reduce inputs, maintained and protected wildlife habitat, increased manure management, protected waterways, and recycled more farm material.

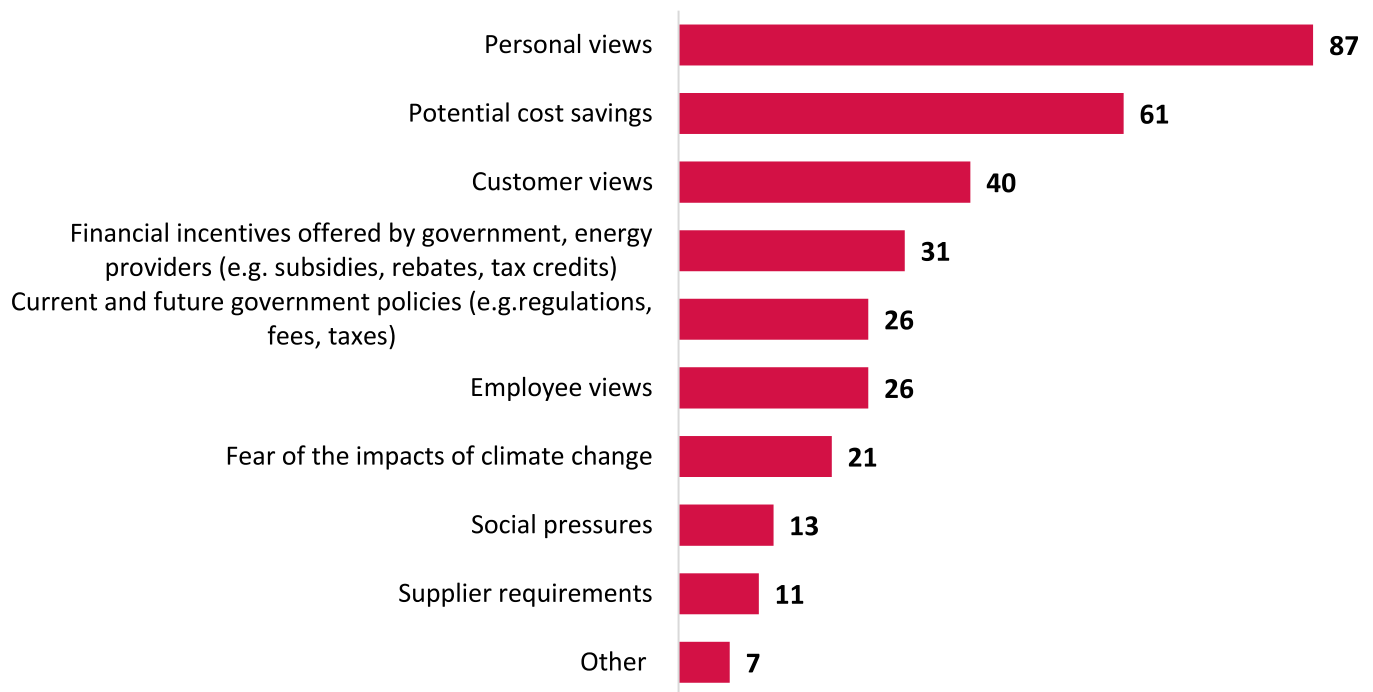
It is important that policy makers recognize this substantial progress in the agriculture sector and recognize the sector as part of the solution, not part of the problem. By imposing costly carbon taxes on the sector, this has stymied many farm businesses' viability, profitability, competitiveness, and ability to invest in new technology.

It is evident from CFIB's survey results and the hundreds of comments received from Canadian farmers in our ongoing surveys that they believe they have a strong responsibility to protect the environment. In fact, when asked what motivates their business to implement measures to improve environmental quality, **87 per cent of farmers said they are motivated by their own personal views** (see Figure 2).

Sixty-one per cent said they were motivated by potential cost savings and 40 per cent said they were motivated by their customers' views. Farmers are already leaders in taking action to protect the environment because of their own motivation to do so. A carbon tax is not a motivation for farmers to implement measures but may instead reduce their financial ability to make technological investments to reduce their emissions moving forward.

Figure 2

What motivates your business to implement measures to improve environmental quality? (% response)



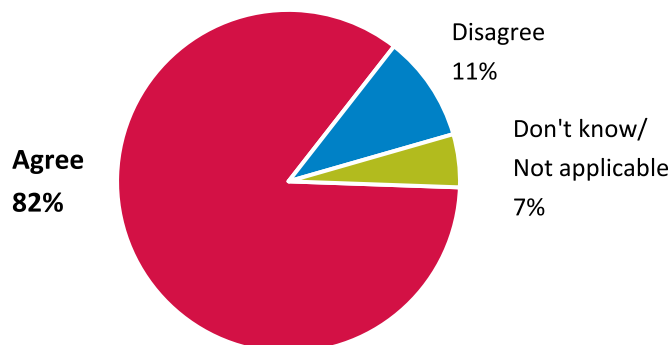
Source: CFIB, National Energy and Environment Survey, Agriculture responses, Canada n=285, February 2020.

Impact of the federal carbon tax on the agriculture sector has been negative

CFIB continues to hear from farmers in Ontario, Manitoba, Saskatchewan, and Alberta that the federal pricing backstop plan has already had a significant impact on their bottom line. When CFIB surveyed our farm members, **82 per cent of respondents agreed the federal carbon tax is negatively impacting their business** (see Figure 3). When analyzing the data by sector, **94 per cent of farmers in the field crop sector and 93 per cent in the livestock sector** have been most negatively impacted. CFIB believes a carbon tax on propane and natural gas to dry grain punishes businesses for utilizing a product for which there are **no practical alternatives**.

Figure 3

Please indicate whether you agree or disagree with the following statement regarding the federal carbon tax plan: The federal carbon tax is negatively impacting my business.



Source: CFIB, National Energy and Environment Survey, Agriculture responses from SK, MB, ON n=234, February 2020.

Farmers' bottom lines have been hit hard by the federal carbon tax. When asked to estimate how much their business expected to pay in federal carbon taxes in the first year it applied to them (April 1st, 2019 to March 31st, 2020), farmers on average paid an extra **\$13,978.70**. This amount includes carbon tax costs for natural gas, propane, fertilizer, and shipping costs. This is a huge cost burden and is further evidence of the negative impact of the federal carbon tax on farm businesses.

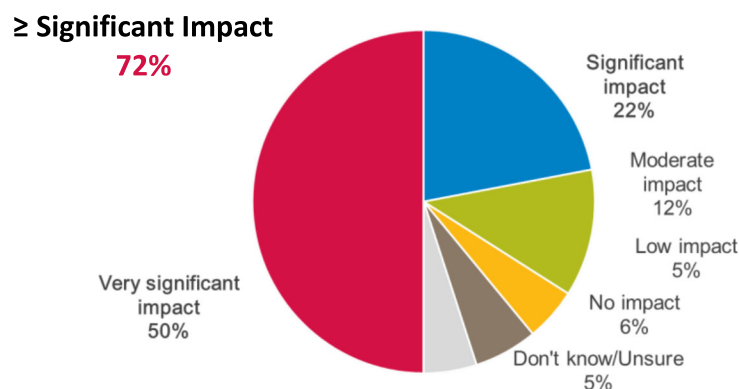
On average, farmers paid almost \$14,000 in federal carbon taxes at \$20 per tonne of CO₂e

It is important to note that these costs were incurred when the federal carbon tax was set at \$20 per tonne of CO₂e. As you know, the federal carbon tax is scheduled to rise to \$170 per tonne CO₂e by 2030; this amounts to an increase of more than 325 per cent from today, and a 750 per cent increase from when this data was collected.

Furthermore, it is clear that even incremental annual increases to the price on carbon emissions is worrying farmers. When the federal carbon tax was set to increase from \$30 to \$40 per tonne of CO₂e on April 1st, 2021, **almost three-quarters (72%) said it would have a significant impact on their agri-business** (see Figure 4).

Figure 4

The carbon tax is set to increase by over 30% from \$30/tonne to \$40/tonne starting April 1st, 2021. How much of an impact will this have on your business?



Source: Your Voice – January 2021: National Survey, Agriculture responses from AB, SK, MB, ON n=121.

It is fair to say that CFIB's farm members are deeply concerned what these costs will escalate to by 2030. This is why it is important to provide carbon tax relief now and why Bill C-206 is an urgently needed, positive first step in addressing this unfair burden on agriculture.

Farmers cannot pass the cost of the federal carbon tax on to their customers

According to CFIB survey results, 62 per cent of agri-businesses said they would be able to pass on less than one-quarter of the new costs to customers between April 1st, 2019 and March 31st, 2020. In fact, over half (53%) of farmers said they will have to eat the entire cost of the carbon tax. When analyzing the data by agri-business sector, **83 per cent in the field crop sector said they would be able to pass on less than ten per cent of the federal carbon tax costs to customers, with over 78 per cent eating the entire cost.**

As many in the sector are price takers, these additional costs will have a direct impact on their bottom line. Moreover, the ripple effect throughout the agriculture sector has ratcheted up indirect costs for farmers from the carbon tax applied to farm inputs and transportation services such as railways, transport/trucking providers.

As mentioned, these costs hamstring farmers' ability to compete, and paradoxically, invest in new technology to be even more efficient. We know farmers care about the environment and have already taken many steps to reduce their emissions and taken action to protect the environment. That is why government needs to immediately find ways to reduce the burden and unfairness of the carbon tax on farmers.

Recommendation and Conclusion

Agri-business owners need to compete on the world stage and strong policies are needed to ensure they are more competitive, nimble and productive. In the context of the pandemic, we must look for ways to help the agriculture sector perform to its potential and help lead Canada's economic recovery.

Therefore, CFIB urges all Members of Parliament to support Bill C-206. This legislation is a positive first step in addressing the unfairness of the carbon tax on the agriculture sector.

On behalf of the CFIB, we would like to thank you for your attention to this matter. If you have questions or if you would like to discuss the information provided, please feel free to contact us at Jasmin.Guenette@cfib.ca or Virginia.Labbie@cfib.ca or call our office at **613-235-2373 ext. 1201**.

Sincerely,



Jasmin Guénette
Vice-President, National Affairs



Virginia Labbie
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