

**GRAIN GROWERS
OF CANADA**



**LES PRODUCTEURS
DE GRAINS DU CANADA**

**Brief to:
Minister of Finance
and
The House of Commons
Standing Committee on Finance
Fall 2011
Pre-Budget Consultation**

Grain Growers of Canada

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GRAIN GROWERS OF CANADA BRIEF ON PRE-BUDGET CONSULTATION

The Grain Growers of Canada (GGC) represents the interests of over 80,000 successful Canadian grain, pulse and oilseed producers. Our driving principle, developed by farmers, is to pursue a grower-driven, competitive agricultural trading environment based on comparative advantage and open markets.

We believe that government does not owe farmers a living, but it must create a policy environment that provides the opportunity to make a living.

The Grain Growers of Canada urges the Federal Government to maintain agriculture research as a key priority in the next budget. The GGC also includes a few other budget related initiatives for the Government to consider.

An environment that encourages research and innovation, and provides fair market access for our exports, creates a competitive advantage for Canadian farmers.

1. RESEARCH

We need a Canadian vision for agriculture research that looks beyond the next harvest. Food and agriculture research must remain a strategic target area of research for the Federal Government. Recent issues like food prices, food safety, biofuels and sustainability have created public interest in agriculture.

Canadian farmers are today producing more food with fewer resources than ever before. It has actually been new research discoveries and new technology that have made this possible, but Canada cannot risk losing its agriculture competitive edge.

With increased world demand, Canadian farmers can and will take it to the next level with more and better research.

The United Nations, Forum on Food has said that farmers will need to produce as much food in the next 50 years as has been produced in the previous 10,000 years. The FAO has further identified food production will have to increase 70 percent by 2050 as the world population is expected to expand to 9.1 billion from the current 6.8 billion, and yet, AAFC core agricultural research funding is lower today than it was in 1994. It would take an annual increase of \$26 million a year for each of the next 10 years to get us back to the 1994 inflation adjusted level.

We do appreciate that the Government has started putting more money into research the last few years, and we also recognize there has been a significant effort through clusters and DIAPs to ensure that actual commodity associations are bringing more influence to bear on the priorities for research.

We also recognize that there is pressure to cut departmental budgets. With this being the case, it is also important to remember that agriculture didn't cause this deficit. We still have a long way to go to get research funding up to a competitive level in the global market. As the fiscal situation improves and the world demand for food increases, now is not the time to neglect research

The Grain Growers of Canada sees a number of areas where the Federal Government can greatly contribute to more and better agriculture research.

A) Increase opportunities for private-public partnerships – the canola industry is an excellent example of a success story in this regard. AAFC and other departments doing core research should be encouraged to look at partnerships for commercialization as the expertise required for a successful product launch exists primarily within the private sector.

B) Strengthen the ability of farm groups to apply and collect check-offs so all farmers contribute equally to research – this is critical in cereal grains as changes come to the Canadian Wheat Board, but even today there are large gaps such as ethanol processing in wheat and the feed industry in barley.

C) Change the accounting for royalty income allocation within AAFC - currently the income from successful innovation that comes back to AAFC goes into the Departmental budget and displaces normal Government funding.

D) Consideration should be given to a baseline or core funding level for AAFC - for normal research activities and to allow the royalty income stream to flow back to the breeding programs. This will allow even more work to be done on core agronomic research within the public sector and especially in the areas where AAFC scientists are producing results important to producers.

Our overall goal is to still get back to 1994 funding levels and this is one innovative idea to help get there, even with the current budgetary pressures. For clarification, we would like to emphasise that AAFC and NRC often do core agronomic research the private sector doesn't. One small example is in the field of nano-technology on fertilizer where work is being done to create "Smart" fertilizers that seal themselves when there is too much water, thus preventing leaching into water systems and reducing the amount of product even needed on the fields.

2. REGULATORY COSTS

Following through on the Smart Regs initiative will help streamline the Canadian agriculture regulatory environment which would also have a longstanding contribution towards a more innovative Canadian agriculture industry. There are consumer concerns regarding some new biotechnologies, but food production needs to increase by 50% in the coming years. This will not be achieved through slashing yields to farm organically on a broad acre basis, nor will this be accomplished by relying solely on conventional plant breeding.

A) The Federal Government needs to commit to implementing the Smart Regs initiative and to continue articulating clearly that regulations in Canada must be based on sound science.

3. FOOD SAFETY AND SUSTAINABILITY

Capital Cost Allowance Adjustments – There are a few areas on our farms where an adjustment in capital cost allowances (depreciation rates) would provide a direct stimulus in jobs, improve farm viability, food safety and sustainability.

A) Improving on farm grain storage and monitoring - Recently we have seen increased testing that has lowered testable levels in cereals, pulses and oilseeds for trace amounts of mycotoxins. Some of these grow when grain is not stored properly and farmers need to increase the quality of their on-farm storage and aeration systems to help ensure their harvested grain remains in top condition and is healthy for Canadian consumers.

Increasing the capital cost allowance for aeration and bin temperature monitoring systems will help ensure grain is being stored safely.

B) Upgrading of farm machinery - New technologies are able to help guide tractors, fertilizer applicators and sprayers with incredible precision. This not only reduces the costs of inputs and fuel, it helps farmers to be good stewards of the environment by reducing application errors of fertilizers or herbicides.

Increasing the capital cost allowance for GPS systems will mean less pesticides and other inputs.

Also increasing the allowances for new tractors will help ensure that farmers are using modern engines which burn cleaner and reduce carbon emissions.

C) On farm fertilizer storage - Prices of fertilizer are variable through the year and we often see opportunities to buy at lower prices. Fertilizer requires special storage bins, and cannot be put into regular grain bins.

Increasing the capital allowance for both the purchase of on-farm fertilizer storage and development of safe sites on farms will help us save on input costs.

4. YOUNG FARMERS

Today's young farmers are more business orientated and better educated than at any time in our history. But, the cost of getting into a capital intensive business is also higher than it has ever been in the past.

The current capital gains exemption on the sale of farm assets is \$750,000. For many producers, the equity in their farm is their only "retirement fund."

Enabling retiring farmers or farm couples to retain more of their life savings helps them to pass on their farm to the next generation at a lower price, and would increase the rate of success for many young farmers.

A) Facilitate the transfer of farm assets to the next generation - to encourage young farmers to enter the business affordably, we suggest that the capital gains exemption limit be increased to \$1,000,000 for inter-generational transfers.

B) Continual training and skill upgrading - these will greatly improve chances for success in today's agricultural environment. While we don't have a specific ask, we encourage you to consult with the Canadian Young Farmers Forum for ideas.

5. INNOVATION AND MARKET DEVELOPMENT

Within the Grains Innovation Roundtable substantial work is being done by farm leaders to identify how to spur more innovation in our grain sector. We are close to finalizing a recommendation on how to accomplish this and by the time your public meetings start, we anticipate providing more information.

With the coming changes in wheat and barley marketing in Western Canada, there is a need to build a new model for market development. Again a number of farm leaders are working on a future vision that will ensure Canadian wheat and barley continue to be in high demand around the world and here in Canada. Hopefully we will have a model to present to you later this fall that can emulate the success of the canola and pulse sectors.

6. RAIL SERVICE REVIEW

Although technically this is not a Finance Committee item, the quick and effective implementation of the Rail Service review may very well be the single most important thing the Government can do for Canadian farmers.

We strongly urge Finance Committee members to communicate to Government that swift action is needed on the Rail Service Review's recommendations.

It is one thing for Canadian farmers to produce bountiful crops, but our farmers, processors and exporters all need better rail service to get our products to market on time.

CONCLUSION

These initiatives will create jobs and economic activity, as well as strengthen the competitiveness of Canadian farm families. We urge you to give careful consideration to our thoughts and ideas and we look forward to the opportunity to share these priorities with your Committee this fall.

Respectfully submitted,



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