The Canola Council of Canada and the Canadian Canola Growers Association are providing the following Submission for the Pre-Budget Consultations in Advance of the 2019 Budget

List of Recommendations towards enabling a competitive and innovative Canadian canola industry:

- **Recommendation 1:** That the government index the $50,000 adjusted aggregate investment income and exclude farm land rent from new passive income rules.
- **Recommendation 2:** That the government lower federal and provincial combined corporate tax rates from about 28 per cent to 20 per cent.
- **Recommendation 3:** That the government match the accelerated capital cost allowance provisions now in place in the United States through the *Tax Cuts and Jobs Act*, ensuring Canadian businesses remain competitive.
- **Recommendation 4:** That the government design and implement an output based pricing system that ensures Canada's competitiveness and is accessible and equitable for the entire canola industry.
- **Recommendation 5:** That the government pass the implementing Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) legislation as soon as possible.
- **Recommendation 6:** That the government make an agreement to create a more stable and predictable trading environment with China.
- **Recommendation 7:** That the government increase support toward preventing market access issues and address them when they occur, ensuring Canadian businesses remain competitive.
- **Recommendation 8:** That the government make further commitments to infrastructure improvements through the Western corridor.
- **Recommendation 9:** That the Pest Management Regulatory Agency (PMRA) be given the resources it needs to make robust science-based decisions, taking into account the implications on the competitiveness of the sector using the product.
- **Recommendation 10:** That Budget 2019 includes a plan for implementation of a carbon intensity-based clean fuel standard for liquid fuels by end of 2019.

August 2, 2018

Standing Committee on Finance
House of Commons
Ottawa, Ontario
K1A 0A6

Dear Members,

The Canadian Canola Growers Association and the Canola Council of Canada wish to take this opportunity to provide input to your preparations for Budget 2019. As an important part of Canada's agriculture sector, and a significant contributor to the Canadian economy, the canola industry is pleased to share its views on government policies and programs that can facilitate the success of this very Canadian industry sector.

The Canadian Canola Growers Association represents Canada's 43,000 farmers that grow canola. The Canola Council of Canada includes these farmers, along with seed developers, processors who turn canola seed into oil and meal and exporters. Canola is Canada's top agricultural commodity in terms of farm cash receipts, supporting 250,000 jobs across the country and generates $26.7 billion in GDP.

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 significant contributor to that objective with its own ambitious target to increase canola production to 26 million metric tonnes by 2025, therefore forecasting to contribute an additional $4.5 billion dollars in export sales annually. To allow industry to contribute fully to achieving this ambitious 2025 target, the government must adopt policies and regulations that provide flexibility for the sector to adapt quickly to the continually chaining business and trade environment. The recommendations below are designed to inform how the government could create the environment that will enable the canola sector to grow and be successful, therefore contributing to ensuring Canada's competitiveness.

Canadian Tax Environment

In July 2017, the Department of Finance proposed several changes to tax planning tools including limitations to holding passive investment within a corporation. The initial solutions created considerable concern and uncertainty for farmers. While many of their concerns were addressed in the final rules, announced in Budget 2018, we recommend indexing the $50,000 adjusted aggregate investment income and excluding farm land rent from passive income to further ensure farm businesses continue to innovate and invest in our economy.

With respect to value-added processing of canola, growth is a major component of our industry's strategic plan. Over the past decade, industry has invested over $2 billion in new and updated processing facilities, contributing to Canada's economic growth and job creation. The canola industry's goal is to increase processing from a current level of 9.2 million tonnes of canola to 14 million tonnes, requiring continued investment in new processing capacity.

Taxation levels are important considerations that influence competitiveness and investment decisions throughout the value chain. The recent changes to taxation policies in the United States will influence investment decisions and Canada's overall competitiveness. To attract and support investments for our industry in Canada, from farmers through to processors, we recommend the following specific changes to Canada's tax provisions in order to ensure Canada remains competitive:

I. **Lower federal and provincial combined corporate tax rates** from about 28 per cent to 20 per cent. The reduction should be evenly split between the two levels of government.

II. **Match the accelerated capital cost allowance provisions now in place in the United States through the *Tax Cuts and Jobs Act***, including giving businesses an immediate 100 per cent tax write-off on qualifying capital asset purchases.

It is also critical that the government's federal carbon pricing backstop under the "Pan-Canadian Framework on Clean Growth and Climate Change" includes measures that mitigate competitiveness risks for oilseed processing facilities. Canada's canola processors are energy intensive and reliant on trade, making carbon pricing a significant barrier to competitiveness. The output based pricing system (OBPS) proposed by the federal and provincial governments is an important policy that is intended to support the competitiveness of the value added processing sector, while also encouraging greenhouse gas emission reductions. We strongly encourage the federal government to design and implement an OBPS that ensures Canada's competitiveness and is accessible/equitable for the entire industry.

Trade

With 90% of canola grown in Canada being exported, open and stable trade is critical to the entire value chain. Canola exports were valued at over $11 billion in 2017. We are very pleased that Canada will be part of the Comprehensive and Progressive Trans Pacific Partnership and strongly encourage the government to pass the implementing legislation as soon as possible. This must be a top priority. The implementation of the CPTPP would create opportunities for the sector to increase canola exports by $780 million per year, due to expected tariff reductions, in particular on value-added oil, and opening of new markets. Increasing canola trade in the CPTPP region would help boost the canola value-added sector, opening possibilities for increasing the domestic processing capacity and creating new job opportunities for Canadians. Already, Canada's canola competitors, such as Australia, benefit from a privileged access to Japan. Canada must then make it a priority to have CPTPP ratified by the end of 2018 in order to ensure Canadian canola products remains attractive in the CPTPP markets and, more generally, participate to ensure Canada remains a competitive exporter.

Canada also needs to create a more stable and predictable trade environment with China. An agreement that sets in place strong rules of trade and disciplines will go a long way to ensure our second largest market remains open and allows for predictable growth, therefore ensuring Canada's competitiveness in this important market for the years to come. We are encouraged by the creation of the strategic economic dialogue with China and hope it will result in an agreement on how to create stability and predictability in our trading relationship with China.

Finally, in order for industry to take advantage of trade agreements, which involves maintaining current markets and pursuing new opportunities, market access issues must be addressed on a continued basis. As this is a role that only the government can play, it is essential that adequate resources be provided to ensure irritants are addressed in an effective and timely manner. We encourage increased support toward preventing market access issues to arise and address them when they occur in order to ensure Canada competitiveness internationally.

Transportation
With our dependence on exports, moving product to export position within Canada is key. Work of the government on modernizing the *Canada Transportation Act* has been welcome, and we look forward to the improvements this will bring. We also recognize this government's commitment to infrastructure improvements. 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 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, bridges continue.

Crop Production Inputs
Canadian farmers depend on the work of innovative companies to provide high quality seed and effective crop protection products. The value chain relies on Canada's regulatory system to ensure these products are safe for use and available in a timely and predictable manner. To this effect, it is crucial that the Pest Management Regulatory Agency (PMRA) be given the resources it needs to appropriately and efficiently make robust science-based decisions that lead to the safe and sustainable use of crop protection products in Canada. We also encourage the mandate of PMRA to be broadened to factor in the implications on the competitiveness of the sector using the product when preforming reviews and re-evaluations of product safety. In particular, we would recommend that PMRA takes into account the availability of comparative alternative products that our producers can use when re-evaluating a particular plant protect product. Such an approach would ensure that our farmers remain competitive and continue to provide high quality and safe products to Canadian and international consumers.

The expertise that resides within PMRA is tremendously valuable and recognized worldwide. The Canadian canola industry relies on PMRA's work in international fora, such as the Codex Alimentarius and the Organization for Economic Cooperation and Development (OECD), to help prevent market access issues from arising and providing leadership internationally on evidence-based decision-making in the areas of plant protection products. The presence of PMRA's expertise internationally is critical to promote science-based approaches on a global scale which can ultimately lead to minimizing market access issues. For this, additional resources, human and financial, need to be provided to the Agency.

Sustainability/Carbon Pricing/Clean Fuel Standard
The canola sector is committed to sustainable production and processing with clear targets going forward. These targets build on the considerable work that has already taken place within the sector including the wide adoption of low till and no till conservation practices that has increased carbon

sequestered in the soil and reduced fuel use. Policies and programs to address climate change must be designed to provide incentives for the continued uses of efficient and sustainable practices and must not erode the competitiveness of the sector.

In this regard, the development of a well-designed Clean Fuel Standard can provide opportunities for Canadian biofuels sourced from canola. Canola biodiesel produces up to 90% less greenhouse gas emissions than regular fossil diesel. The Clean Fuel Standard should focus first on liquid fuels, which has been tested in other markets and is the largest segment of carbon fuel use. It should also include a means to reward inputs based on their carbon intensities; that is, higher rewards for lower carbon fuels. We recommend the budget include a plan for implementation of a carbon intensity-based clean fuel standard for liquid fuels by end of 2019. The Standard should also set out volumes of biofuels needed to meet reduction targets as this will serve to provide clear market signals for investment and innovation, ensuring Canada remains a competitive player in that field.

The canola industry appreciates the opportunity to provide information on our priorities in the context of the 2019 pre-budget consultations. Please contact us if you have any further questions.

Sincerely,

Jim Everson
President
Canola Council of Canada

Catherine Scovil
Director, Government Relations
Canadian Canola Growers Association