

Submission to the Standing Committee on Finance

Pre-Budget Consultations in Advance of the 2021 Federal Budget

August 6, 2020

Recommendations

- **Recommendation 1:** That Budget 2021 include a plan for incorporating a mandate for 5% minimum renewable content in diesel fuel within the framework of the Clean Fuel Standard.
- **Recommendation 2:** That the government adjust AgriStability coverage immediately to cover losses starting at 85 per cent of historical reference margins with no Reference Margin Limits, and that an industry-government technical working group that allows farm groups to actively participate in BRM data and impact analysis be convened.
- **Recommendation 3:** That the government provide leadership on World Trade Organization (WTO) reform to promote a rules-based, predictable trading environment.
- **Recommendation 4:** That the government prioritize regaining full access to China for Canadian canola seed.
- **Recommendation 5:** That the government work to address market access issues and diversify market opportunities for canola through additional regulatory support in the Asia-Pacific Region, launching free trade agreement negotiations with ASEAN, and expanding the CPTPP membership.
- **Recommendation 6:** That the government create an enabling regulatory framework for plant breeding innovation.
- **Recommendation 7:** That Budget 2021 include the Pest Management Regulatory Agency's (PMRA) request of funding for a Pan-Canadian Water Monitoring Program.
- **Recommendation 8:** That the government finalize its review of the Canadian Grain Commission and modernize the Canada Grains Act to ensure Canada's grain quality system aligns with the modern grain trading environment.
- **Recommendation 9:** Expediate efforts to bring affordable, reliable high-speed internet and mobile coverage to rural and remote communities.
- **Recommendation 10:** That the government make further long-term commitments to infrastructure improvements through the Western corridor that serves the Western Ports.

Dear Members of the Standing Committee on Finance,

CCGA represents 43,000 canola farmers from Ontario to British Columbia on national and international issues, policies and programs that impact their farm's success. CCGA is also an official administrator of the federal government's Advance Payments Program.

Developed in Canada, canola is a hallmark of Canadian science and innovation and a foundational crop on most Canadian grain farms. Today it is Canada's most widely seeded crop and is the largest farm cash receipt of any agricultural commodity, earning farmers over \$8.6 billion in 2019. Annually the canola sector provides \$26.7 billion to the economy and provides for 250,000 jobs. Exports drive canola's success – more than 90% of all canola grown in Canada is exported as seed, oil, or meal. Exports of canola were valued at \$9.3 billion in 2019.

Canola farmers face significant challenges. A difficult harvest and lower production in 2019, continued market disruption with China and various winter rail delays all put considerable pressure on farmers and the financial sustainability of their operations. In 2019, canola farmers saw a \$700 million decline in farm cash receipts from 2018 and continue to face price and market uncertainty.

Budget 2017 recognized the strong contribution of the agri-food sector to the Canadian economy and established an ambitious objective for the sector by setting a target of \$75 billion in agriculture and food exports by 2025. The canola sector is poised to be a contributor to that objective with its own ambitious target to increase canola production to 26 million metric tonnes by 2025. If realized this target could contribute an additional \$4.5 billion in export sales annually.

The following recommendations are measures where if taken, can help boost canola farmers contribution to Canada's economic recovery.

The Environment

Recommendation: That Budget 2021 include a plan for incorporating a mandate for 5% minimum renewable content in diesel fuel within the framework of the Clean Fuel Standard.

Canada's domestic biofuel market represents a key opportunity to diversify and stabilize the canola market. The upcoming Clean Fuel Standard (CFS) provides the mechanism to realize this potential.

Canadian canola is a high-quality biodiesel feedstock currently used in Canada, the US, and the EU. It has the potential to not only spur economic investment but to lower greenhouse gas emissions.

The CFS, which is currently under development, could triple the domestic demand for canola-based biofuels, providing much-needed market stability for farmers, incenting value-added investments, and making real and quantifiable contributions to GHG reductions.

To leverage this potential opportunity, the government must consider immediate improvements to the regulatory design of the CFS, including providing the necessary demand signal for biofuels by requiring all diesel fuel to contain a minimum 5% renewable content. The current standard mandates 2%.

If this requirement is instated in the CFS, increasing the renewable content to 5% of the diesel pool would conservatively use 1.3 million metric tonnes of Canadian canola and reduce GHG emissions by 3.5 million tonnes of CO₂ equivalent per year. This would represent new domestic demand for Canadian canola not subject to trade disruptions and roughly the size of the Japanese export market in size.

A clear and strong demand signal is critical. It is an opportune time to leverage this opportunity for biofuels to spur economic investment in Canada, with no cost to government.

Business Risk Management (BRM)

Recommendation: That the government adjust AgriStability coverage immediately to cover losses starting at 85 per cent of historical reference margins with no Reference Margin Limits, and that an industry-government technical working group that allows farm groups to actively participate in BRM data and impact analysis be convened.

Canola farmers need urgent action to improve the government's business risk management (BRM) programming. Family farms are facing unprecedented challenges and uncertainty due not only to the current pandemic but also ongoing international trade restrictions. Net farm incomes fell 45% in 2018 and in Manitoba and Saskatchewan net farm incomes again saw significant declines in 2019. In addition, farm debt levels continue to increase. Farmers rely on BRM programs to help manage the risks beyond their control. Immediate solutions and focused investments are required to improve programming and provide farmers with effective tools to manage increased volatility and uncertainty, that in turn, will support their ability to contribute to rural communities and economic growth.

AgriStability coverage needs to be adjusted to cover losses starting at 85 percent of historical reference margins with no Reference Margin Limits.

As we prepare for the next agricultural policy framework, CCGA looks forward to working with the government to ensure the risk management tools available to farmers are effective and reflect the risks of modern farming. With that, CCGA requests the establishment of an industry-government technical working group that allows farm groups to actively participate in BRM data and impact analysis.

Trade

Recommendation: That the government provide leadership on World Trade Organization (WTO) reform to promote a rules-based, predictable trading environment.

Farmers are well-positioned to provide safe, reliable canola supplies both domestically and to the world, but require a rules-based, predictable framework to grow our exports. Promoting this framework will be even more important to counter protectionist policies post COVID-19 as countries look to shore up their domestic economies. Trade is key to the world's economic recovery and modernization of the WTO is essential to ensure borders and supply chains remain open. CCGA appreciates the government's efforts in leading WTO reform through the Ottawa Group, and the Group's role in advancing potential ideas and solutions for consideration by the larger membership. We recommend this important work continue and be reflected in Budget 2021 as Canada works to recover economically from COVID-19.

Recommendation: That the government prioritize regaining full access to China for Canadian canola seed.

For the canola sector to achieve its full potential as an economic contributor, re-opening the China market must remain a government priority. China was our largest market for canola seed representing 40% of canola exports. It has been over a year since market restrictions were imposed, and farmers continue to struggle with market uncertainty and reduced prices. In 2019, canola seed exports to China were a third of 2018, leading to a 26% decrease in overall seed export value. The government needs to continue to be engaged on this file and seek reinstatement of full trade of canola seed.

Recommendation: That the government work to address market access issues and diversify market opportunities for canola through additional regulatory support in the Asia-Pacific Region, launching free trade agreement negotiations with ASEAN, and expanding the CPTPP membership.

The impact of the China market disruption for canola has highlighted the need to diversify our markets and to do so additional resources are required, particularly in the Asia-Pacific region, to help understand evolving regulatory requirements and to address market access issues. In addition, launching free trade agreement negotiations with the Association of South East Asian Nations (ASEAN) and/or an expansion of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) could generate new market opportunities and create a more predictable trading environment to help with Canada's economic recovery.

Access to Innovation

Recommendation: That the government create an enabling regulatory framework for plant breeding innovation.

New plant breeding techniques are important components to enabling the Canadian agriculture sector's growth, as identified by the 2018 report from the Economic Strategy Table, the 2018 Fall Economic Update and the 2019 Treasury Board Regulatory Roadmap. Plant breeding innovation has the potential to create new and better varieties for farmers, consumers and the environment. To ensure research and development remains in Canada an enabling regulatory system is required. As such, we encourage the ongoing dialogue between industry and AAFC, Health Canada, and the CFIA to streamline and improve Canada's Plants with Novel Traits regulations.

Pest Management Regulatory Agency

Recommendation: That Budget 2021 include the Pest Management Regulatory Agency's (PMRA) request of funding for a Pan-Canadian Water Monitoring Program.

The PMRA requires consistent, reliable, robust, impartial data in order to fulfill its mandate as a science-based regulatory agency. If government funding is absent for a Pan-Canadian Water Monitoring Program, housed within PMRA, that agency will be forced to rely on increasingly conservative modelling in arriving at its regulatory decisions for chemistries registered for use in Canada. This approach will threaten the competitiveness of agriculture, removing billions of dollars from our economy in lost profits and jobs. This could cause Canada to be perceived as a jurisdiction with increasingly high levels of regulatory uncertainty, disincentivizing registrants from commercializing chemistries in Canada. The funding requested for this program by PMRA will ensure that the Agency has the appropriate resources available to help fulfill its mandate as a science-based regulatory agency.

Canadian Grain Commission Review

Recommendation: That the government complete its review of the Canadian Grain Commission and modernize the Canada Grains Act to ensure Canada's grain quality system aligns with the modern grain trading environment.

It has been over 40 years since a major overhaul of the *Canada Grains Act* and wholesale review of Canadian Grain Commission (CGC) operations. The grains sector has substantially evolved, and it is widely recognized that changes are required to uphold the grain quality assurance system and to better align the CGC with the needs of the grain sector. The CGC plays a critical role in assuring Canadian grain quality while providing a series of important producer protections. The review and legislative changes provide the opportunity to define the "gold standard" for grain assurance, to enhance producer

protections and to create a responsive, nimble regulatory framework that aligns with a modern trading environment in a post-COVID-19 world.

Rural Broadband

Recommendation: That Budget 2021 include measures to expediate efforts to provide accessible, affordable, and reliable high-speed internet and mobile coverage to rural and remote communities.

CCGA supports Budget 2019's commitment of providing universal access to high-speed internet and enhancing mobile connectivity, particularly in rural and remote communities. More than ever, today's farmers depend on reliable telecommunications services to successfully and efficiently operate their farms.

According to the Canadian Radio-Television and Telecommunications Commission's (CRTC) Broadband Fund, only 40.8% of households in rural communities have access to broadband coverage of 50/10 Mbps, the federal government's benchmark for universal internet, and mobile LTE is not equivalent across Canada. Moreover, data released by the Canadian Internet Registration Authority (CIRA) reveals that in April 2020, rural download speeds were nearly 12 times slower than those enjoyed by urban Canadians.

This highlights the need for government to expedite access to universal internet and mobile coverage for rural communities, and ensure affordable, competitive options are put in place.

Transportation

Recommendation: That the government make further long-term commitments to infrastructure improvements through the Western corridor that serves the Western Ports.

With our dependence on exports, moving product to export position within Canada is key. We recognize this government's commitment to infrastructure improvements, including the suite of National Trade Corridor Fund projects supported in 2019 in the Port of Vancouver. Transportation corridors need considerable funding to be upgraded to handle not simply the goods of today but increased volumes of the future as Canada works to diversify its trade flows. We recommend the federal government make further, long-term commitments to infrastructure improvements that will help facilitate exports, especially through the Western corridor to supply the growing Asian markets. Infrastructure investments are key to ensuring Canada competitiveness. Canada's grain industry has already made significant investments in supply chain capacity to meet this growing demand – it is critical that infrastructure investments in railways, roads, and bridges continue.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dave Carey', with a long, sweeping horizontal stroke extending to the right.

Dave Carey
Vice President, Government and Industry Relations
Canadian Canola Growers Association