Written Submission for the Pre-Budget Consultations

in Advance of the 2024 Budget

Fruit and Vegetable Growers of Canada

February 2024

The Fruit and Vegetable Growers of Canada (FVGC) represents growers across the country involved in the production of over 120 different types of crops on over 14,000 farms, with a farm gate value of $6.8 billion in 2022. FVGC is an Ottawa-based voluntary, not-for-profit, national association, and, since 1922, has advocated on important issues that impact Canada's fresh produce sector, promoting healthy, safe, and sustainable food, ensuring the continued success and growth of the industry.

Introduction

Food affordability is a top concern for Canadians. According to *Canada's Food Price Report 2024* 2024 will see Canadians experiencing the strain of food inflation, compounded by other increasing costs such as housing and energy. The report's 2024 watch-list anticipates that food prices could rise by as much as 4.5%, with the most significant increases of 5% to 7% in the vegetable, meat, and bakery categories. The report goes on to emphasize that climate change stands out as the most substantial challenge facing the agri-food sector.

Canadian farmers stand at the critical intersection of food production, energy, and the environment. Our growers are proud to provide Canadians and families around the world with safe, nutritious food products that offer tremendous health benefits. However, Canadian growers are facing unprecedented supply chain challenges and rising input costs, while many have experienced significant losses as a result of devastating weather events, loss of markets, and a lack of workforce.

To help keep costs down for consumers, strengthen food security across the country, and ensure the sustainability and competitiveness of the fruit and vegetable sector now and in the years to come, FVGC is seeking commitments from the federal government that put the priorities of Canadian fruit and vegetable growers at the forefront.

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Business Risk Management

- **Recommendation 1: Compensation for Crop Destruction due to Quarantine or Invasive Pests**

Compensating producers for the financial losses incurred from crop destruction or land removal due to pest control is crucial to lessen their economic burden and secure their cooperation with eradication efforts. Additionally, increasing resources for monitoring and inspecting imported produce is critical to safeguard Canada's plant resources. Strengthened surveillance and inspection mechanisms will help prevent the introduction and spread of pests and diseases, thereby protecting the domestic agricultural sector, and maintaining the health of Canada's ecosystems.

- **Recommendation 2: Increase the AgriStability Trigger to 85%**

Increasing the AgriStability trigger to 85% would strengthen the safety net for producers, offering financial support for smaller losses than the current 70% threshold allows. This change would significantly enhance the program's effectiveness in stabilizing farmers' incomes in the face of volatility, whether due to market fluctuations, adverse weather conditions, or other risk factors. An enhanced AgriStability program would encourage producers to maintain or expand their operations, secure in the knowledge that a more responsive support system is in place to help manage risks.

- **Recommendation 3: Develop Innovative Risk Management Tools**

Developing and deploying innovative risk management tools for the edible horticulture sector is crucial to assisting farmers in managing production risks. Expanding AgriInsurance to include uncovered crops like greenhouse vegetables would fill major gaps in the existing risk management framework. Comprehensive coverage would equip farmers to better manage crop production uncertainties, enhancing sector stability and sustainability.

- **Recommendation 4: Extend and Re-evaluate the Advance Payment Program's Interest-Free Limit**

Extending the $350,000 interest-free limit for the Advance Payment Program (APP) beyond 2023 and regularly reviewing it to adjust the interest-free amount is vital amidst rising production costs. These measures, alongside administrative enhancements, will make the APP more adaptable and supportive to the financial needs of producers, thereby promoting more affordable credit and enabling farms to invest in productivity and sustainability.

Crop Protection

- **Recommendation 5: Provide an immediate $8 million budget increase, with full annual inflationary increases thereafter, to the Pest Management Centre of Agriculture and Agri-Food Canada, to expand its research on alternative crop protection and IPM strategies, addressing the backlog due to prolonged underfunding.**

The Pest Management Centre (PMC) is an Agriculture and Agri-Food Canada success story. PMC has been a critical resource for Canadian agriculture for the past ten years. Their research generates data that supports registration of new crop protection products for minor use crops such as fruits and vegetables. PMC's research capability is limited by a budget that has been frozen for over a decade. Recently, capacity has gone down from conducting 40 minor-use research projects per year, to just 30 projects in 2024. Meanwhile, demand is incredibly high: the 2023 Priority Setting Workshop had over 6,300 crop/pest problems nominated by Canadian growers. The increasing complexity of pest management needs and the phasing out of traditional products due to re-evaluations heighten the need for PMC's role in developing sustainable alternatives.

- **Recommendation 6: Permanently increase PMRA's A-base funding to sustain its pivotal role in pesticide regulation and data collection, extending beyond the current three-year Transformation Agenda.**

Canadians can be confident that Health Canada's Pest Management Regulatory Agency (PMRA) conducts science-based risk assessments to ensure the safety of crop protection products used by farmers, safeguarding both environmental and human health.. Canadian fruit and vegetable growers support a robust, science-based approach to crop protection regulation by PMRA. Without scientific data, up-to-date information about modern farming practices and technology, PMRA risk assessments rely on inaccurate assumptions and conservative calculations which undermines access to vital crop protection products. Enhanced funding would enable the collection of independent Canadian data on pesticide use and water monitoring and extend PMRA's Transformation Agenda funding to ensure its completion and the implementation of a more agile regulatory system.

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Energy, Environment and Climate Change

- **Recommendation 7: The Government of Canada pause the development and implementation of the proposed produce sector-specific regulatory and policy actions given the adverse impacts they would have on Canadians and Canada's produce industry.**
- **Recommendation 8: The Government of Canada engage with the Canadian and International fresh produce sector to explore options to leverage and help advance the produce industry's ongoing efforts towards a sustainable fresh produce primary packaging portfolio.**
- **Recommendation 9: The Government of Canada consider alternative actions to address the environmental concerns with primary packaging, while not adversely impacting fresh produce affordability, availability, and other key factors.**

The Government of Canada's proposed regulatory and policy actions will have a significant and adverse impact on Canadians and Canada's produce industry. These actions – effectively a plastic packaging ban for fresh produce – if adopted, will lead to increased food costs, loss in fresh produce availability, and introduce additional risks to the fresh produce supply chain. These actions will also lead to increased environmental impacts such as increased fresh produce food waste and increased GHG emissions.

- **Recommendation 10: Ensure the launch of the Sustainable Agriculture Strategy supports all agricultural commodities and is accompanied by an ambitious funding envelope commensurate with incentives, research, and knowledge transfer activities required to reflect the inter-related demands of environmental, economic, and social sustainability.**

This targeted funding is essential for the horticulture sector's unique challenges in climate adaptation, often overlooked by general agricultural funding. Prioritized allocation of increased funding for the implementation of comprehensive climate-informed emergency management mechanisms, proactive adaptation strategies, and data-driven initiatives to fortify Canada's agricultural sector against the escalating threats posed by recurrent flood events and climate change impacts will enable fruit and vegetable growers to implement innovative, climate-smart practices. It will facilitate research and development tailored to horticulture, enhancing resilience, sustainability, and productivity in the face of climate-related challenges. This funding will also support knowledge transfer and translation (KTT), development, and adoption of best management practices (BMPs) specific to horticulture, ensuring the sector's long-term viability and contribution to Canada's food security and environmental stewardship.

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Greenhouse Vegetable Sector

- **Recommendation 11- Legislative Support for Canadian Greenhouse Growers**

FVGC continues to advocate for Bill C-234 to ensure that carbon pricing exemptions and relief provided under the *Greenhouse Gas Pollution Pricing Act* are extended to the full range of farmers including greenhouse growers, across all main fuel types (gas, diesel, natural gas and propane), where it is used in common agricultural machinery, and for heating and/or cooling by Canadian farmers.

The federal price signal only works where users can transition to feasible energy alternatives. Carbon costs are unavoidable for our growers. Natural gas-powered systems can provide plants the CO_2, heat and electricity needed for a year-round supply of Canadian fruit and vegetables. Rather than having the intended effect of changing behaviour, reducing emissions, and decarbonizing, the millions of dollars collected by the federal government from our Canadian farmers is a punitive approach that negatively impacts both farmers and consumers. The Parliamentary Budget Officer has made clear that this bill will save Canadian farmers $1 billion by 2030, reducing the cost of food for Canadian families currently struggling to afford groceries. An enabling policy and supportive legislative agenda would support Bill C-234 as a food-first federal policy. Policy support for the establishment of efficient, on-farm energy assets, such as cogeneration, could also provide key benefits to improving the supply and demand resiliency in regions with constrained electrical capacity or future demand that threatens to outstrip forecasted supply.

- **Recommendation 12 – Return Carbon Pricing Proceeds to Farmers**

Despite the assertion made that farmers are already receiving carbon tax exemptions and rebates, we must re-emphasize that farmers, especially greenhouse vegetable growers, continue to pay very significant and rising carbon tax costs. The financial burden imposed by escalating carbon taxes - applied to their natural gas used to supply their crop with heat, carbon dioxide, and light are expected to rise to $82-100 million by 2030.

Under the *Income Tax Act* – as per commitments made in Budget 2021 to return proceeds directly to farmers a new tax credit, specifically recognizing activities including “raising of animals and harvesting of plants in a controlled environment” and that “many farmers use natural gas and propane in their operations.” Unfortunately, the payment rate applied a

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rebate of only $1.47 and $1.73 per $1000 of eligible expenses in 2021 and 2022 calendar years respectively[1].

The Act also notes that for calendar years after 2022, the payment rate is deemed to be zero if none is specified by the Minister of Finance. We urge the Canadian Government to enhance transparency and accountability in returning fuel charge proceeds to farmers, including greenhouse growers, under the Income Tax Act, as it is vital for affordability and sustainability.

- Recommendation 13- Invest in Greenhouse Agriculture.

The Government of Canada must seize an opportunity within the Sustainable Agriculture Strategy to secure funds and implement scaled-up programming through national, sector-led initiatives. Mobilizing expertise, supporting research and innovation, promoting knowledge sharing, and validating transformative approaches will be achieved by leveraging the industry support and partnerships of the Canadian Greenhouse Excellence Network (CGEN).

Budget 2024 is the right time and place for the Government to recognize that greenhouse production systems can be a carbon-neutral energy solution, with potential to be carbon negative.

The sector is taking its first steps to transition to net zero, but any transition away from carbon-based fuels, will require research, disruptive technology, game-changing innovations, public infrastructure investments, and significant on-farm support. Greenhouse growers will require Government collaboration to make these investments. Budget 2024 must prioritize Canadian food production in follow up to the 2023 Fall Economic Statement delivery timeline for new clean economy tax credits for carbon capture, utilization, and storage; clean technology adoption; clean hydrogen; clean technology manufacturing; and clean electricity.

[1] Legislative Summary of Bill C-8: An Act to implement certain provisions of the economic and fiscal update tables in Parliament on December 14, 2021 and other measures.
https://lop.parl.ca/sites/PublicWebsite/default/en_CA/ResearchPublications/LegislativeSummaries/441C8E

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Labour

- **Recommendation 14: Streamlining the LMIA Application Process**

To sustain and enhance the productivity of Canada's agriculture sector, it is crucial that the government follows through on its Budget 2022 commitment to streamline and standardize the Labour Market Impact Assessment (LMIA) application process. An enhanced Recognized Employers Program will significantly reduce bureaucratic hurdles and processing times for growers who have demonstrated compliance and good standing.

- **Recommendation 15: Increasing Funding for SAWP and TFWP Agricultural Stream Administrators**

The Seasonal Agricultural Worker Program (SAWP) and the Agricultural Stream of the Temporary Foreign Worker Program (TFWP) are vital for closing the labor gap in Canadian horticulture. Increasing funding for administrators of these programs is imperative to address the escalating labour shortages effectively. Enhanced financial support will enable the programs to expand, improve their services, and streamline the processing of applications, thereby ensuring that Canadian growers have timely access to the necessary workforce to meet their labour needs.

- **Recommendation 16: Providing Adequate Resources to ESDC and IRCC**

The efficiency of Employment and Social Development Canada (ESDC) and Immigration, Refugees and Citizenship Canada (IRCC) in managing and supporting the inflow of temporary foreign workers is paramount to the agriculture sector's success. This investment is essential for maintaining the sector's productivity and for the overall stability of Canada's food supply chain.

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Trade and Marketing

- **Recommendation 17: Create a limited statutory deemed trust, as established in Bill C-280, *the Financial Protection for Fresh Fruit and Vegetable Farmers Act*.**

The fresh fruit and vegetable supply chain is intricate, requiring growers to invest heavily to ensure a steady supply of safe, nutritious, and locally grown food. With rising overhead and capital costs, returns are only realized after sales and payment collection. Bill C-280, *the Financial Protection for Fresh Fruit and Vegetable Farmers Act*, proposes essential support for this industry and could restore preferential treatment under PACA for U.S. exports, at no government cost. Having passed the House of Commons and now at the Senate's second reading, we urge the government to promptly enact this crucial legislation.

- **Recommendation 18: Support and provide financial assistance for the development and implementation of an industry-led Grocery Code of Conduct.**

The Grocery Code of Conduct is crucial for members of FVGC as it ensures a fair and transparent business environment in the Canadian food industry. It addresses the financial vulnerabilities of agricultural suppliers, many of whom are small or medium-sized enterprises unable to absorb increasing retail costs. The Code empowers growers with greater negotiating power, correcting historical imbalances where growers often had to accept unfavourable terms from grocers. By establishing clear rules around payment, pricing, and fostering trust and collaboration in the value chain, the Code supports a sustainable business environment, crucial for the growth and resilience of Canada's agricultural sector.

Conclusion

From 2024 to 2030, the Canadian Government must implement informed, strategic policies and funding that support sustainable agriculture, empowering Canadian fruit and vegetable farmers. These measures should address competitive imbalances both within provinces and against key international players, securing the future of Canadian-owned farms. The vitality of these farms is essential for Canada's economic growth and our commitment to food security, both at home and abroad.

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