Grain Growers of Canada
Les Producteurs de grains du Canada

Written Submission for the Standing Committee on Finance's Pre-Budget Consultations in Advance of the Upcoming Federal Budget

August 2025

List of Recommendations

Grain Growers of Canada recommends that the Government of Canada implement the following in their upcoming budget:

Recommendation 1: Permanently revert the capital gains inclusion rate on intergenerational farm transfers from two-thirds to one-half.

Recommendation 2: Reinstate and improve the Accelerated Investment Incentive to encourage new technology and equipment adoption.

Recommendation 3: Invest in trade-enabling infrastructure and minimize labour disruptions to ensure fluidity across supply chains.

Recommendation 4: Implement extended interswitching permanently, with an expanded radius of 500km and the inclusion of British Columbia's Peace Country region.

Recommendation 5: Increase federal investments in agricultural research and development to reverse declining public funding and strengthen Canada's innovation pipeline.

Introduction

Canadian grain farmers have been dramatically impacted over the past 6 months. From rising trade uncertainty and tariffs affecting commodity prices, to increased input costs, to rising government taxation and regulation, family-run grain farms are being squeezed like never before.

Canadian grain producers require an equal partner in government to support them in growing the food Canadians and the world rely on, while contributing to Canada's economic growth. The recommendations below will not only ensure farmers can succeed but also advance Canada's economic prosperity.

Supporting Family-Run Grain Farms

Budget 2024 introduced significant changes to the capital gains tax, none of which were developed in consultation with grain farmers. The most consequential change, an increase in the capital gains inclusion rate from one-half to two-thirds, was set to take effect June 25th, 2024. Although the Prime Minister later announced that the increase would be cancelled, it remains in place and has been officially deferred to January 2026.

Based on research conducted with farm tax accountants, this change represents an average tax increase of approximately 30% for farmers. With 98% of Canadian farms still family-owned and operated, such a shift poses serious risks to family agriculture. From 2001 to 2021, the number of family farms declined by 23%, and this tax policy will only accelerate that consolidation trend.

Heightening the challenge is the fact that the average Canadian farmer is now over 55 years old, and many will retire within the next decade. For most, farmland and machinery are their retirement savings, as they lack access to pensions or RRSP matching programs. Taxing the capital gains from these assets directly undermines their ability to retire with financial security.

At the same time, while Budget 2024 was framed as *Fairness for Every Generation*, it instead raises costs and creates greater entry barriers for the next generation. Young farmers are already taking on millions of dollars in debt to take over the family operation, and this tax increase will only drive those costs higher, by hundreds of thousands or even millions of dollars in some cases.

Finally, while economists have called for a simplified tax code, the combination of the inclusion rate hike and the complexity of the Canadian Entrepreneurs Incentive will only add administrative burden. Legal and accounting fees will rise, placing further pressure on producers at a time when they can least afford it.

To protect the legacy of family farms and support the next generation of Canadian producers, we urge the federal government to permanently revert the capital gains inclusion rate on intergenerational farm transfers from two-thirds to one-half.

Encouraging Technology Adoption

The 2018 Fall Economic Statement introduced the Accelerated Investment Incentive (AII) which has allowed farmers to write off a larger share of the cost of newly acquired depreciable assets, such as tractors and combines, in the year the investment is made. More specifically, the AII increased depreciation rates for farm equipment from 15% to 45%. This incentive was in response to the American *Tax Cuts and Jobs Act* which introduced 100% bonus depreciation rates for farmers purchasing new equipment.

Since the implementation of the AII and 45% bonus depreciation, farmers have been able to depreciate new tractors, combines, seeders, sprayers, and other equipment more rapidly. This has been a helpful incentive to support farmers in purchasing new technologically advanced and energy-efficient equipment to replace older, less efficient equipment. Furthermore, this incentive has been especially helpful with rising inflation that is impacting farm equipment, which has caused a typical new combine to often exceed $1 million.

Unfortunately, despite the popularity of this incentive, the AII began to be phased out in January 2024 and will be fully phased out by 2027. In contrast, the United States recently passed the *One Big Beautiful Bill Act* which made their 100% bonus depreciation rates permanent for American farmers.

To ensure that Canadian grain farmers remain globally competitive and are supported in adopting today's modern equipment, we recommend that the government increase depreciation rates through the Accelerated Investment Incentive to 100% and make the incentive permanent.

Investing in Trade-Enabling Infrastructure

More than half of what Canadian grain farmers grow is exported internationally. Most of these commodities are transported via rail to ports where they are shipped to over 150 countries worldwide. However, our current infrastructure is aging rapidly and does not meet the demands of our international trade ambitions. This leads to bottlenecks, inefficiencies, and capacity restrictions that limit Canada's economic growth. For instance, the Second Narrows Bridge for rail traffic in the Port of Vancouver is over 50 years old and remains the only piece of infrastructure connecting the south and north shores of the port. Due to increased vessel traffic at the port, the bridge is an increased source of bottlenecks, and should the bridge fail, there are no transportation alternatives to the North Shore.

Another example is the George Massey Tunnel in Vancouver, which is a highway traffic tunnel located under the Fraser River. The tunnel's shallow construction makes it impossible for fully loaded Panamax vessels, which are a common size for bulk grain shipments, to be served by grain terminals located on the banks of the Fraser River. Through the construction of a modern and deeper tunnel, the Fraser River could provide additional port capacity desperately needed on the west coast. Furthermore, all rail traffic from the prairies moves along the Fraser River, making its opening to the Pacific easier for rail cars to access. To support Canada's economic growth, we urge the government to invest in critical trade-enabling infrastructure projects that would allow us to expand our trade capacity and partners globally.

Even with well-functioning infrastructure, we need thousands of workers nationally to provide services that move our commodities throughout the supply chain. Unfortunately, our supply chains have been fraught with labour disruptions for decades. For example, in the latter half of 2024, we saw five labour disruptions in five months, delaying shipments to customers around the world. While Canada is recognized internationally as a source of high-quality grain, we lack the ability to deliver on time, damaging our reputation as a reliable shipper and ultimately affecting our trade relationships. To ensure that we can grow our global customer base and deliver goods on time, we encourage the government to explore ways to minimize labour disruptions.

Promoting Efficient Rail Transportation

In September 2023, the Government of Canada launched an 18-month pilot project for extended rail interswitching. This pilot increased the radius at which interswitching is available to grain shippers from 30 kilometres to 160 kilometres.

Extended interswitching 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 farmers to have greater access to new markets and customers, providing opportunities for growth and expansion.

Between 2014 and 2017, another extended interswitching pilot demonstrated that less than 2% of traffic used extended interswitching. Furthermore, the railways stated that[1] they believed the project "did not significantly alter transportation shipping patterns." During a similar timeframe from 2013 to 2022, Canada's two railways had the lowest operating ratios in North America (i.e., lower expenses as a percentage of revenue) and earned over $50 billion more than what Canadian regulators consider necessary to be financially viable[2]. These measures show that extended interswitching has a negligible effect on Canadian railways' profitability and logistics. The fact that the measure was minimally used is a sign of the success of the pilot, as shippers can use the threat of using a different service provider as leverage for better prices and services during negotiations.

Unfortunately, the pilot that began in September 2023 has since expired, without the possibility for extension. Given the success of the most recent pilot and the pilot from 2014 and 2017, which demonstrated that extended interswitching benefited the grain sector with minimal to no harm to Canada's duopoly railway companies, we believe that a permanent extended interswitching program should be implemented. However, it must continue to be accessible to all Class 1 railways in Canada for true competition to exist. We also recommend that the government increase the radius from 160 kilometres to 500 kilometres to allow all grain farmers and shippers to make use of this tool. Moreover, consideration must be given to making this provision available to the BC Peace River Country region, which is an important grain producing region that heavily relies on rail transportation but is not covered under the previous pilot.

Increasing Agricultural Research & Development Investment

Federal investment in agricultural R&D has declined sharply in recent years, weakening Canada's competitiveness at a time when farmers are being asked to produce more with less while navigating climate uncertainty and economic volatility. Yet, the return on research investment is clear. For example, a 2022 study commissioned from the University of Saskatchewan found that every $1 invested in developing new wheat varieties generated $32.60 in economic benefits[3].

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[1] Stuhldreier, L. (Dec 2023). *The Regulations of Interswitching in Canada: A Different Perspective on the Case for Ditching the Switch*. Journal of Transportation Law, Logistics & Policy.
[2] Coalition for the Factual Analysis of International Rail Rates (Sept. 26, 2023). *Rail Rates in Canada White Paper*.
[3]Lassoued, R., Sutherland, C., and Smyth, S. (2025). Wheat variety R&D investment and adoption in Western Canada. *Canadian Journal of Plant Science*.

Agriculture and Agri-Food Canada (AAFC)'s core strength is delivering practical, field-ready solutions that boost productivity and sustainability. However, funding priorities have shifted toward upstream, theoretical research, duplicating work done by universities and other federal institutions. At the same time, AAFC research centres face staffing shortages, aging infrastructure, and difficult contracting processes. Vacant breeder positions, limited researcher mobility, and red tape delay the delivery of critical innovations that could strengthen agriculture R&D in Canada.

Farmers depend on publicly funded research to maintain productivity and adapt to environmental pressures. Without stable investment in downstream, applied research, farmers will fall behind. Rebuilding AAFC's capacity and refocusing on farmer-driven outcomes will ensure public dollars deliver real, on-the-ground value.

We recommend the government increase core funding for applied agricultural R&D at AAFC, dedicate funding to fill staffing gaps in breeding and science, modernize research facilities, reduce administrative bottlenecks, and emphasize downstream research aligned with productivity, profitability, and sustainability. These investments will ensure Canadian research remains responsive, regionally relevant, and globally competitive.

About Grain Growers of Canada

As the national voice for Canada's grain farmers, Grain Growers of Canada (GGC) represents over 70,000 producers through our 14 national, provincial and regional grower groups. Our members steward 110 million acres of land to grow food for Canadians and for 160 countries around the world, creating $45 billion in export value annually. As the farmer-driven association for the grains sector, GGC champions federal policies that support the competitiveness and profitability of grain growers across Canada.