

Canadian Canola Growers Association

Submission to Finance Canada
Pre-Budget Consultations in Advance of the 2022 Federal Budget

February 25, 2022

Recommendations

- **Recommendation 1:** Enable a growing biofuel industry in Canada by incentivizing the use of Canadian feedstock through a streamlined compliance process and accurate Lifecycle Assessment Model (LCA) in the Clean Fuel Standard.
- **Recommendation 2:** Enable enhanced sustainable canola production within the Emissions Reduction Plan by working with farmers to reduce emissions while improving yield.
- **Recommendation 3:** Invest further in Business Risk Management Programs (BRM) and work closely with industry to ensure the programs in the BRM suite provide effective, timely and predictable risk management options for farmers.
- **Recommendation 4:** Prioritize regaining full access to China for Canadian canola seed.
- **Recommendation 5:** Champion free and rules-based trade in bilateral and multilateral engagements and through the modernization of the World Trade Organization.
- **Recommendation 6:** Strengthen Canada's capacity to monitor and mobilize resources to fully implement and capitalize on existing trade agreements for Canadian agriculture starting with the Comprehensive and Economic Trade Agreement with the European Union.
- **Recommendation 7:** Create an Indo-Pacific Diversification Office that has the capacity and the mandate to proactively prevent and resolve market access issues in Asia.
- **Recommendation 8:** Create an enabling regulatory framework for plant breeding innovation.
- **Recommendation 9:** Budget 2022 includes funding for a permanent Pan-Canadian Water Monitoring Program housed within the Pest Management Regulatory Agency (PMRA). Work conducted by the PMRA must uphold a risk and science-based approach.
- **Recommendation 10:** Develop a blueprint to modernize the *Canada Grain Act* and Canadian Grain Commission to ensure Canada's grain quality system aligns with the modern grain trading environment.
- **Recommendation 11:** Expediate efforts to bring affordable, reliable high-speed internet and mobile coverage to rural and remote communities.
- **Recommendation 12:** Make further long-term commitments to infrastructure improvements through the Western corridor that serves the Western Ports.

Canadian Canola Growers Association (CCGA) appreciates the opportunity to participate in the Government of Canada's 2022 pre-budget consultation. 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 Agriculture and Agri-Food Canada'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. It is Canada's most widely seeded crop and is the largest farm cash receipt of any agricultural commodity, earning Canadian farmers over \$10.2 billion in 2020. Annually the canola sector provides \$29.9 billion to the Canadian economy and provides for 207,000 full time Canadian 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 \$13.7 billion in 2021.

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 sustainably 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 2020 Industry Strategy Council Report reiterated agriculture's potential recommending Canada leverage its agri-food advantage to feed the planet. Meeting this global demand also requires sustainable production. The Canadian canola industry has set bold sustainability targets for 2025 to improve energy and land efficiency, sequester more carbon, improve soil and water health, and protect biodiversity.

To allow farmers to contribute fully to achieving these export, production, and sustainability targets, the government must utilize opportunities that will enable growth in the sector. The following recommendations are measures where if taken, can help boost canola farmers contribution to Canada's economy, and further enable sustainable production.

The Environment

Recommendation 1: *Enable a growing biofuel industry in Canada by incentivizing the use of Canadian feedstock through a streamlined compliance process and accurate Lifecycle Assessment (LCA) model in the Clean Fuel Standard.*

Canadian canola is used as a high-quality biofuel feedstock in Canada, the United States, and the European Union. The Government's soon to be published final Clean Fuel Regulation (CFR) has the potential to increase domestic demand for Canadian canola as a biofuel feedstock, creating a sizable new market and lessening our reliance on exports, while contributing to Canada's clean energy targets. Canola-based biofuel emits up to 90 per cent less greenhouse gas emissions than fossil fuel.

For Canadian canola to be utilized to its fullest potential in the Clean Fuel Regulation, compliance requirements for verification and certification of domestically harvested biofuel feedstock (such as canola) should be streamlined, data-driven and recognize Canadian farmer's sustainable land use practices and the bulk handling

system that is the canola supply chain, without the need for individual farm documentation and reporting. Canola's low carbon advantage must also be reflected in Environment and Climate Change Canada's new Life Cycle Assessment (LCA) model. The structure of the CFR will require business decisions to be based on the LCA tool as it effectively determines the currency (i.e. compliance credits) of the regulation. Any modeling uncertainty, mistakes and biases will directly impact the value of these credits, which influences investment decisions and stand to carry unintended consequences for feedstock providers, fuel producers, and end users.

Recommendation 2: *Enable enhanced sustainable canola production within the Emissions Reduction Plan by working with farmers to reduce emissions while improving yield.*

Canola is a climate solutions provider and accounts for approximately 70% of all carbon sequestered by Canadian field crops. In addition to these innate benefits, farmers also have an interest in stewarding the land well-their farms and future farm generations depend on them. The government's upcoming Emission Reduction Plan must reflect the work canola farmers are doing to reduce emissions and protect our environment, and recognize the critical elements needed to grow an abundant canola crop on minimal land.

After moisture, nitrogen is the most important determinant of yield for canola and is an essential input if we are to meet growing global demand and the industry's production goals of 52 bushels per acre and 26 million tonnes. The Emissions Reduction Plan therefore should focus exclusively on emissions reduction, not the use of nitrogen. 4R nutrient stewardship practices can play a key role in reducing nitrogen emissions and government should be focused on incentivizing farmers to invest in the technology needed to adopt 4R plans and supporting research into emission-reducing innovations.

Additionally, as farmers and the industry look towards its own sustainability goals and the government's commitments, a common understanding of data gaps, requirements, metrics, and methodologies are needed to work collaboratively and efficiently to support meaningful emissions reductions efforts. CCGA also looks forward to engaging with government on the development of agriculture offset protocols.

Business Risk Management (BRM)

Recommendation 3: *Invest further in Business Risk Management Programs (BRM) and work closely with industry to ensure the programs in the BRM suite provide effective, timely and predictable risk management options for farmers.*

Canola farmers need improvements to the government's business risk management (BRM) programming. Family farms face increased risk in international markets, volatile commodity prices, and increasing input costs and debt that point to the greater need for effective safety net programs to be in place. Immediate solutions and focused investments are required to improve programming and provide farmers with effective tools to manage this increased volatility and uncertainty, that in turn, will support their ability to maintain and invest in their farm operation and contribute to rural communities and economic growth.

One program in particular under the suite of business risk management programming, AgriStability, requires immediate improvements. At the time of writing, AgriStability coverage remains at 70% of historical reference margins. The program has a minimal participation rate and is not responsive to farmers' needs.

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 for the long-term. 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. Adequately funding and fixing business risk management programs will help farmers remain competitive, and have the confidence to invest in their operations, which is a critical component for the growth and sustainability of our sector.

Trade

Recommendation 4: *Prioritize regaining full access to China for Canadian canola seed.*

Market restrictions limiting canola seed exports to China remain in place. China is the largest importer of oilseeds globally, and one of Canada's largest canola markets. Resolving ongoing market access issues is critical to our industry's competitiveness and growth potential ultimately impacting our economic and job contribution. China's purchases of canola seed in 2021 remained 50% below those in 2018 – the year before restrictions were enacted in March 2019. We recognize the complexities of the Canada-China relationship, but a stable economic and trade relationship is important across Canada's agriculture sector and larger export community.

Recommendation 5: *Champion free and rules-based trade in bilateral and multilateral engagements and through the modernization of the World Trade Organization.*

Above all, Canada must be a champion for free and rules-based trade. As one of the largest agriculture producers and exporters globally, open and rules-based trade is central to Canadian agriculture whether multilaterally or bilaterally. Canola trade thrives on the resulting predictability and certainty, and market access barriers only increase risk and hinder our competitiveness.

The Government's leadership through the Ottawa Group promoting the importance of trade, avoiding trade distorting measures, and working on improvements to WTO disciplines are appreciated. Advancing agriculture negotiations and resolving the impasse at the Appellate Body are priorities. As the world recovers from the pandemic, a functioning WTO and strong rules of trade will become even more important. Our multilateral trading system should be central to our economic recovery as it offers an inclusive trade policy tool to prevent protectionist policies and to ensure an enabling framework to grow Canadian agriculture exports.

Additionally, Canada has negotiated free trade agreements (FTAs) with two-thirds of the world's economy including canola's major markets. To further grow and diversify our exports, Canada should seek new agreements in the Indo-Pacific while capitalizing on its existing ones. CCGA welcomed the launch of free trade negotiations with the Association of South-East Asian Nations (ASEAN) and Indonesia, and we look forward to talks beginning.

Recommendation 6: *Strengthen Canada's capacity to monitor and mobilize resources to fully implement and capitalize on existing trade agreements for Canadian agriculture starting with the Comprehensive and Economic Trade Agreement (CETA) with the European Union.*

It is one thing to sign free trade agreements; it is another to ensure they are implemented as intended and the spirit of negotiated outcomes is respected. The canola industry supports strengthened capacity to monitor implementation and to ensure Canada fully leverages its existing free trade agreements and delivers on potential economic benefits. There is an opportunity to drive better results, but we need to focus on what happens after agreements are signed. While Canada's CETA with the European Union eliminated tariffs, market and innovation barriers persist creating export risk and jeopardizing access. September 2021 marked its fourth anniversary, and strong political leadership is still required to address multiple challenges.

Recommendation 7: *Create an Indo-Pacific Diversification Office that has the capacity and the mandate to proactively prevent and resolve market access issues in Asia.*

To further grow and diversify our exports, additional trade capacity is required to proactively prevent and resolve market access issues. As the Government develops its Indo-Pacific strategy and considers its diplomatic footprint, the canola industry is asking government to establish an Indo-Pacific Diversification Office in the region. The office would have the capacity and expertise to address agriculture policy, regulatory and/or technical issues in a strategic and coordinated matter. Sixty per cent of the global population resides in Asia, and an increasing disposable income and changing food requirements makes canola an attractive option with opportunities for seed, oil, and meal. Unfortunately, our exporters face several market access challenges and rapidly, often opaque, evolving requirements creating significant export risk. This Office could better ensure Canada is on top of developing trends and build professional contacts in the region to facilitate communication and problem-solving. Additionally, with more specialized engagement, the Office could support improved use of international standards and agreements.

Access to Innovation

Recommendation 8: *Create an enabling regulatory framework for plant breeding innovation.*

Supporting advances in 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 Agri-Food and Aquaculture Regulatory Roadmap. Plant breeding innovation has the potential to create new and better varieties for farmers, consumers and the environment alike. Plant breeding innovation is important to farmers' contribution to Canada's climate change commitments allowing for better yields, resiliency to extreme weather events, and more efficient use and fewer external resources. To ensure research and development remains in Canada and to maintain farmers' competitiveness, an enabling regulatory system is required. As such, we encourage Health Canada and the Canadian Food Inspection Agency to streamline its Plants with Novel Traits guidance and to institute a predictable, risk-based regulatory pathway.

Pest Management Regulatory Agency

Recommendation 9: *Budget 2022 includes funding for a permanent Pan-Canadian Water Monitoring Program housed within the Pest Management Regulatory Agency (PMRA). Work conducted by the PMRA must uphold a risk and science-based approach.*

The PMRA requires consistent, reliable, robust, impartial data in order to fulfill its mandate as a science-based regulatory agency. CCGA appreciates recently announced funding for PMRA to increase data collection for water monitoring, however permanent funding is required to ensure that the Agency has the appropriate resources available to help fulfill its mandate as a science-based regulatory agency.

If permanent 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 to regulatory reviews will threaten the competitiveness of industries like 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.

On August 4, 2021, the Ministers of Health, Agriculture and Agri-Food, and Environment and Climate Change announced three actions related to the PMRA: a pause on increases to maximum residue limits (MRLs) for pesticides, the creation of a Science Advisory Council, and a targeted review of the *Pest Control Products Act* to increase transparency. CCGA calls on the government to immediately lift the pause as it jeopardizes Canada's ability to advocate for the adoption of science based MRLs in export markets, including Europe and China, as well as adoption of Codex standards. The Committee could add value if advice is strictly limited to matters that the PMRA determines as areas of scientific uncertainty, or can't be answered within the Agency, and the scope is clearly defined. It is essential that Canada maintains a risk and science-based regulatory system to support both domestic activities and also our advocacy for rules-based trade and market access practices internationally.

Canadian Grain Commission Review

Recommendation 10: *Develop a blueprint to modernize the Canada Grain Act and Canadian Grain Commission 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 mandate letter for the Minister of Agriculture and Agri-food includes a commitment to "*continue to explore next steps to modernize the Canada Grain Act*" but not how to move forward. 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 11: *Expediate efforts to provide accessible, affordable, and reliable high-speed internet and mobile coverage to rural and remote communities.*

CCGA supports Canada's Connectivity Strategy's commitment of providing universal access to high-speed internet and enhancing mobile connectivity in Canada, particularly in rural and remote communities. More than ever, today's farmers depend on reliable telecommunications services to successfully and efficiently operate their farm. It is used to operate precision agriculture technologies in the growing season, maintain farm equipment for harvest, market crops, manage transportation logistics to get product shipped for processing and eventually export, and most importantly, to access emergency services when required.

According to the Canadian Radio-Television and Telecommunications Commission's (CRTC) Broadband Fund, only 45.6% 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 yet equivalent across Canada¹. Moreover, data released by the Canadian Internet Registration Authority (CIRA) in April 2021 showed that "since the pandemic started, rural speeds have been between one-fifth and one-tenth urban speeds."²

This highlights the need for government to continue to follow through on its commitment to expedite access to universal internet and mobile coverage for rural and remote communities, and ensure affordable, competitive options are put in place for these areas. Reliable, fast, and affordable internet and mobile coverage will play an important role in managing modern grain farm operations and adopting new technologies, which are critical to farmers' ability to stay competitive and sustainable in the global marketplace. Improvements to deployment requirements and the auction of spectrum licences are needed to help facilitate equitable access for rural and remote regions as 5G deployment is further enabled.

Transportation

Recommendation 12: *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 recently 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

¹ Broadband Fund: Closing the digital divide in Canada. Canadian Radio-Television and Telecommunications Commission. Accessed February 23, 2022: <https://crtc.gc.ca/eng/internet/internet.htm>

² Canada's Internet Equity Gap: Rural residents suffer with inferior service during pandemic. Canadian Internet Registration Authority. Accessed February 23, 2022: <https://www.cira.ca/newsroom/state-internet/canadas-internet-equity-gap-rural-residents-suffer-inferior-service-during>

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 for the opportunity to provide comments on Budget 2022. Canadian canola farmers are ready to contribute to growing a greener, more competitive, resilient Canada.

Sincerely,

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