



CANADA GRAINS COUNCIL

POLICY PRIORITIES AND SECTOR VISION

Executive Summary

Canada's economic performance needs to improve and its grain sector, leveraging the country's significant natural competitive advantages, is primed to deliver. It is time for the Government of Canada to establish a growth-oriented, export agriculture policy environment that enables the private sector to thrive, innovate and contribute to economic growth and global food security.

A growth-oriented policy focuses on four priorities:

1. A regulatory environment that facilitates growth and bolsters innovation and investment
2. Strategic investments in the grain supply chain and infrastructure
3. Economic and trade policy fostering growth and ensuring access to global markets
4. Foster the productivity and profitability of Canadian Grain Farmers

The Challenge Before Us

As a country, Canada is facing some significant challenges. The national economy has fallen behind its population growth for the fifth straight quarter, down 3.6 per cent compared to 2022 and experiencing what RBC recently referred to as “recession-like” performance. This is particularly stark when you compare it to the gains that we're seeing south of the border.

Globally, we've fallen behind most major economies since 2000. Canada is 30 per cent less productive than the U.S. and closer to lower-income states like Alabama in terms of economic performance than tech-rich California or New York. The result: We've fallen from the sixth most productive economy in the Organisation for Economic Co-operation and Development in 1970 to the 18th as of 2022 (<https://thoughtleadership.rbc.com/canadas-growth-challenge-why-the-economy-is-stuck-in-neutral/>).

What Can We Do About it?

Canada urgently requires a coherent policy framework for the grains and oilseeds sector that encourages investment and innovation, while maintaining and growing global markets. Grain production is a natural competitive advantage for Canada. Expansive rich soils, nurturing climate, and ideal sun and rainfall combine to put Canada ahead of most other regions worldwide in terms of natural ability to grow food. Building on this foundation, Canada's progressive and highly productive farmers, alongside a dynamic and innovative agriculture industry, position the nation as a global leader in grain production, processing and export.

Canada's agriculture industry is a leading economic driver, generating wealth for Canada through trade and playing a huge role supporting food security around the world. Last year Canada exported \$43.7 billion in grain to 165 countries around the world. The sector more broadly generated \$150 billion, approximately seven per cent of Canada's gross domestic product (GDP), and employed 2.3 million people.



Canada needs a new approach to agriculture policy. Major developments in the international trade environment and in a changing global climate complicate Canada's ability to leverage its strengths in the grain sector. Today, agriculture policy amounts to an uncoordinated collection of programs designed to address myriad issues — climate change, labour, environmental activism and others, all of which impact the grain sector without a coherent narrative appropriate for today's challenges in the sector.

There has never been a time in recent history when the availability and affordability of food are of more importance to world governments. In the next 40 years, the world will need to produce the equivalent of all the food produced in the last 10,000 years. Canada's agriculture and agri-food sector, with the right conditions, has the potential to play a pivotal role in addressing the immense challenge of upholding global food security as part of a collective effort. We are one of the few countries with an export-oriented industry — selling upwards of 70 per cent of crops such as canola, pulses, soybeans and wheat to other countries — and part of the food security solution for many countries (<https://chamber.ca/policy-matters-advancing-canadas-agriculture-and-agri-food-sector/>).

To turn this around, Canadian industries must be firing on all cylinders.

The federal government's role is to align policy and regulatory action to empower the agriculture industry. **The Canada Grains Council and its members have a vision for how this can be achieved:**

1. Develop a regulatory environment that facilitates growth and bolsters innovation and investment:

The World Economic Forum ranks Canada 35th out of 38 OECD countries with respect to regulatory burden and calculated the total cost of that burden to Canadian businesses at \$38.8 billion, of which \$10.8 billion was associated with “red tape” (Lynch and Deegan 2021).

With respect to innovation, Canada has lost its way. Our nation scored a C on The Conference Board of Canada's Innovation Report Card, ranking 15th among 20 countries. Of the 21 innovation indicators, Canada scored below average on 14.

Target: Canada should strive to rank among the top 10 OECD countries, lauded for the creation of a regulatory environment that incentivizes investment and serves as a catalyst for innovation and growth.

ACTIONS

I. Foster a culture that prioritizes innovation in the agriculture sector

To foster innovation and enhance competitiveness within the agriculture sector, more agile regulatory processes are essential. Past efforts to improve regulatory efficiency often missed their targets, with excessive focus on the regulation-making process itself rather than on the management of regulatory programs, some of which have been proceeding for decades since the corresponding regulation was put in place. Government officials' risk aversion, fueled by accountability to the public and media, typically results in slow and cautious decision-making, hindering innovation. A significant cultural shift within the public service is necessary to re-prioritize innovation. This should focus on the following:

➤ **Implement professional development training for government leaders at all levels:**

Government managers receive training in people and financial management, but not on how to make decisions that balance risk mitigation with the impacts on innovation and businesses. Implementing professional development programs focused on cultivating a culture that values innovation and responsible risk-taking can empower government employees to explore and implement new ideas without the constant fear of failure.

➤ **Risk communication training:** Equip government employees with the skills needed to effectively communicate risks associated with policy and program implementation, addressing potential hindrances to decision-making and public trust.

➤ **Introduce a fast-track regulatory review process for agricultural products:** Establishing a streamlined process for the review and approval of new agricultural products, such as genetically modified seeds or new pesticides and fertilizers, can significantly reduce bureaucratic delays. Including a component that recognizes scientific reviews from other jurisdictions could further accelerate the regulatory process, enhancing the sector's competitiveness and responsiveness to market needs and technological advances, potentially positioning Canada as a leader in agricultural innovation.

II. Renewed policy direction for the Pest Management Regulatory Agency

Canada's Pest Management Regulatory Agency (PMRA) plays an essential role in protecting human health and the environment, as well as providing farmers access to innovative crop protection products pivotal to their competitiveness. The PMRA requires a clear, balanced policy mandate that ensures a stronger focus on ensuring growers have timely access to innovative products. This policy direction should focus on the following:

• Empower Canadian agriculture

Create a balanced and objective regulatory process by directing the PMRA to establish a stronger focus on productivity and competitiveness in the agricultural sector and more timely collaboration with agricultural stakeholders. This can be achieved by:

- Reinstating a small economic advisory committee with expertise from those directly impacted by the regulatory system (agriculture value chain stakeholders)
- Dedicating 1-2 full-time AAFC employees to provide sector impact analysis and competitiveness considerations to the PMRA.

• Optimize Resources

Strengthen the regulatory framework for efficiency and innovation by prioritizing existing PMRA resources to allow the agency to re-focus resources and efforts on work with the highest return on investment. This can be achieved by:

- Establishing a roadmap to optimize existing PMRA resources by prioritizing scientific assessments and access to innovation.
- Eliminating the PMRA's Scientific Advisory Committee.

• Enhance Access to Innovation for Canadian Farmers

Ensure Canadian farmers have timely access to safe and effective pest control products and improve regulatory co-operation to ensure the use of these products does not impede Canada's export potential. This can be achieved by:

- Accepting and leveraging regulatory approaches and decisions from other trusted, risk-based jurisdictions.
- Ensuring adequate PMRA resources for international trade and regulatory harmonization efforts.

III. Enhance Agriculture and Agri-Food Canada Collaboration with Industry

Agriculture and Agri-Food Canada (AAFC) needs to be refocused and revitalized and get back into the business of championing the interest of the Canadian grain sector. The grain sector has noticed a significant misalignment with the goals, priorities and subsequent programming and funding from our federal department over the last number of years.

Priorities, programs and funding are increasingly being orchestrated, designed and rolled out with minimal to no early engagement with the grains sector and the result is a series of AAFC measures and initiatives that do not reflect the priorities and needs of the sector. This has also resulted in funding being deployed in a manner that doesn't meet the goals of the grain sector and doesn't lead to a meaningful return on investment from these public dollars for the sector or Canada at large.

Internally, AAFC must reassert itself as a key interlocutor for the grains sector with other federal departments and agencies that have a direct impact on the success of the Canadian grain and oilseed sector, such as: Global Affairs Canada, Innovation Science and Economic Development Canada, Health Canada, Pest Management Regulatory Agency, Environment and Climate Change Canada, Canadian Food Inspection Agency, and central agencies like Finance and Treasury Board Secretariat.

Externally, the government needs to reinstate collaboration between government and industry stakeholders. An increasing trend to hold industry at arms length from the government, even in non-regulatory departments, has coincided with an erosion of strategic leadership and knowledge of the agriculture sector among government officials. Steps to enhance private sector advice and input to improve government access to expertise in the private sector include:

- **Consult industry on specific government priorities and work plans**

As a pilot project, it would be beneficial for some areas of government to formally consult industry on their priorities and work plans – not at the departmental level as they do today, but at the much more granular divisional level. A document that outlines objectives, expected outcomes and key initiatives would provide an opportunity for early stakeholder intervention if needed. Take for example the Americas Division of MAS, the Codex group at Health Canada or the Plant Protection Division at CFIA. It would be helpful to see the priorities of these groups laid out, and their planned engagements for the year. Are e-phytos on the priority list for the Plant Protection Division? How many bilateral and trilateral engagements does MAS foresee in the coming year? Is the Codex group remaining focused on defending science-based decision-making?

- **Remove the stigma of industry collaboration**

The prevailing stigma around industry collaboration needs addressing. Industry possesses essential expertise to ensure government effectiveness. Encouraging more consultation with regulated parties and private sector experts can bridge this gap, fostering more effective policy development within the Government of Canada.

IV. Modernizing Canadian Food Inspection Agency processes

As a priority action, Canada should act to implement ePhyto exchange with our many international trading partners. With the rapid digitalization of the global trading system, Canada is falling behind our export competitors in the full adoption of ePhyto exchange, a vital method for enabling the free flow of documentation that enables the execution of grain trade around the world. The Canadian Food Inspection Agency (CFIA) must expedite its adoption of ePhyto exchange with all participating international trading partners to ensure Canadian grain exporters remain competitive in the global market.

V. Modernize the *Canada Grain Act*

Despite consultations and attempts from different governments, no substantial amendments have been made to the *Canada Grain Act* since 1971. This has caused the Act, which governs the Canadian Grain Commission, to be in severe need of modernization to keep pace with the evolution of the Canadian grain and oilseeds sector and the way farmers grow, deliver and sell crops. The modernization of the *Canada Grain Act* is necessary to create an agile and responsive Canadian Grain Commission that reflects modern farming and supply chains. Government leadership is needed, and legislative change should be a priority. An updated framework is needed to drive agriculture's competitiveness, and reduce regulatory red tape, while ensuring high-quality grain is available for Canadians and our global customers.

VI. Rail policy

The Canadian grain sector supports the extended interswitching pilot implemented through Budget 2023. It provides a pro-competitive lever to increase transportation options and to drive efficiencies, reduce costs and enhance connectivity. CGC members, along with the Coalition of Rail Shippers, recommend that the pilot duration be extended for an additional 30 months. The extension ensures that shippers have an appropriate amount of time to effectively use the measure. Regardless of the extension period, we believe the extended interswitching provision should be a permanent amendment to the *Canada Transportation Act* and recommend extending the distance to 500 kilometres to ensure competitive market forces are available to the entire grain sector. Ensuring interswitching continues under regulated interswitching rates, as determined by the Canadian Transportation Agency, is critical to keeping interswitching a competitive option for shippers and farmers.

Extended interswitching alone is not enough. Various mechanisms are required to balance the commercial relationship between grain shippers and railway service providers. In addition to extending the interswitching pilot, the federal government should instruct Transport Canada to draft a bill to amend the *Canada Transportation Act* that accomplishes the following:

- Ensure the retention of the Maximum Revenue Entitlement (MRE) in its current form. The MRE is compensatory by design and promotes railways efficiency gains, while providing an overall mechanism of price protection to Western Canadian farmers, as they are the ones that ultimately bear the cost of the railway service. Since the inception of the MRE, the Grain Monitor was designed to monitor the performance of grain transportation by rail to ensure the policy objectives of the MRE are achieved. The continuance of the Grain Monitor is required in this role.
- Require railway grain and winter plans to incorporate a common template of required key performance indicators, and to analyze the previous year's actual performance. Such a change would make the exercise more meaningful to shippers and broader stakeholders. The most basic example of this would be a review of planned capacity against actual market demand (e.g., order fulfillment).
- Having own motion powers available to the Canadian Transportation Agency has the potential to be a powerful tool to examine and potentially rectify acute issues in the transportation sector. The requirement for ministerial authorization should be removed, as time is of the essence when conducting the investigation amid a problem. The terms and conditions under which the agency may invoke an own motion investigation must be reviewed as well.
- "Contracting out" of specific areas of the *Canada Transportation Act* is viewed as an attempt by the railways to detour around, if not eliminate, the rights of shippers as provided by Parliament through law, within their contracts with shippers. It should be expressly prohibited under the Act, along with a policing mechanism through the agency.
- Railway tariffs should carry an obligation on a railway to post commensurate service standards, obligations and penalties on itself.
- It would benefit all shippers if they clearly understood how the railways calculate fuel surcharges, along with an oversight mechanism for the application of a surcharge. Surcharges should account for direct cost recovery only, not create a new revenue stream. Amend the Act to prohibit a railway company from recovering more than its actual cost of the fuel covered by a fuel surcharge in respect of a shipper's traffic.

VI. Amend the *Greenhouse Gas Pollution Act* to extend the exemption for qualifying farm fuel to marketable gas and propane

To support Canadian farmers, amendments must be made to the *Greenhouse Gas Pollution Act* to provide financial relief to farmers for natural gas and propane used on-farm. Farmers currently pay a carbon tax on essential farming activities such as irrigation and grain drying.

On-farm innovations and efficiencies such as energy-efficient grain dryers, precision agriculture technology, anaerobic digesters and solar panels can cost hundreds of thousands, if not millions, of dollars and are not scalable yet. With no viable fuel alternatives, carbon taxation pulls capital from critical investments that would otherwise augment the sector's potential to reduce emissions further and support food security. Relief from carbon tax on-farm will keep more money in the pockets of Canadian farmers and allow them to invest in the efficiency and productivity of their operations.

2. Invest in the grain sector supply chain and infrastructure: According to the University of Calgary's School of Public Policy, estimates of Canada's infrastructure deficit are as high as \$600 billion, and the investment shortfalls contributing to this deficit are particularly apparent in transportation and trade infrastructure. Canada has fallen sharply to last place relative to the G7 and Australia in terms of infrastructure and logistics quality. For "transport infrastructure," the World Economic Forum in 2019 ranked Canada 32nd in the world (the U.S. was 12th and Mexico was 51st), falling behind even the developing nations of India (28th) and Azerbaijan (31st) (Rooney and Dade 2022).

Target: Given the vastness of our country and its dependence on trade, **the federal government should work in partnership with Canada's trade-dependent sectors to establish a National Trade and Transportation Infrastructure Strategy that outlives the election cycle and situates Canada among the world's top 10 countries for transportation and trade infrastructure.**

ACTIONS

I. Invest in trade enabling supply chains

With the world's food and fuel supply under pressure, consumers and countries worldwide are counting on Canada's agriculture industry to help meet their food security challenges. Unfortunately, customers are increasingly concerned about Canada's ability to deliver those products on time. Inconsistent and often poor rail service is making it increasingly difficult for Canada to maintain our reputation as a reliable shipper. At its core, challenges with rail and container capacity and resilience are constrained by railway business strategies that minimize service and infrastructure, to maximize returns to shareholders, in an environment without competitive options.

Underlying the success of Canada's export program is the ability to move grain in a timely, reliable and cost-effective fashion. Delays prevent shippers from fulfilling their contractual obligations, increase costs from farm to customer and, ultimately, negatively impact Canada's brand globally. As Canada looks to grow our exports, it needs the transportation infrastructure capacity and service to keep pace.

Canada cannot control cold winter weather, washouts, avalanches, forest fires and other environmental disruptions, so we must focus on what is within our control. Labour strife, infrastructure spending, port policy and rail legislation are areas where Canada can do more to eliminate challenges before they occur, reduce their impact when they do and recover more swiftly to meet our customers' needs.

II. Investment in transportation infrastructure

The National Supply Chain Task Force identified that over the next 50 years, investments of \$4.4 trillion (\$88 billion per year) in marine and transportation infrastructure will be required to meet projected growth in population. Nowhere near this level of infrastructure investment is occurring today.

To be successful, there is a critical need to increase investment in domestic infrastructure, particularly at and around the Port of Vancouver, to address fluidity, particularly with the addition of tanker traffic. Infrastructure investments are needed to accommodate increased exports to Asia, the Middle East, the Americas and Africa and to generate efficiencies in reaching both traditional and new markets in the region.

III. Optimize Canadian anchorages

The Pacific Gateway is Canada's most important trade corridor for business with customers in the Asia Pacific region. Balancing economic, environmental and social interests in the Salish Sea region has been difficult, as there has been vocal opposition to anchorages in the Southern Gulf Islands. This has caused some to suggest that it is necessary to curtail the use of these anchorages and set strict limitations for vessel wait times at anchor. At the same time, Canada's economy and export opportunities are growing, meaning we will need more anchorages soon, not fewer, to provide safe harbour to vessels for increased economic activity. Decision-makers thus far have skipped a critical step in determining what should be done about it. There is an urgent need to study all possible anchorage locations with a cost-benefit analysis to prioritize their current use and determine where any expansion should occur given the demands of our national economy. Simply limiting the use of current anchorages without identifying alternatives is politically motivated, counter-productive and shortsighted.

IV. Minimize labour disruptions

When strikes or lockouts occur at railways or ports, huge swaths of the economy suffer, not just those in the bargaining process. In a competitive environment, customers can find other options to minimize disruptions. Since railways and ports in the grain sector are singular options, the same threat of loss of business is not present — there are no competitive alternatives.

Whether it is wheat and oats for bakeries and pasta manufacturers, or canola and soybeans for vegetable oil, our products are the basis for everyday staple foods. Even short disruptions of supply chains can affect product availability and price, something the pandemic demonstrated the world over.

The flow of essential goods necessary for the maintenance and preservation of Canada's domestic food, fuel and feed supply, and global food security, is required even when labour disruptions occur. Parliament should explicitly require that maintenance of activities agreements must include movement of essential food products.

3. Ensure continued growth and access to global markets: Canada is the world's eighth-largest exporter of agri-food, fish and seafood products, behind the United States, Brazil, Netherlands, Germany, China, France and Spain, exporting to more than 150 countries in 2023.

Target: The Canadian Government should work with the agriculture industry to develop a strategic plan that will develop, maintain and grow markets with the goal of positioning Canada among the top five global agri-food and fuel exporters.

ACTIONS

I. Canada as a global leader in the adoption of science-based trade policy

It has become increasingly difficult for the Canadian government and agriculture sector stakeholders to point to Canada as a model for the development and promotion of science-based policies. The world is watching Canada and currently our domestic policies do not reflect the messages that we are promoting internationally. At a time of increasing global instability (conflict, supply chain challenges, unprecedented levels of food insecurity and a climate crisis), Canada plays an increasingly important role in providing leadership in international forums, reinforcing the necessity of science-based criteria in establishing regulations and promoting transparent, rules-based trade.

Canada must work closely with its trading partners to ensure existing and new regulatory measures avoid impeding trade, specifically in the areas of food safety and protection of the environment.

Canada must maintain a high level of ambition in ongoing and future free trade agreement (FTA) negotiations to ensure predictable, transparent and science-/risk-based trade rules that seek to minimize the occurrence of non-tariff trade barriers, including strong sanitary and phytosanitary (SPS) and biotech rules that are subject to dispute settlement. Canada should also seek to ensure that future trade negotiations recognize the importance of effective implementation, so negotiated outcomes translate into real growth opportunities.

Canada should play a leadership role at the World Trade Organization (WTO), reinforcing the necessity of science-based criteria in the establishment of regulations, while promoting transparent, rules-based trade and an effective dispute settlement system. This includes supporting greater regulatory co-operation and harmonization of standards through leadership and capacity building in international standard-setting bodies like Codex Alimentarius.

4. Foster the productivity and profitability of Canadian grain farmers

Target: The Canadian Government should work with grain farmers and their various organizations to ensure that investments in research and development and BRM programming are benefiting productivity and profitability growth.

ACTIONS

I. Invest in Research and Development

Canadian farmers rely on research and development through plant breeding to develop new varieties. Crop variety development provides farmers with higher-yielding varieties with improved nutrient-use efficiency, reduced pesticides needed, and a better ability to withstand pest and disease stressors. To halt the current decline in public research, the government should invest more into Agriculture and Agri-Food Canada (AAFC) crop breeding programs and ensure an adequate representation of research sites remain open to reflect regional differences in soil, climate, disease and pest pressures to test new varieties. For crops that rely more heavily on private breeding (i.e., canola, soybean and corn), governments should leverage public-private partnerships (e.g., increasing AgriScience clusters funding).

The research focus of AAFC must prioritize agricultural production and the development of tools that offer direct value to farmers and improve economic productivity. While environmental sustainability efforts are important, they are only effective if farms are also economically viable.

To ensure the resilience of our farms and the sustainability of rural communities across Canada, research must emphasize practical benefits for farmers to ensure overall success and viability.

To achieve this, AAFC needs to establish its research priorities, including funding and research capacity, with transparent input from farmers and industry stakeholders. This approach ensures that research outcomes are valuable and relevant to the sector. By incorporating feedback from those directly affected, the research can better address real-world needs and challenges.

Funding for agriculture needs to reflect the sector's potential and its current importance to the Canadian economy. It is essential to increase the funding envelope and adjust cost share ratios back to 70:30 for productivity research to further advance agricultural production research. This adjustment will help spur innovation and provide tangible benefits on the farm. By enhancing financial support, the sector can drive forward new advancements and improvements.

To ensure sustainable farming operations, it is crucial to prioritize consistent and long-term reinvestment in crop genetics research. This support should cover the entire process of delivering enhanced crop varieties to farmers. In Canada, this is especially important for crops where public sector genetic research plays a significant role. Currently, plant breeding resources and funding within AAFC are increasingly concentrated on upstream or lab-based research. As a result, the pathway to making these improved varieties available to farmers is becoming increasingly under-resourced.

II. Decouple sustainability requirements from lending and risk management programs that farmers rely on. Ensure BRM programs are effective, affordable, and predictable to help farmers remain economically sustainable.

Business Risk Management (BRM) programs and lending/financial institutions such as Farm Credit Canada (FCC), banks, credit unions and provincial lenders (e.g., Agriculture Financial Services Corporation, Manitoba Agricultural Services Corporation, etc.) offer critical tools to help farmers against income and production loss (in the case of BRM programs) as well as access to affordable credit (in the case of lending institutions). The federal government must ensure there are effective, affordable and predictable BRM programs to help farmers remain economically sustainable. This should include maintaining or expanding funding to these programs to keep up with the increasing costs of inputs and capital items such as machinery and land.

Adding environmental linkages could act as a barrier to participation, particularly for new farmers. It is critical to the success of the industry that not only are the integrity of these programs and services protected, but that improvements and investments are made to ensure they provide farmers with the confidence required to make investments in their operations.

Under the Sustainable Canadian Agricultural Partnership (Sustainable-CAP), AAFC needs to further engage with industry in a meaningful and consistent manner beyond the existing advisory committee that does not intersect with farm groups. This will ensure these critical tools remain relevant and effective for farmers as changes are made under Sustainable-CAP and in the next policy framework.

Conclusion

Canada's agricultural potential can be realized through a logical and co-ordinated approach, with the federal government playing a vital role in enabling success.

- 1. Innovate and grow:** Empower farmers to cultivate the safest and highest-quality crops the world needs by providing them with the tools and technologies to produce more with fewer resources, remain globally competitive and continue being leaders in environmental stewardship.
- 2. Strengthen supply chains:** Ensure crops reach markets on time and consistently by addressing and resolving Canada's supply chain challenges.
- 3. Expand global market presence:** Foster and sustain strong international markets for Canadian crops by building relationships, promoting loyalty and reinforcing Canada's reputation as a trusted partner in addressing global food and fuel security.

By working together with the agricultural sector, the federal government can create the conditions necessary for Canada to thrive as a key player in solving global food challenges.