

AGRICULTURE AND FOOD BUDGET COALITION PROPOSED RECOMMENDATIONS FOR 2024

Introduction/Context

We know that Canadians are increasingly concerned with the rising costs of essentials, including food. Our sector has emerged from the global pandemic into a high inflation and high interest rate environment. At the same time, the pandemic, recent extreme weather events and other disruptions have demonstrated that government efforts across several departments can have a real impact on domestic and global food security.

Our sector needs flexibility and tools to weather the current financial and geopolitical climate and support the transition to a low carbon economy. The Government of Canada should leverage Budget 2024 to prioritize efforts to strengthen our food system and domestic and global food security by prioritizing the adoption of a whole-of-government approach to agriculture and food production and by making food production and access to food a federal priority.

Recommendations for Federal Budget 2024

Addressing rising costs of production

The cost of critical inputs such as fuel, fertilizer, feed, machinery, pesticides, land and labour have increased dramatically over the past few years, placing tremendous pressure on the agriculture and food supply chain. While demand for products remains high, many businesses today are more financially exposed than ever before. In fact, recent numbers from Statistics Canada have found that the Farm Input Price Index, which measures the change in the price of farm inputs faced by Canadian farmers, increased by 27.5% between 2019 and 2022.

In Budget 2024, the Government of Canada should prioritize food production, access to food, and the long-term sustainability of the Canadian agriculture and food sector by:

- Ensuring and maintaining interest free limits for advances under the Advance Payments Program are in line with today's cost of production to maintain the program's utility as a source of critical cash flow support, while also ensuring administrators can remain whole.

Working together to achieve Canada's sustainability goals

Canada's Sustainable Agriculture Strategy (SAS) is intended to improve environmental performance in the sector over the long-term, support farmers livelihoods and strengthen the business vitality of the Canadian agriculture industry. A necessary condition for the successful implementation of this Strategy is the recognition and commitment to a triple-bottom line definition of sustainability that includes delivering on economic prosperity, social well-being, and climate solutions through farming practices. It is crucial that the SAS establishes robust incentives for the adoption of beneficial management practices and that farmers continue to be involved in its development and implementation.

As a result, adequate funding is needed to support implementation of the SAS, driving a whole-of-government approach to invest in the whole-of-society benefits associated with the SAS. This funding

envelope must also build upon and support future agricultural policy frameworks. The SAS should leverage producer input, and the support of provinces and private sector initiatives as key facets of a holistic, pan-Canadian strategy.

In Budget 2024, the Government of Canada should prioritize food production, access to food, and the long-term sustainability of the Canadian agriculture and food sector by:

- Ensuring the launch of the Sustainable Agriculture Strategy supports all agricultural commodities and is accompanied with an ambitious funding envelope commensurate with the incentives, research, and knowledge transfer activities required to reflect the inter-related demands of environmental, economic, and social sustainability.
- Committing resources to early and ongoing collaboration with industry to ensure that government regulation, policy and programs effectively support the long-term economic, social and environmental sustainability of the Canadian agri-food sector, including through an enabling regulatory environment for new products and technologies and de-risking the adoption of beneficial management practices. These efforts must avoid unintended impacts to Canadian food security, and account for reasonable recognition of existing efforts to implement more sustainable practices along the supply chain.
- Increase funding for research and development initiatives aimed at advancing environmental sustainability that also supports production in farming practices and facilitates partnerships between academic institutions, industry stakeholders, and government to accelerate the development and adoption of sustainable technologies.
- Providing AAFC's Taskforce for International Engagement on Environmental Issues with the resources to support robust in-person participation at international fora on environmental and agricultural issues, including, but not limited to, the Conferences of the Parties on climate change and biodiversity.

Strengthening supply chain resiliency

The many supply chain challenges and disruptions of the past few years have shone a light on the serious potential impacts of such events on food availability in Canada. The National Supply Chain Strategy must be the starting point for more effective cross-governmental collaboration to address supply chain disruptions in the short-term, foster resiliency in the longer-term, and help ensure our products can continue to reach international markets and Canadian tables.

In Budget 2024, the Government of Canada should prioritize food production, access to food, and the long-term sustainability of the Canadian agriculture and food sector by:

- Prioritizing the implementation of the National Supply Chain Task Force report recommendations and ensure that the National Supply Chain Strategy reflects the needs of grain and perishable commodities and the movement of these essential products, including through:
 - investments in cold chain infrastructure,
 - the establishment of priority lanes at ports of entry,
 - maintaining the Maximum Revenue Entitlement for grains,

- increasing the radius for extended interswitching to 500km, making the current pilot permanent, and expanding it nationally to all provinces, and
- the implementation of a formalized process to allow the movement of food and essential goods in the event of emergency events or disruptions.

Ensuring responsive risk management programs

The environment within which farmers operate has changed dramatically over the past several years. Increasing incidence of extreme weather events are having a direct impact on Canadian producers on a scale not seen in generations. If we want producers across Canada to become effective partners in the fight against climate change, we need to ensure we have their backs when climate-related events destroy their harvest, crop and/or livelihood.

Unfortunately, key programs such as AgriRecovery are not as responsive as their equivalents in the United States such as the United States Department of Agriculture's Disaster Assistance Programs, and farmers do not know what level of compensation they can expect to receive or when they will receive it, putting Canadian farmers at a competitive disadvantage. AgriStability also is not as responsive as it should be for many commodities and suffers from a low participation rate.

Recognizing that Canada's suite of business risk management programs are jointly funded and administered by the provinces and territories, as well as the federal government, it is critical that farmers are also engaged in discussions around program renewal before the next five-year FPT policy framework is developed, to ensure these critical programs are responsive to the changing risk profile of the sector and to avoid creating unintended negative impacts to programs that are working well.

In Budget 2024, the Government of Canada should prioritize food production, access to food, and the long-term sustainability of the Canadian agriculture and food sector by:

- Providing additional financial support to improve resilience against extreme natural disasters and working closely with producers and their associations to begin the revision of risk management programs, particularly AgriRecovery and AgriStability, to ensure that they are more timely, responsive, and predictable in the face of increasing disaster-related events caused by climate change.

Supporting our competitiveness and reducing regulatory burden

Our sector supports the government's ongoing regulatory modernization efforts, but more work is needed to ensure these efforts reflect the unique needs of the agriculture and food supply chain. A collaborative approach to find workable solutions for industry and government is essential to our success.

In Budget 2024, the Government of Canada should prioritize food production, access to food, and the long-term sustainability of the Canadian agriculture and food sector by:

- Implementing a competitiveness lens to regulation-making and review, and commit to the cross-department deployment of resources, such as the Treasury Board's Competitiveness Assessment Tool and AAFC's Journey Mapping toolkit, to foster better government understanding of the impacts of proposed policy and regulations, consider cumulative regulatory burden, and ensure

that one department's regulations do not hinder industry's ability to be compliant with another department's regulations or meet government targets.

- Permanently increasing the base funding for PMRA to support a robust science-based regulatory system, including water monitoring data collection activities, and increasing funding for the Pest Management Centre to facilitate the evaluation and approval of new pest management solutions.
- Finalizing the Canadian Food Inspection Agency's feed guidance on plant breeding innovation and establishing a regulatory pathway for gene-edited products.
- Advancing Bill C-359, *An Act to amend the Feeds Act, the Seeds Act and the Pest Control Products Act (provisional registration and approval)*, through Government legislation to ensure farmers have timely access to crop inputs such as feed, seed and products for use in pest management.

Implementing an effective National Workforce Strategy

By 2033, 40% of Canadian farm operators will retire, leaving a shortfall of 24,000 general farm, nursery, and greenhouse workers (RBC, 2023). Industry stakeholders have come together to meet this challenge through the development of the National Workforce Strategy for Agriculture and Food and Beverage Manufacturing. This strategy looks to increase the immediate supply of labour while generating interest in careers in Canadian agriculture through education, training and skills development.

In Budget 2024, the Government of Canada should prioritize food production, access to food, and the long-term sustainability of the Canadian agriculture and food sector by:

- Providing the necessary resources to establish a Secretariat that will support implementation of the National Workforce Strategy for Agriculture and Food and Beverage Manufacturing.

Facilitating farm succession and supporting young farmers

In 2021, the median age of farm operators in Canada rose to 58 years, a two-year increase from 2016 and significantly higher than the national median age of 41.6 years (RBC, 2023). The high cost of land and increasing farm debt pose significant barriers to new entrants struggling to break into the agriculture sector in Canada.

In Federal Budget 2024, the Government of Canada should prioritize food production, access to food, and the long-term sustainability of the Canadian agriculture and food sector by:

- Adjusting the Lifetime Capital Gains Exemption to reflect inflation in farmland values and other capital costs.
- Build on the Budget 2023 legislative amendments to the Income Tax Act which expanded the definition of a "child" to also allow sibling shareholders to pass a non-controlling share of their ownership to the next generation.

The Canadian agri-food sector plays a crucial role in sustaining our rural communities, as stewards of our natural environment and in meeting our national and international food security needs. These recommendations are aimed at ensuring the sector has the flexibility and tools they need to weather the current financial climate and support the transition to a carbon neutral economy.

