

Pre-Budget Submission to the House of Commons Standing Committee on Finance

August 6, 2014

The Canola Council of Canada appreciates the opportunity to contribute to the House of Commons Standing Committee on Finance's pre-budget consultation process for the 2015 Budget. Representing seed developers, Canada's 43,000 canola growers, canola processors and exporters the Canola Council recognizes the important roles played by the Government of Canada. Investing in innovation, proactively opening and maintaining international markets, and helping to promote Canadian agricultural products internationally are all essential to the canola sector's ability to continue contributing to economic growth and job creation in Canada. 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.

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

Canola seed developers, growers, processors, and exporters have come together to outline where the canola industry will go over the next ten years and how it will get there. The canola industry has set a goal of increasing demand and sustainable production of canola to 26 million tonnes by 2025. Having achieved the goal of our last strategic plan to produce 15 million tonnes ahead of our 2015 target, we're aiming to increase production by more than 70% – creating more economic growth and jobs. To do this we will focus 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 partnership through Growing Forward 2 programs such as the Canola Research Cluster and the Agri-Marketing

Program are essential to some of the research, market development, and market access work carried out by the Canola Council.

Pre-Budget Consultation Themes:

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

- Increasing the competitiveness of Canadian businesses through research, development, innovation and commercialization;
- Ensuring prosperous and secure communities, including through support for infrastructure; and
- Maximizing the number and types of jobs for Canadians.

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. Reaching the canola industry's goal of producing 52 bushels per acre over the next decade will require intense innovation and knowledge transfer. Part of this need is met through the Canola Research Cluster but there is a significant amount of innovation required that is beyond the Cluster.

Two recent reports have highlighted the need for a refocused agricultural research agenda: the Agri-Innovator's Committee's report on the under investment in research and development in agriculture and the Senate Committee on Agriculture and Forestry's report on Innovation and Competitiveness. Both reports make numerous recommendations for how the Government of Canada can support innovation and competitiveness in agriculture. What is clear from the reports is that there is a need for direct investments and incentives as well as a need for indirect investments in human resources, policy expertise and communications capacity. For example, innovation flourishes in a science-based policy environment with efficient and effective regulatory frameworks supported by communication efforts that build public trust. To ensure that canola remains a competitive crop for the Canadian industry, we recommend that the federal budget commit to refocusing the agricultural innovation agenda.

Recommendation #1: Support an Agricultural Innovation Action Plan

The Ministers of Agriculture and Agri-food and the Minister of State for Science and Technology should respond to recommendations made by the reports of the Senate Committee and Agri-Innovators Committee with an Agricultural Innovation Action Plan. Several recommendations of the reports are of particular relevance to the canola industry such as a plan to maintain and communicate the effectiveness of Canada's robust approval

processes for food, pesticides and novel production techniques. The Canola Council is interested in contributing to the development of the Action Plan.

Prosperity through Infrastructure

The canola industry, and the communities built upon it, relies upon infrastructure to thrive and to get our canola seed, oil, and meal to consumers. Infrastructure consists not only of roads, rails, bridges, and sewers but also of the physical and human resource capacity of Agriculture and Agri-food Canada (AAFC), the Canadian Grain Commission, the Canadian Food Inspection Agency and other federal agencies and departments. Infrastructure for public sector research, research involving both the public and private sectors, transportation, and engagement on market access issues internationally are all necessary for the canola industry to reach its goal of producing, transporting, and trading 26 million tonnes by 2025.

Stable and open access to international markets is an increasing challenge due to non-tariff barriers relating to sanitary and phytosanitary issues and biotechnology. Often, resolving issues requires government to government engagement. The Market Access Secretariat of Agriculture and Agri-food Canada and the Canadian Food Inspection Agency are important partners in resolving issues. For example, the CFIA is Canada's official National Plant Protection Organization under International Plant Protection Convention and has a critical role in negotiating with importing nations when plant protection regulatory barriers arise. It is critical that CFIA fully realizes this mandate and is provided with the resources to adequately to carry it out. Regarding transportation, moving 70% more canola by 2025 will require commodity groups, the transportation industry and government to work together in forming a plan to meet customers' needs and enable an efficient and prosperous industry.

Recommendation #2: Rejuvenate Strategic Infrastructure and Research Capacity

Driven by the Action Plan flowing from Recommendation #1 and market access needs, Budget 2015 should involve investments in human resources and physical infrastructure at Agriculture Canada, the Canadian Grain Commission, the Canadian Food Inspection Agency, and Foreign Affairs, Trade and Development. In recent years there have been significant spending reductions and a significant re-focusing of resources across the federal government to eliminate the deficit and enhance the efficiency and effectiveness of government operations. The objective of these changes was to concentrate government efforts where they support continued long-term prosperity and complement private investment. There is now an opportunity to rejuvenate strategic infrastructure and research capacity in appropriate areas that support innovation and bring more prosperity to communities across the country that rely on canola. Public investment is fundamental

where private investment is difficult such as foundational science and other long-term high-risk agronomic needs. This could involve investment in buildings, laboratories, and equipment. Most importantly, it could also entail investing in human resources and training required for crucial areas where the federal government's involvement is necessary to support prosperity – in foundational, long-term research and market access.

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 in trade negotiations and market access issues is therefore 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 #3: Support Trade Negotiations and Market Access

Budget 2015 should support the conclusion of trade agreements and support resolving market access issues that arise. This means that agreements with Europe and Korea will be implemented and that ambitious agreements are concluded with Japan and the Trans Pacific Partnership. 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 – Budget 2015 should also commit Canada to building upon the complementarity study completed in 2012 toward an enhanced economic partnership with China. Enhancing Canada's economic and trade relationship with China would improve market access for canola, returning more value to the industry and maximizing jobs for Canadians.

Conclusion

The canola industry has been a major driver of economic growth, prosperity, and jobs. Building on our success, we have articulated new goals and priorities to grow further over the next decade by increasing production, attaining value from international markets, and ensuring stable and open trade. Budget 2015 presents a unique opportunity for the

Government of Canada to invest in innovation and infrastructure to support prosperity while continuing its support for trade negotiations and market access.

The Canola Council of Canada appreciates the opportunity to provide our recommendations for the 2015 Budget to the Standing Committee and the Minister of Finance:

- Support an Agricultural Innovation Action Plan
- Rejuvenate Strategic Infrastructure and Research Capacity
- Support Trade Negotiations and Market Access

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