4 DEFENDING AGRICULTURE AND PRIVATE FORESTRY IN OUR TRADE RELATIONS

Agriculture is a strategic sector for all countries. Like our trade partners, we are justified in protecting our national farm support policies.

Agriculture and free trade

In certain export-oriented agricultural sectors, such as pork, cattle, cereal, and maple production, our free-trade agreements may have positive effects insofar as the government is able to secure real access to foreign agricultural markets and grant access on other fronts without destabilizing sensitive sectors. It is possible to make such overtures while still protecting supply management systems, which are an integral part of our agricultural policy..

The three major trade agreements concluded since 2013 (CETA, CPTPP, and CUSMA) will create significant losses for producers under supply management, chiefly in the dairy sector. On this point, the government announced the payment of compensation to partly make up for the losses incurred as a result of the CETA and the CPTPP. We now know the terms of these assistance programs for the dairy sector under supply management, but nothing has been announced in the egg and poultry sectors and nothing for goat and sheep milk producers, who are also affected by imports of European cheese.

An inexpensive labour force, health and environmental rules well below ours and a highly favorable climate confer an undeniable advantage to the Mercosur countries (Argentina, Brazil, Paraguay and Uruguay). Reports that Canada is engaging in trade negotiations with these countries are an indication that these large South American players have an interest in our markets, especially poultry, eggs, dairy, and beef. For all sectors of production, there are very few benefits to be expected from the negotiations currently taking place on this front and it is out of the question that our agriculture will once again used as a bargaining chip.

TRADE DISPUTES

Trade disputes affect our agricultural sector, whether because of tariffs imposed by the United States or decisions made by China on Canada's meat imports. In 2018-2019, US producers will have received $ 28 billion in additional support. The support of our governments is just as necessary!

OUR REQUESTS

- ✔ **Maintain the Compensation for Supply-Managed Dairy Producers announced on 16 August by the government ($ 1.75 billion over 8 years).**
- ✔ **Fully and fairly compensate all producers for losses ensuing from the recent trade agreements, including the ACEUM, and mitigate the impacts of the concessions that have been made (labelling rules, distribution of tariff quotas, etc.).**
- ✔ **Exclude products under supply management from any future trade agreements and remove the agricultural sector entirely from negotiations currently taking place with the Mercosur countries.**
- ✔ **Grant the Canadian Food Inspection Agency the resources and powers it needs to ensure Canadian standards apply to all imported products, including an import oversight office and measurement and control tools.**
- ✔ **Support agricultural sectors and businesses affected by trade disputes using budgets and compensation programs adapted to the circumstances.**
- ✔ **In the next softwood lumber trade agreement with the United States, ensure that wood harvested from private forests is exempt from taxes and quotas.**

UPDATE THE TAX SYSTEM FOR AGRICULTURAL AND FORESTRY BUSINESSES 5

Farm transfer

Certain sections of the *Income Tax Act* must be updated to reflect the reality of agricultural businesses. This is particularly the case for the *capital gains deduction on farming property*, which is more generous when a farmer sells his business shares to a corporation owned by a non-relative. Also, since sibling associations are common, exemptions granted when a transferor sells farm assets at a low cost to one of his children should apply to his nephews and nieces.

SUPPORT FOR SMALL BUSINESSES

In Canada, over 40% of farms have gross annual revenues of $ 50,000 and under. These companies are struggling to generate profits that allow them to invest. In many cases, with a simple financial boost, they would cross the threshold of development and growth.

Silviculture Savings and Investment Plan

The tax system does not encourage owners of forested areas to profit from their forests. Indeed, expenses related to forest management are incurred mainly at the start of the production period while most of the income is generated many years later when the mature trees are harvested. Because of this, there is not sufficient income in the beginning to cover the tax costs, whereas when the sale finally occurs, deductible expenses are low relative to the income generated..

OUR REQUESTS

- ✔ **When a parent sells a farm to a child in the form of shares of incorporated companies, give the transferor the same tax advantages as would apply if the farm were being sold to a non-relative.**
- ✔ **Eliminate or limit the taxable capital gain when certain agricultural assets are given or sold at a low price to a nephew or niece (land, quota, equipment, etc.).**
- ✔ **When a company splits, do not tax the consideration paid to compensate for irregular splitting of shares if these amounts are reinvested into one of the farms resulting from the split.**
- ✔ **Grant Canadian farm businesses generating gross incomes of $50,000 or less an investment tax credit (refundable and not taxable) for the purchase of agricultural equipment and machinery (new or used) equivalent to 30 percent of the acquisition cost.**
- ✔ **Raise the threshold limiting access to the SBD from $10 million to $20 million.**
- ✔ **Create a personal forest investment savings plan, modelled after the RRSP, allowing forest owners to tax-shelter some of their income from wood sales with a view to carrying out other sylvicultural work needed for forest growth, for example reforesting on harvested areas or clearings in forest stands.**

THE 5 AGRICULTURAL AND FORESTRY ISSUES IN THE 2019 ELECTION CAMPAIGN

WHAT THE FUTURE GOVERNMENT OF CANADA CAN DO TO SUPPORT THE DEVELOPMENT OF AGRICULTURE AND PRIVATE FORESTRY

UPA POUVOIR NOURRIR POUVOIR GRANDIR

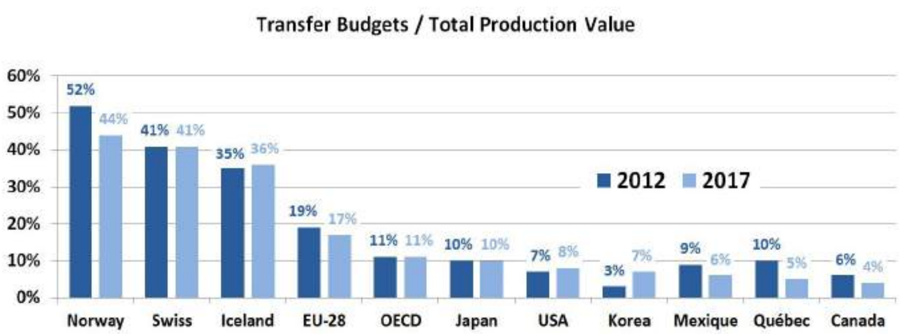
L'Union des producteurs agricoles

1 ENSURING RISK MANAGEMENT TOOLS ARE COMPETITIVE

Whether risks be climatic, phytosanitary, or commercial in nature, proper business risk management (BRM) is the foundation of growth in the agricultural sector.

Farmers from coast to coast unanimously agree that the budgets and terms associated with BRM programs are currently falling short; they are failing to adequately cover the risks.

Transfer budgets were halved in Quebec between 2012 and 2017. And in both Quebec and Canada, the ratio of transfer budgets over production value is well below that of several OECD countries.



Sources : OECD, Statistics Canada and Coopérative de solidarité Carbone.

Producers are at the end of their rope and find themselves significantly disadvantaged on the international stage. A report published in May by Statistics Canada revealed that farmers' net income fell by 63 percent Canada-wide in 2018.

In 2013, the Canadian government made significant cuts to its programs, to the point where BRM tools have ceased to function. This fact was confirmed by a marked drop in farmers' participation in the AgriStability program. Currently, farmers need to demonstrate losses of over 30 percent in order to qualify for support and the program is no longer accessible when it is needed.

These findings, acknowledged by all industry stakeholders during the consultations on the most recent APF, must immediately be reflected in the government's budget and policies. Increased funding for the agricultural sector has become unavoidable and urgent.

OUR REQUESTS

Improve BRM programs starting this year and subsequently index budgets in proportion to the increase in farm receipts:

- ✔ **AgriStability: cover 85 percent of margins and withdraw the reference margin ceiling on eligible expenses**
- ✔ **AgriInvest: increase government contribution and create a tax exemption for withdrawals used to increase on-farm productivity**
- ✔ **AgriInsurance: provide flexibility to adapt crop insurance to new climatic realities**
- ✔ **AgriRecovery: improve coverage in extreme situations and dissociate this program from the other BRM tools**
- ✔ **For next-generation farmers: lower the costs during the first five years of participation in programs**

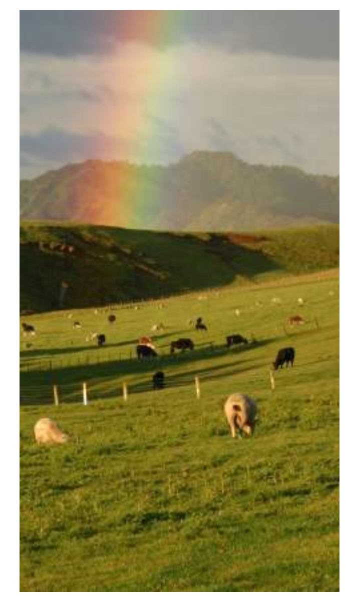
2 INVESTING IN AGRI-ENVIRONMENT

While farmers have made significant efforts in the field of agri-environment in the last 25 years, today they navigate these waters in a context where public investment, flatlines, or—worse—declines.

Research, innovation, and business adaptation

Given that the benefits of research are seen over decades, the only way Canada's agri-food industry can face up to the great challenges of our era is through constant and sustained effort.

In addition, our businesses' ability to adapt to societal expectations (reduce GHG emissions, protect the environment, meet new animal welfare standards) is compromised where government support in knowledge acquisition, technical advice, and guidance is in adequate Although important, investments in this area do not necessarily improve farm profitability.



Farmers are agents of change in the agri-environment field and they must be appropriately remunerated for the environmental goods and services they provide to the whole of society.

Organic production

Canada is considered the fifth largest organic market in the world; our organic product sales are growing at an impressive rate ($5.4 billion in 2017). Despite steadily increasing production, supply is still not meeting demand, either domestically or internationally.

Unlike our trading partners, notably the United States and the European Union, Canada does not have a funding program to support the five-year review of its national organic standards.

The United States has also implemented cost-sharing programs for organic certification.

OUR REQUESTS

- ✔ **Create a program to pay producers for the environmental goods and services they provide (e.g., loss of farmland).**
- ✔ **Provide a stable and predictable budget for agricultural research and innovation as well as strategic environmental initiatives (organic production, living laboratories, guidance, training, transfer, etc.).**
- ✔ **Provide a support program dedicated to helping businesses adapt to societal expectations.**
- ✔ **Provide tax breaks and innovation support to small farms.**
- ✔ **Provide permanent funding to revise and maintain Canada's organic standards.**
- ✔ **Create a cost-sharing program for organic certification.**

3 ADAPTING THE TEMPORARY FOREIGN WORKER PROGRAM

While farmers agree that priority should be placed on hiring local workers on farms, in today's circumstances, temporary foreign workers (TFWs) are essential. Temporary immigration programs must be better adapted to agriculture and keep up with changes in the sector.

Greater flexibility

Farm work varies greatly by season and by production type. For this reason—more so in agriculture than in any other sector—TFWs should have the option to quickly and easily change employers during the season. The House of Commons standing committee (HUMA) made this recommendation in September 2016 to benefit agricultural TFWs, especially those working in the horticulture and pomiculture sectors.

To make the processing of files simpler and faster, employers who have used the program for several years should be able to "fast track," similarly to what is offered through the NEXUS program. This idea was also proposed by the HUMA committee.

Addressing the labour shortage

Given that the labour shortage is affecting virtually all production sectors, there is no reason why some of them, including maple and grain production, continue to be ineligible for agricultural TFW programs. It is also important to note that the shortage is hitting businesses of all sizes. The smallest farms also need workers, but they are not always able to offer full-time positions. Sharing between two employers or joining multiple farmers together in a labour cooperative could create enough work for one or multiple TFWs.

OUR REQUESTS

- ✔ **Make it possible for TFWs to easily change employers during the season, especially in the horticulture and pomiculture sectors (open work permit).**
- ✔ **Ease administrative constraints for long-standing employers (cf. NEXUS).**
- ✔ **Open TFW farm programs to all agricultural production types.**
- ✔ **Allow agricultural employers who cannot offer full-time positions to share the work hours of a TFW directly or use farm labour cooperatives to do so.**