



Written Submission for the Pre-Budget Consultations in Advance of the 2021 Budget

By the Agricultural Manufacturers of Canada

Submitted by:
Donna Boyd, President
Agricultural Manufacturers of Canada (AMC)
(204) 666-3518

List of Recommendations

Recommendation 1: That the government, recognizing the vital importance of expanded trade opportunities for an export-oriented economy such as Canada's, continue pursuing free-trade agreements and diversifying Canada's export markets.

Recommendation 2: Realizing that the carbon tax has required a substantial financial commitment by manufacturers to the goal of reducing GHG emissions, the federal government should reduce the negative impact on small and medium-sized businesses by improving rebates and available funding support for energy-efficient and emissions-reducing upgrades.

Recommendation 3: That the government expand and upgrade its workforce and skills training strategies to improve economic opportunities and growth during the post-COVID period.

Recommendation 4: That the government take steps to advance Canada's economic capabilities in the post-pandemic period by significantly expanding infrastructure projects.

Achieving balanced policies key to economic recovery post-COVID

The Agricultural Manufacturers of Canada (AMC), which represents 250 member companies, welcomes the opportunity to contribute to the House of Commons Finance Committee's 2021 pre-budget consultations at this crucial moment as the country prepares for recovery from COVID-19.

Our member companies, which have over the years earned a worldwide reputation for developing and exporting truly innovative farm machinery, are closely aligned with the federal government's goal of promoting economic growth by leveraging the country's ingenuity and expertise to greatly expand manufacturing and overseas sales.

Canadian-made agricultural equipment is among the highest quality and most sought-out in the world. AMC member companies export more than \$2.3 billion annually in agricultural implements to 154 countries. Although the U.S. accounts for 80% of these exports, other substantial markets include Australia, Russia, China, Chile, Germany, Brazil and New Zealand.

During the COVID-19 crisis, AMC members have worked hard to keep their operations viable and retain employees, and many of our members were able to obtain financial assistance through the government's COVID-19 support programs. We very much appreciate this help during this difficult period.

Facing up to tough challenges is bred into our member companies. Over the decades, they excelled by using their experience and ingenuity to devise cutting-edge agricultural equipment that met the unique needs of local farmers given the harsh climate and growing conditions of the region. Today, as Canadians begin to develop a blueprint for renewed and improved economic achievements in the post-COVID period, AMC's members are focused on moving ahead to promote productivity, competitive development and global sales opportunities.

But we are currently facing an unpredictable post-COVID economic climate, very uncertain global trade patterns and the need to adjust our manufacturing operations to make a contribution to addressing environmental issues. Given the importance of doing everything possible to strengthen and expand Canada's innovative economic capacity as we recover and rebuild from the pandemic, we believe it is imperative for the federal government to carefully lay out a set of productive, balanced policies that will help manufacturers redouble their efforts to achieve long-term, sustainable economic growth—both for the domestic and export markets.

Recommendation 1: That the government, recognizing the vital importance of expanded trade opportunities for an export-oriented economy such as Canada's, continue pursuing free-trade agreements and diversifying Canada's export markets.

Access to export markets remains an utmost priority to a trade-oriented country like Canada. But unfortunately, the decades-old multilateral movement to reduce trade barriers and expand regional tariff-free zones across the world economy has been slowed by mounting protectionism, tit-for-tat trade conflicts and geopolitical tensions.

From the point of view of Canada's producers, it is therefore of great importance for the federal government to do everything it can to navigate these shifting global trade currents successfully in order to maximize efforts to expand export opportunities and diversify markets by engaging in negotiated agreements to reduce reciprocal tariffs on the widest possible basis.

Doing so will be crucial to advance the federal government's key goal of increasing Canada's exports of agri-food and agricultural products to at least \$75 billion by 2025. As part of this effort, AMC manufacturers are in a strong position to leverage their favourable reputation and expand sales through enhanced access to markets in Europe, South America and parts of Asia.

Charting a Free-Trade Course in a Changing World

To allow us to take advantage of new opportunities, we encourage the government to ensure that Export Development Canada continues and expands its valuable role supporting Canadian companies seeking to break into new markets. For AMC's member companies, the support of EDC can make the difference between achieving a sale and being unable to complete the contract. In particular, we recommend that the government encourage EDC to continue to expand its services for exporters in emerging markets in South America, Central America and other developing regions.

With Canada-U.S.-Mexico agreement (CUSMA) coming into force, discrepancies between U.S. and Canadian copyright law have raised extremely urgent questions about the ability of Canada's specialized farm machinery manufacturers to compete or even stay in business in future. The Canadian government is seized with this shortcoming in our copyright provisions. But it must move urgently to address intellectual property rules in order to clear up the risk of our agricultural equipment manufacturers being completely sidelined and financially squeezed by the increasing use of proprietary tools by large original equipment manufacturers in the U.S. This is a life-and-death issue for AMC's entrepreneurs.

Recommendation 2: Realizing that the carbon tax has required a substantial financial commitment by manufacturers with the goal of reducing GHG emissions, the federal government should reduce the negative impact on small and medium-sized businesses by increasing rebates and available funding support for sustainable upgrades.

For farmers, machinery and equipment represent their second most important asset—after their land. For this reason, preserving the environment—managing and being stewards of the soil, water and air--has always been a part of their lives. In keeping with this responsibility, the agricultural sector is already taking significant steps to meet the objective of producing more with less while at the same time reducing pollution.

To help our farmers face the challenges of needed energy-efficient upgrades and the cost of the carbon tax, AMC recommends that the federal government increase its offsetting measures in order to further the twin goals of sustainable development and economic growth. Achieving this balance will be of great importance as Canadians strive to use their innovative production capabilities in the months and years ahead to drive the recovery from the pandemic.

In particular, we urge the federal government to improve the portion of carbon tax revenues being rebated to SMEs in provinces where the federal carbon tax regime applies. It is estimated that SMEs account for about half of carbon tax revenues but are receiving only a very small portion of the federal government's rebates. And the rationale for this allocation of carbon tax rebates—that businesses could pass on their added fuel costs to consumers—has not been borne out.

Expanding Incentives

Similarly, AMC believes the government, while having taken useful steps to encourage producers to upgrade their industrial processes and equipment in line with sustainability goals, needs to adjust its programs to expand the assistance being offered to a wider range of SME manufacturers. In particular, the proportion of funding covered by the federal government under the SME Project Stream of the Climate Action Incentive Fund needs to be increased from the current 25 per cent to make the program applicable to more small and medium-sized manufacturers looking to reduce energy use and emissions in their industrial processes.

With our members' contribution to jobs and the economy in mind, AMC also urges the federal government to conduct a very careful examination of the potential impact on manufacturers of the planned ban on single-use plastics with an eye to postponing and reshaping the initiative. We recognize plastic pollution is an international problem. But to limit potential negative economic impact in Canada, the government needs to consult widely on what products should be covered, the timeframe for businesses to adapt and the costs related to packaging changes, including costs from the proposed rules requiring businesses to pay for recovery of plastics once used. For manufacturers who routinely ship products abroad wrapped in plastic, the ban on single-use plastics could if applied too broadly be very damaging, causing unsupportable business losses.

In the same vein, we recommend that the federal government ensure that its proposed Clean Fuel Standard be phased in so as to not impose an additional burden on manufacturers as they struggle to rebound and keep their businesses solvent in the aftermath of COVID-19.

AMC appreciates the tax and other incentives introduced by the federal government to assist manufacturers investing in advanced, more efficient and emissions-reducing industrial operations. But given the significant impact on revenues of the decline in business resulting from the pandemic, we recommend the government take steps to accelerate Canadian manufacturers' adoption of more energy-efficient equipment by bringing in additional incentives.

We recommend extending the Capital Cost Allowance (CCA) deduction on manufacturing equipment to include equipment that will come into use after 2023 and expanding the CCA to include a full, immediate deduction for technology investments by manufacturers.

Incentives for Energy-Efficient Innovation

We believe doing so would complement and strengthen government programs aimed at giving manufacturers the head start they need to help create a post-COVID rebound based on productivity and a cleaner, more sustainable business model.

Recommendation 3: That the government expand and upgrade its workforce and skills training strategies to improve economic opportunities and growth during the post-COVID period.

In the recovery period, we recommend that the government expand and improve its workforce development programs such as the Canadian Training Benefit and its apprenticeship programs promoting skilled trades as a first-choice career. Making gains in this area will require federal government leadership on a combination of measures and initiatives focusing on co-op training, engagement with post-secondary institutions and possible incentives to foster “workforce mobility” and encourage young people to seek careers in agricultural manufacturing. We recommend the government establish a government-business task force to develop a strategy to promote training, labour mobility and job security in our sector.

Recommendation 4: That the government take steps to advance Canada’s economic capabilities in the post-pandemic period by significantly expanding infrastructure projects.

The federal government’s support for renewing and expanding infrastructure is a very important tool for strengthening economic activity — both domestically and for exports. In the recovery, AMC believes the government should devote significantly more funding for a wide range of infrastructure projects on a multi-year basis to reduce bottlenecks and other disincentives to business. Looking ahead, it is clear the government needs to do everything possible to provide financing for better highways, rail facilities and ports. Besides providing jobs and regional and local economic benefits during construction, better infrastructure is the key to long-term expansion of production, more sales and the competitive development of export markets.

A Time for Balanced Approaches

AMC appreciates the opportunity to take part in the federal government’s 2021 pre-budget consultations. The past year has seen enormous changes. Global relationships are being questioned and reshaped. Canada has signed an historic Canada-U.S.-Mexico pact with profound implications for Canadian producers in certain sectors. And the pandemic has shifted our economic realities. As far as SMEs are concerned, an estimated 160,000 may go under because of the pandemic. For these reasons and with Budget 2021 in mind, AMC urges the federal government to take this opportunity to fully re-examine and recast its plans and goals to ensure a balanced economic/trade/environmental approach that can make the difference between success and failure as Canadians bounce back from COVID-19.