

## **Pre-budget Consultation: A Submission to the House of Commons Standing Committee on Finance**

August 5, 2016

The Canola Council of Canada is pleased to share its recommendations with the Standing Committee on Finance in advance of the 2017 budget. Adequate funding for the next Agricultural Policy Framework, embedding agriculture in the federal action plan on innovation, as well as increasing the national biodiesel mandate and implementing trade agreements are all important for the canola sector to provide sustainable growth and job creation. Representing the canola value chain, the Canola Council recognizes the important role of the Government of Canada in supporting a growing innovation-driven economy that achieves prosperity for communities across the country. Coordinated, focused, and driven by industry, the canola sector believes the best way to achieve sustained economic growth in Canada is by helping industry prosper from innovation and market demand. Our membership includes Canada's 43,000 canola growers, as well as seed developers, processors who turn canola seed into canola oil and meal, and exporters.

Canada's production and exports of canola seed, oil, and meal to international markets continues to expand. As exports expand, so does the industry's contribution to the economic growth. Research undertaken in 2007 showed that the canola industry contributed almost \$14 billion annually and 216,000 jobs to the Canadian economy. More recent research in 2013 showed the industry contributes \$19.3 billion annually and supports 249,000 jobs. As the amount of canola produced grows, so does its economic impact.

### **Our strategic plan – driving economic growth**

The canola industry is making progress towards our goal of increasing demand and sustainable production of canola to 26 million tonnes by 2025. To do this we are focusing on three priorities:

- Sustainably and profitably increase production by improving yield to an average of 52 bushels per acre;
- Differentiate and demonstrate the quality characteristics of canola to drive global demand; and
- Create stable and open access to international markets by eliminating tariff and non-tariff barriers.

While the canola industry is working hard to achieve these priorities, the Government of Canada also has key roles to play. For example, industry-government partnerships through the Growing Forward 2 agricultural policy framework support research, market development and market access work carried out by the Canola Council.

### **Pre-Budget Consultation Questions:**

The Finance Committee has chosen three questions for its consultations. Of these three questions, two are particularly relevant for the canola sector:

- What federal actions would assist Canada's businesses – in all regions and sectors – meet their expansion, innovation and prosperity goals, and thereby contribute to economic growth in the country?; and
- What federal measures would ensure that urban, rural and remote communities throughout Canada enable residents to make their desired contribution to the country's economic growth and businesses to expand, prosper and serve domestic and international customers in order to contribute to growth?

### **The Next Agricultural Policy Framework is vital to support research, innovation and market development**

The current agricultural policy framework supports the competitiveness of the Canadian canola sector. Growing Forward 2 is a five-year agricultural policy framework (2013-2018) supported by federal, provincial and territorial governments. Investments from Growing Forward 2 have driven incredible growth, increased sustainable production and discovered benefits of canola oil and meal.

More specifically, Growing Forward 2 supports three broad federally funded programs (AgriInnovation - \$698 million, AgriMarketing - \$341 million, AgriCompetitiveness - \$114.5 million) which benefit the entire agriculture and agri-food sector, including canola. These programs have successfully encouraged industry investments to generate market-based economic growth for canola. For example, the Canola Council is leading a Science Cluster initiative that brings together scientific expertise for research into key areas such as canola oil nutrition, meal nutrition, and crop production. Investments from Growing Forward 2 are also used for market access and market development activities that drive industry growth and competitiveness by increasing the value canola earns from international markets.

### **Recommendation #1: Provide adequate funding for the next Agricultural Policy Framework**

The next Agricultural Policy Framework (2018-2023) must continue the success enabled by Growing Forward 2. Maintaining the partnership approach and providing adequate funding for the next Agricultural Policy Framework will support a vibrant and sustainable sector that creates opportunity and growth for Canada. This involves maintaining existing funding for the AgriMarketing Program, Science Clusters that encourage industry to invest in priority research as well as support for the Market Access Secretariat in Agriculture and Agri-food Canada. The government's market access team plays a central role in maintaining and increasing market access for canola. This helps to ensure that Canadian production and innovation is not limited by market access barriers.

## **Sustainable growth and competitiveness through innovation**

Canola is a product of Canadian innovation, having been created in the 1970s by Canadian scientists Baldur Stefansson and Keith Downey. Our industry continues to be driven by innovation that enables profitable and sustainable production, value for consumers and market access solutions that attain more value for our exports. The canola industry has a track record of success achieving innovation through public research, public/private partnerships and private investment. For example, more than \$100 million is invested annually in improving canola genetics by private seed developers. The canola sector also has a history of successfully bringing innovation from the lab bench to the field so that growers can improve agronomic practices and sustainable production. Process and product innovations have made the crop easier to grow, enabled higher yields, provided greater hardiness under a wider range of conditions and allowed growers to manage pests more effectively.

But more innovation is needed. Canadian canola must continue to be globally competitive to support communities in Canada. World demand and market pressures will evolve. Climate change will create significant challenges and opportunities for agriculture. To reach our goals, continued commitment to innovation and improvement is paramount.

### **Recommendation #2: Embed agriculture in the federal innovation action plan**

Given the importance of innovation to agriculture, agriculture must be embedded in the federal innovation action plan. As the federal government engages with Canadians on its Innovation Agenda, the resulting action plan needs to reflect industry strengths and needs. Federal investment in agricultural innovation is welcome and should be targeted to areas where there is a distinct need for a public role and public investment. As part of the Canola Council's efforts to identify priorities and coordinate industry investment in research and innovation, the canola industry's Innovation Strategy identifies specific needs for federal government involvement. Collaboration between industry and government will ensure federal investment is appropriately targeted to achieve the greatest impact. For example, Budget 2017 can invest strategically in federal research infrastructure and human resources where there is a clear need and support advanced research from emerging opportunities such as genomics and molecular breeding.

## **Sustainable canola biodiesel feedstock**

Canola is a sustainable biodiesel feedstock that reduces greenhouse gas (GHG) emissions by 90% compared to conventional diesel. Setting a mandate provides demand certainty while advancing progress in the clean energy economy. In 2011, the government mandated the use of 2% biodiesel in most Canadian diesel and heating fuel. This created many benefits for Canadians, the environment and rural economies. The 2% mandate also created new demand for canola, requiring that 600 million litres of biodiesel be blended with diesel fuel, which translates to 1 million tonnes of canola demand.

### **Recommendation #3: Increase the federal biodiesel mandate to 5%**

The federal government can reduce GHG emissions by expanding incrementally Canada's federal biodiesel mandate from 2% to 5%. A mandate is a cost-free and practical way for the federal government to capture the environmental, health and economic benefits of renewable fuels. Setting a mandate, with defined carbon reduction requirements, provides a signal to the market to mobilize private investment while creating certainty in demand for the marketplace. A mandate is a useful public policy tool for governments determined to provide environmental benefits in an innovation-driven economy.

#### **Maximizing Jobs**

The production of canola has more than doubled since 2006 because it is a profitable crop for producers. With this increased production has come an increase in the revenue that farmers attain from an acre of land – revenue that stimulates the purchase of farm inputs and machinery. Increased production has also meant an increase in processing and exporting capacity. Each additional dollar for producers translates into more jobs for the value chain and Canadians. With more than 90% of canola exported as seed, oil, or meal, stable and open access to export markets is essential for Canada to earn the most from our canola. The engagement of the Government of Canada to expand economic opportunities through trade agreements and other opportunities with emerging markets is a key component in the canola industry's ability to create jobs. Free trade agreements that improve market access can only be negotiated by government. Maximizing the profitability for the Canadian canola industry, and the jobs this prosperity creates, requires continued support by the Government of Canada for resolving market access issues and finalizing free trade agreements.

### **Recommendation #4: Implement trade agreements and expand market access**

Budget 2017 should support the implementation of trade agreements and resolving market access issues. This means that Trans-Pacific Partnership and the Canada-Europe Comprehensive Economic and Trade Agreement must be implemented as soon as possible. Other agreements with countries of significant export interest to Canada should also be pursued. Given the importance of China as an export market for canola - demanding more than one-third of all exports – the federal government must enhance Canada's economic and trade relationship with China. Budget 2017 must capture economic opportunities abroad by ensuring the Market Access Secretariat, as part of Agriculture and Agri-Food Canada, is appropriately resourced to ensure trade barriers are addressed promptly.

#### **Conclusion**

The canola industry has been a major driver of economic growth, prosperity, and jobs. Building on our success, we have articulated priorities to grow further over the next decade by increasing production, attaining value from international markets and ensuring stable and open trade. Budget 2017 presents a unique opportunity for the Government of Canada to invest in research and innovation while continuing its support for trade negotiations and market access.

The Canola Council of Canada appreciates the opportunity to provide our recommendations for the 2017 Budget to the Standing Committee and the Minister of Finance:

1. Provide adequate funding for the next Agricultural Policy Framework
2. Embed agriculture in the federal innovation action plan
3. Increase the federal biodiesel mandate to 5%
4. Implement trade agreements and expand market access

We look forward to the opportunity to explain our recommendations in further detail during the Standing Committee's hearings in the fall.