Written Submission for the Pre-Budget Consultations in Advance of the 2024 Federal Budget

February 2024

List of Recommendations

Recommendation 1: We recommend that the Government of Canada implement measures to ease supply chain challenges, including:

1. Increasing the extended rail interswitching pilot project by 30 months with a pathway to permanency which would broaden the distance from 160km to 500km, and create regional provisions for the BC Peace River Country;
2. Removing pressure points and increasing capacity and fluidity, especially at ports, particularly the North Shore rail bridge and tunnel in Vancouver;
3. Giving grain farmers and shippers the ability to apply meaningful reciprocal penalties when railways do not deliver rail cars on time; and
4. Giving the CTA the mandate to ensure balanced negotiating powers between shippers and railways.

Recommendation 2: We recommend that the Government of Canada create regulations and policies that enable Canada to be a world leader in grain innovation, including:

1. Setting a national target to be the largest investor (public and private combined) in grain-related research and development per GDP, addressing regulatory irritants and hurdles, and attracting a much higher share of global grain R&D from private firms; and,
2. Publishing the CFIA final guidance on plant breeding innovations to ensure that farmers have access to the newest and most sustainable varieties, when they are available globally.

Recommendation 3: We recommend that the Government of Canada initiate reviewing the *Canada Grains Act*, including:

1. Maintaining the Act's objective of supporting the interest of grain producers;
2. Enhancing producer protections to strengthen farmers' position in the marketplace and provide greater confidence in the grain quality assurance system;
3. Creating a predictable, cost-effective, and transparent producer payment security program;
4. Legislating additional data requirement functions to include information on export sales, vessel line-ups, and container shipments; and,
5. Increasing CGC funding to cover the public good function the CGC provides, such as a grain quality assurance, and to ensure the viability of its operations.

Recommendation 4: We recommend that the Government of Canada support the Pest Management Regulatory Agency (PMRA), including:

1. Extending funding of the PMRA after the end of the current three-year investment and do so as increased A-based funding to continue PMRA's core work in pesticide registration; and,
2. Collecting independent pesticide usage and water monitoring data for pesticides.

Recommendation 5: We recommend that the Government of Canada make permanent the Accelerated Investment Incentive to encourage farmers to invest in newer and more fuel-efficient equipment.

Introduction

A safe and ever-growing food supply is key to protecting our food security. With an international reputation for consistency and high quality, Canadian grains are depended upon worldwide. Canada's grain sector is also a major driver of economic growth domestically. As one of the top five global exporters, the demand for Canadian grain is only growing. Grains produced in Canada are broken down into three major groups: cereals, pulses, and oilseeds. Combined, grains in Canada account for $30.6 billion of our GDP and the sector is responsible for one in nine jobs across the country[1]. Farmers are also stewards of their land, caring for over 150 million acres[2]. Simply put, Canada's grain sector is essential to our economy and environment, and the government must ensure that it continues to be supported today and well into the future.

Getting Grain to Market – On Time and On Budget

Extended Interswitching

GGC commends the Government of Canada for introducing an 18-month pilot for extended rail interswitching, which was characterized as a "down payment" on Canada's National Supply Chain Strategy[3]. The pilot increases the radius at which interswitching is available to shippers from 30 kilometres to 160 kilometres.

The pilot, which came into effect in September 2023, presents three important benefits to grain farmers and shippers. First, it increases competition by allowing shippers to have more options for rail service, instead of the current geographical monopoly that most grain shippers otherwise face. Second, it improves service and efficiency by giving shippers leverage in discussions with the serving railway through the threat of loss of business. Lastly, it allows Canadian grain to have greater access to new markets and customers, providing opportunities for growth and expansion.

However, an 18-month pilot project does not provide enough data. Grain shippers, in partnership with farmers, have already planned over nine months ahead, and will transition back to the previous system once the pilot nears its end. With that in mind, the pilot will likely only present benefits for a few months at the end of the timeframe. Moreover, we anticipate grain shippers will be reluctant to use a temporary tool that will draw the ire of their monopoly rail service provider and the possible repercussions they would face. To ensure adequate data and statistics are gleaned from the pilot project, we recommend that it should be extended by 30 months with a path to permanency.

Anecdotal evidence from the extended interswitching trial from 2014 to 2017 resulted in more efficient freight movement, greater investment by railways, and overall railways made more net profit at the end of the period. Given this, we recommend that following the pilot project the Government of Canada make this policy permanent. We also recommend an increase in radius, from 160 kilometres to 500 kilometres, to allow most grain farmers and shippers to make use of this tool, notably in northern

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[1] Government of Canada (2023, Jul 6). *Overview of Canada's agriculture and agri-food sector*. https://agriculture.canada.ca/en/sector/overview

[2] Government of Canada (2022, Oct 10). *Canadian Agriculture at a Glance*
Comparing Canada's agriculture with other developed nations: Japan, the United Kingdom and the United States. https://www150.statcan.gc.ca/n1/pub/96-325-x/2021001/article/00012-eng.htm

[3] Government of Canada. (2023, Mar 28). *Budget 2023*.

Alberta and Saskatchewan. Moreover, consideration must be given to make this provision available to farmers in British Columbia's Peace River Country, which is connected with Alberta's region.

Financial Accountability

Additionally, the power in the railway-grain shipper relationship is still imbalanced, given that they are often physically and geographically captive to that service provider. Grain shippers do not have the right tools to hold railways accountable when they do not live up to their contracts and order commitments, even though railways regularly make farmers and grain shippers pay when they fail to perform. In fact, almost every other link in the transportation chain can charge a penalty (e.g., vessel owners charge demurrage when they are kept waiting at port), which is typically captured in a contract. The need for penalties has increased due to Canada's lack of competition in rail service, and the supply chain disruptions we have encountered over the past years.

Farmers have long called for reciprocal penalties to ensure that railways live up to their contractual obligations, such as the delivery of rail cars to an elevator or a port facility, by a scheduled date. Past legislative changes have not gone far enough to give shippers, or the Canadian Transportation Agency (CTA), the authority to impose financial accountability, which is the only way to change railway behaviour and performance. The government must go further and provide the authority to allow shippers the ability to impose meaningful financial accountability in the supply chain.

Addressing the Power Imbalance

Lastly, the government's enforcement agency for rail service, the CTA, must be given the tools to ensure that commercial negotiations between railways and shippers are balanced. Presently, this is not the case, which has given rise to practices, such as having railways demand that shippers waive certain rights under transportation legislation (e.g., their ability to use interswitching) if they want to enter a commercial contract and ensure proper rail car supply for their business. The National Supply Chain Task Force raises the need to address this power imbalance in its recommendations[4], and the government should actively consider options to improve shippers' negotiating powers.

Supporting Grain Innovation

Grain Research & Development Investment

Public funding in grain-related R&D has been systematically reduced and diluted over the past decade, which has eroded Canada's position as a leader in this area. Given the clear competitive advantage and importance of the national grain sector to Canada's economy, the government needs to decisively measure our performance in grain R&D investment — both public and private — and execute a plan that would have Canada rank first globally as the largest GDP per capita investor in grain R&D. Reversing this trend, and setting this target should be a top priority for the Government of Canada.

Plant Breeding Innovation

Canada's grain farmers are proud of their hard-fought reputation as one of the world's largest suppliers of safe, sustainable, and high-quality grains. That reputation is due in no small part to the science and risk-based regulatory environment we have. Preserving this reputation is key for the sector's future success, and is why the grain value chain identified a critical need to clarify and modernize Canada's regulatory approach to plant breeding innovation, including gene editing.

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[4] Government of Canada. (2022, Oct). *Action. Collaboration. Transformation. Final Report of the National Supply Chain Taskforce 2022*.

Globally, countries are working to sustainably intensify food production. Farmers can only achieve these goals with access to plant varieties with the best drought, pest, and disease resistance or that are designed to use nutrients more efficiently. Plant breeding innovation can reduce the time taken to introduce a new crop variety by more than half[5]. While recent progress has been made at the Canadian Food Inspection Agency (CFIA) regarding regulatory guidance on plant breeding innovation, Canada lags many other grain-producing countries by years in giving innovators the clarity and predictability they need to invest in R&D in Canada and bring their innovations to farmers. We ask that the CFIA expedite its publication of the last remaining piece of regulatory guidance as it relates to novel feed regulations, given that the guidance on food and the environment was published over three years ago.

Meeting Tomorrow's Demands of Grain Farming

Canada Grains Act Review

We are encouraged by early signals to review the *Canada Grains Act*. Last overhauled in 1971, the Act has not kept pace with the evolution of the grain sector and the way farmers deliver and sell crops. The government can modernize legislation and create a more agile Canadian Grain Commission (CGC).

The primary objective of such a review should be to maintain the "interest of grain producers" within the Act and the CGC[6]. Additionally, updates are needed to enhance producers' rights, strengthen farmers' position in the marketplace, and provide greater confidence in the grain quality assurance system. For example, Final Quality Determination (a binding second opinion from CGC) is currently not available at process elevators (i.e., crush facilities) therefore no longer fully accounting for how farmers deliver grain. Furthermore, a more predictable, cost-effective, and transparent producer payment security program is required to insure farmers against the risk of not being paid for the grain they deliver to licensed grain buyers.

The CGC data requirements should be extended to provide transparency for export sales (e.g., a program like the USDA's Export Sales Data Program[7]), vessel line-ups, and container shipments, so farmers can make informed marketing decisions. Legislating these additional data and transparency requirements will provide all parties with access to information to address the information asymmetry and enable informed price discovery and sales. Additional government funds are also needed to cover the public good function the CGC provides, such as grain quality assurance, and to ensure the viability of its operations. New funding should be transparent and move the CGC's funding away from the existing model of cross-subsidization (i.e., outward weighing and inspection paying for CGC operations). Lastly, an alternative service delivery model for outward bound inspections should be explored. While the CGC should keep its oversight and accreditation powers, third-party companies should be utilized to create greater efficiencies at ports.

[5] Smyth, S., Gleim, S., Lubieniechi, S. (2020, Oct 20). *Regulatory Barriers to Innovative Plant Breeding in Canada*. Frontiers in Genome Editing. Volume 2.

[6] Canada Grain Act R.S.C., 1985, at Part I, 13

[7] US Department of Agriculture. *Export Sales Reporting Program*. https://www.fas.usda.gov/programs/export-sales-reporting-program

Ensuring Safe and Reliable Access to Crop Protection Products

Supporting the Pest Management Regulatory Agency (PMRA)

The PMRA requires regularly updated information on how pesticides are used by growers to refine their science-based risk assessments completed in association with Re-evaluations and Special Reviews. However, pesticide use information (i.e., product names, application rate, number of applications, and percent crop treated on specific crops) is not actively collected by the PMRA. The PMRA requires continued funding to pay for such data from proprietary third-party sources. In the absence of this data, the PMRA must use conservative worst-case assumptions in performing its risk assessments, which can lead to the loss of much-needed crop protection products that would otherwise be found acceptable for continued registration.

Similarly, the PMRA also needs Canadian surface water monitoring data. Without such data, the PMRA must either rely on highly conservative computer models or data from other jurisdictions (i.e., the USA) to estimate the presence of pesticides in Canadian waters. Other jurisdictions often do not share Canada's climate, crops, or pesticide use patterns, thereby limiting the utility of their data. Empirical data from the collection and analysis of water samples from Canadian waters is necessary to understand pesticide concentrations. However, in the absence of data, the conservatism inherent in the use of computer models can precipitate the loss of essential crop protection products. The PMRA requires up-to-date data from this water monitoring and, like pesticide use data, requires an annual budget.

Currently, there are pilot programs ongoing in both pesticide use information and water monitoring sample collection. It is critical that the government commits to increasing A-based funding for the PMRA at the end of the current three-year additional investment, so that the PMRA may continue both its core evaluation and registration activities as well as the activities of collecting pesticide use and water monitoring data that directly address data gaps in the pesticide registration system.

Supporting the Adoption of Fuel-Efficient Equipment

Extending the Accelerated Investment Incentive

Over the last five years, the Accelerated Investment Incentive, through an accelerated capital cost allowance (also known as bonus depreciation), has encouraged Canadian grain farmers to invest in capital upgrades on their farms, which is especially important in the context of climate change. Grain farmers have been able to access 45% depreciation rates, three times higher than the regular 15% offered. This incentive has supported farmers with their purchase of fuel-efficient machinery, new technology that facilitates beneficial management practices, and energy-efficient farm infrastructure.

However, Canadian farmers have fallen behind when compared to their American counterparts, who have been able to access 100% depreciation rates during the same period. With the phase-out having begun in 2024[8], growers will not be able to access this valuable tool, which will slow the rate of adoption of these newer technologies. We recommend that the Government of Canada make permanent the Accelerated Investment Incentive to encourage farmers to invest in newer and more fuel-efficient equipment.

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[8] Government of Canada (2023, Nov 27). *Accelerated investment incentive*. https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/sole-proprietorships-partnerships/report-business-income-expenses/claiming-capital-cost-allowance/accelerated-investment-incentive.html

About Grain Growers of Canada

As the national voice for Canada's grain farmers, Grain Growers of Canada (GGC) represents over 65,000 producers through our 14 national, provincial and regional grower groups. Our members are trade oriented, sustainable and innovative. As a farmer-driven association for the grains industry, GGC advocates for federal policy that supports the competitiveness and profitability of grain growers across Canada.