



2022 Federal Pre-Budget Submission to the Standing
Committee on Finance
August 2021



List of Recommendations:

1. That the government increase financial support through the next Agriculture Policy Framework:

- a) Create a national direct payment program to compensate producers for environmentally beneficial practices.
- b) Develop a strategy to address geopolitical barriers to trade and competitors' trade supports.
- c) Enhance risk management responsiveness to supply chain and climate-related disruptions.

2. That the government leverage agriculture's full breadth of potential environmental benefits:

- a) Establish carbon pricing exemptions for necessary climate change mitigation activities.
- b) Implement an accessible, broad suite of agricultural offset protocols.
- c) Create additional ecological goods and services programming.

3. That the government invest in critical infrastructure needs:

- a) Strategically invest in two interconnected national initiatives, *One Health Canada* and *Growing Canada*, to modernize and upgrade labs, classrooms and research equipment that will be vital in training the future highly-skilled agri-food workforce.
- b) Lower the threshold for eligible projects in federal connectivity funding and allow bundling of multiple projects to ensure small service providers can access funding.
- c) Re-establish the CRTC's High-Cost Service Area fund.
- d) Establish basic minimum standards for service and rates.
- e) Maintain and grow the National Trade Corridor Fund (NTCF).
- f) Commit to a railway costing review to recalibrate the Maximum Revenue Entitlement (MRE).

1. Increase support for Canadian agriculture as a strategic economic and environmental solutions-provider through the Next Agriculture Policy Framework (NPF).

Federal budget 2022 must increase strategic investments funding in the NPF to support agriculture's expanded role as not only a producer of quality agri-food products that feed Canadians and the global marketplace, but also a provider of many public goods and services. Since the first agriculture policy framework (APF) nearly 20 years ago, the funding envelope for subsequent APFs has been stagnant, failing to keep pace with growth in the sector or even inflation. This represents a missed opportunity to leverage the full potential of a sector with immense economic potential and prominence as a strategic environmental sector in Canada's fight against climate change. These new policy demands place increased costs, expectations and burdens on the shoulders of producers, constraining investment into on-farm innovation and failing to capitalize on the unique opportunity facing Canadian agriculture due to Canada's large natural capital endowment, innovative producers focused on continuous environmental improvement, and the consistently increasing international demand for high-quality and sustainable food products.

This additional investment portfolio should be focused on emerging priorities, specifically:

- a) **A new agri-environmental strategic investment program** to compensate producers for meeting environmental requirements or implementing environmentally beneficial practices. This program would provide annual direct payments to producers that can demonstrate compliance with regionally-appropriate environmental requirements. Payment levels should be in line with the amounts paid, on average, to producers in the US and EU for ecological goods and services, where support falls between 1 and 3% of the value of agricultural production.
- b) **A plan to address geopolitical barriers to trade and competitors' trade supports**, enabling targeted programming responses through a structured framework prioritizing:
 - Anticipatory responses to trade barriers;
 - Regulatory alignment;
 - International competitiveness supports; and
 - Programs that respond to trade risk.
- c) **Risk management programming with clear triggers to respond to the extraordinary costs and losses associated with supply chain disruptions and climate change.** The AgriRecovery program, a framework to respond to catastrophic situations, lacks clear and time-sensitive triggers needed to provide certainty to producers in the face of increasingly frequent extreme weather events like the current drought conditions across the country. COVID-19 also demonstrated AgriRecovery's inability to respond to the costs borne by producers facing disruptions to supply chains and/or labour, including depopulation events. A new approach to catastrophic risk management programming is needed to address these emerging, increasingly frequent challenges.

2. Leverage agriculture's environmental benefits

Canadian farmers are in a difficult position – they are the first to experience the costs and consequences of climate change while simultaneously held accountable as providers of public ecological goods and services (EG&S) due to their role as stewards of 7% of Canada's land base. While producers have a unique opportunity to influence and benefit from climate change solutions, they need policies and programs that mitigate climate-change related costs and support the significant investments required to leverage the sector's full potential as a solutions-provider without undermining competitiveness domestically and in international markets. Federal Budget 2022 has the potential to make the following critical interventions, untapping agriculture's full environmental potential:

- a) **Establish carbon pricing exemptions for climate change mitigation activities** while funding incentives for retrofit programming and research into advancing scalable fuel alternatives where none are available. Examples of these activities include grain drying, irrigation, greenhouse heating, and heating & cooling of livestock barns. Fuel used for these activities is driven-up by mitigating climate impacts such as increased autumn rainfall, drought and extreme temperatures.
- b) **Maximize access to emission reduction credits** by developing the broader suite of farming protocols currently under consideration including protocols for Avoided Conversion of Grasslands, Livestock Manure Management, and Reduced Nitrogen Oxide Emissions from Agriculture Fertilizer.
- c) **Introduce additional ecological goods and services programming** beyond carbon sequestration and wetlands conservation, as announced in Budget 2021, focusing on issues such as soil erosion control and flood plain management. As noted in reference to the 2023 APF, enhanced support for EG&S is needed to keep Canadian agriculture competitive internationally, with programming needed to bridge to the roll-out of additional programming under the NPF.

3. Invest in critical infrastructure needs

Agri-food research and skills development

Canadian agriculture's sustainability and growth is predicated on the ability to leverage Canada's immense natural capital through human capital into an international leadership position for our agri-food industry. Canada's agri-food industry is primed to increase its already strong standing as a global leader in the sustainable and efficient production of diverse agri-food products. The 2022 Federal Budget presents a unique opportunity for a targeted investment in Canada's agri-food skills development and research infrastructure that will not only provide a foundation to respond to chronic labour shortages constraining Canadian agri-food's growth potential, but enhance the sector's long-term innovation capacity.

- a) Strategically invest in two interconnected national initiatives proposed by the Dean's Council of Agriculture, Food and Veterinary Medicine to untap this potential through modernizing and upgrading labs, classrooms and research equipment that will be vital in training the future highly-skilled agri-food workforce:**
- i. **One Health Canada Network** - is an integrated approach to facilitate environmental, animal, and human health linked by Canada's food processing industry. It addresses the emerging and re-emerging infectious diseases of livestock, wildlife, and zoonotic diseases of humans, which can significantly perturb the Canadian economy;
 - ii. **Growing Canada** – initiative meets environmental and economic challenges:
 - Innovative food and beverage processing and value-added product development.
 - Advanced sustainable farming.
 - Vertical farming and advanced controlled environment facilities.
 - Digital agriculture and agricultural automation.

These projects would amount to \$130 million per year over 5 years, funding numerous projects across multiple facilities across Canada, ensuring Canada's post-secondary institutions have the capital required to invest in modern technologies and train highly-qualified people with the skills needed to enter the marketplace career-ready.

Rural Connectivity

The investments required for on-farm adoption of innovations in sustainability and productivity are not the only constraints preventing their uptake. Many precision agricultural technologies are fundamentally data-driven and enabled by access to high-speed broadband internet. For many of the technologies emerging today, Canada's existing targets of universal connectivity at 50/10 Mbps for download/upload will be obsolete within the next 5 to 10 years.

While CFA is pleased to see billions of dollars made available for broadband deployment across Canada, farmers across Canada continue to face unreliable and insufficient broadband connectivity. Critical steps are needed to mobilize these investments and ensure they reach rural communities and agricultural businesses in timelines that keep pace with technological advancements:

- b) Lower the threshold for eligible projects in federal connectivity funding** to ensure small service providers can access funding. Enabling the bundling of multiple projects in a single application is a critical step in this regard, as small service providers are essential in getting connectivity and competition to remote, rural locations.

- c) **Re-establish a new CRTC High-Cost Service Area fund** ensuring that the formula allows for the creation of a sustainable business environment in rural areas. Current funding vehicles have proven difficult to access by smaller providers and communities and sustainable funding needs to be made available to those providers operating in high cost, low density regions.
- d) **Establish and guarantee basic minimum standards for service and rates** by reviewing and improving the consumer complaints process and establishing basic minimum standards for service and rates.

Trade & Transportation

Canada's opportunity to position itself as a global leader in sustainable agri-food production is intimately tied to the capacity to get products to market efficiently and reliably.

However, continued bottlenecks in Canada's transportation infrastructure leave vulnerabilities that increase costs and delays for producers, while threatening Canada's reputation as a reliable source for quality agri-food products to markets around the world.

- e) **Maintain and grow the National Trade Corridor Fund (NTCF), including infrastructure funding to ensure port facilities can accommodate an increase in agricultural rail freight.** Since its inception in the 2017 budget the NTCF has provided \$1.9 billion in funding leveraging \$3.9 billion in total investment with the approval of 89 projects. The 2021-2022 budget allocated another \$1.9 billion over 4 years to stimulate additional projects. The objective of the NTCF is to spur investment in Canada's transportation system to reduce barriers to trade and should be maintained over 4 years to ensure competitive export agricultural access to international markets.
- f) **Commit to a railway costing review to recalibrate the Maximum Revenue Entitlement (MRE).** The last railway costing review was done in 1994 and is still used in the calculation of the maximum revenue entitlement for the railways for grains and oilseeds exports. Canada's rail transportation network has made significant efficiency improvements since 1994 which must be reflected in the MRE calculation to ensure it reflects the realities of modern grain transportation and rates are reflective of current costs.