

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

Recommendations

Support in Response to the COVID-19 Pandemic's Impact on the Canadian Fresh Produce Sector

COVID-19 has created difficult circumstances for Canada's fruit and vegetable growers. Our sector is learning how to manage this crisis while ensuring that Canadians continue to have access to healthy and local fruits and vegetables. Growers have had to navigate the many challenges associated with the pandemic in what has otherwise been an already challenging season due to weather.

Some growers faced significant losses due to a lack of workforce. Many others have made significant investments to keep their workers safe, including setting up partitions, building new housing, renting house trailers to ensure proper distancing, and supplying personal protective equipment and sanitization products to their workers. Some have even had to temporarily shut down their operations and quarantine their workers.

To help support our members, CHC has put forth proposals to seek financial support for growers whose operations have been impacted by the COVID-19 pandemic:

- Improvements to the AgriStability program, including increasing the margin coverage to 85% and increasing coverage to 85%, as well as removing the AgriStability Reference Margin Limit (RML).
- Include COVID-19-related expenses as eligible costs under the AgriStability program.
- Creating a quarantine compensation model (in complement to existing BRM programs) in the event of an outbreak and subsequent loss of workforce or operational shutdown. Any claims paid under this program would be considered eligible income for the purpose of subsequent AgriStability calculations, and any incremental costs submitted to the federal *Mandatory Isolation Support for Temporary Foreign Workers Program* would be ineligible for compensation by this program. This event-specific coverage would be highly targeted at COVID-19-related farm losses and would complement the whole farm and less event-sensitive AgriStability mechanism.
- Recognizing that housing in group settings is likely to require significant changes and costly investments, growers will require on-going financial support in order to renovate existing buildings or build new ones.
- Now more than ever, with the real risk of bankruptcies throughout the food service and restaurant sectors, the Canadian produce industry requires financial protection through the creation of a statutory deemed trust.
- Provide additional resources to Employment and Social Development Canada, Service Canada, and Immigration, Refugees and Citizenship Canada to ensure that the timely flow of international farm workers and the ability to work with source countries on an ongoing basis.
- The fresh produce sector can be a significant contributor to Canada's economic recovery. To ensure that is able to meet its full potential, the federal government should increase resources beyond the current Canadian Agriculture Partnership by creating a separate fund to support innovation adoption in horticultural.

The COVID-19 pandemic has exposed cracks in Canada's food system. In order to ensure that our food system can manage ongoing challenges and ensure fairness and transparency in the marketplace, CHC recommends the following:

- The federal government direct the Competition Bureau to launch an investigation into the practices of Canada's food retailers and work with industry and provincial governments to moderate the conduct of Canada's food retailers. Implementing a retailer code of practice in Canada will help check the arbitrary imposition of fees by large grocery retailers, review all current fees, penalties, and after sale deductions, and protect Canada's agri-food sectors.
- The federal government commission a full independent review of the state of the food system in Canada as well as the impacts the pandemic has had on the food system. The government should also work to develop a strategy to ensure stability, risk management and fairness through Canada's food system – from farm to retail/food service.

The Canadian produce industry has weathered many challenges over the last several decades, but none have posed a greater threat or created more uncertainty than the current pandemic. Loss of workforce, market access interruptions, and the significant investments made to maintain worker safety threaten to push growers to the brink of bankruptcy. In order to maintain Canada's food sovereignty and allow for our growers to continue to provide Canadians with the fresh, safe and local produce they need, the government must make significant investments to support the sector through this crisis, that will most likely continue at least over the next growing season. Representing "Half Your Plate" in Canada, the fruit and vegetable sector is well suited to be a significant contributor to Canada's economic recovery with strategic investments from the federal government.

The following recommendations outline our ongoing requests to support our sector, beyond the immediate measures mentioned above to help mitigate the challenges posed by the pandemic. Recognizing that some are mentioned in both sections – this is because we see them as both urgently needed measures to help us weather and recover from the pandemic, as well as longer term needs. CHC has submitted background information on the below recommendations to the Clerk of the Committee in a separate document.

Financial Protection for Produce Sellers

- Implement enabling legislation to provide Canadian fruit and vegetable farmers with financial protection against insolvent buyers through the creation of a statutory deemed trust.

Labour

- Provide sufficient funds for Employment and Social Development Canada (ESDC), Service Canada and Immigration, Refugees and Citizenship Canada (IRCC) to improve service standards and processing times for work permits and visas under the Agriculture Stream of the Temporary Foreign Worker Program and the Seasonal Agricultural 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 loss trigger to 85% and increase coverage to 85%. The current 70% trigger and coverage level provides very limited protection to farms.
- Remove the AgriStability Reference Margin Limit (RML).
- Amend AgriStability rules to accept non-arm's length labour as an eligible expense, and that the maximum non-arm's length labour amount not exceed the industry average for arm's-length labour as a percentage of total expense.
- Implement the most promising recommendations made by National Producer Advisory Committee (NPAC) to improve AgriStability.
- Examine options for enhancing access to production insurance for those growers who do not currently have plans in place.

Crop Protection

- Provide essential funding for plant health agencies (Pest Management Regulatory Agency and Pest Management Centre) and their initiatives.
- Provide specific funding to the Pest Management Regulatory Agency (PMRA) to acquire data for regulatory improvements to support science-based decisions.
- Follow through on a previous commitment and provide immediate funding to the PMRA to administer a national water monitoring program for pesticide residues in order to provide critical and robust information for risk assessments and trend analysis. As the Canada Water Agency is developed, Environment and Climate Change Canada must work closely with AAFC and PMRA to meet the long-term needs of Canadian growers.
- Provide a sufficient budget to PMC to support new uses of crop protection products in order to strengthen the pest management tool box.

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.

Innovation

- Introduce a simplified tax credit for on-farm research, innovation, development and technology transfer and increase public investment in research and development by ensuring adequate five-year funding for the various support programs, including the AgriScience Program, the AgriInnovation Program and others, with budgets earmarked for horticultural businesses.

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.
- Put in place financial assistance that complements existing risk management programs to help farm businesses affected by new market risks, including the risk of trade disputes and biosecurity, so that the level of intervention of all available programs is comparable to what is offered to U.S. and European producers to maintain the competitiveness of the agricultural sector.

Energy and the Environment

Under the Greenhouse Gas Pollution Pricing regulations:

- 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.
- Increase the Canadian Agricultural Partnership (CAP) budget in order to develop an investment assistance program to obtain direct grants and technical assistance in horticulture for adaptation to climate change.

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 labelling.
- 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 and include rural agricultural infrastructure projects for eligibility under federal infrastructure programming.

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