

February 7, 2023

Department of Finance Canada
James Michael Flaherty Building
90 Elgin Street
Ottawa ON
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RE: ONTARIO FEDERATION OF AGRICULTURE 2023 BUDGET SUBMISSION

The Ontario Federation of Agriculture (OFA) proudly represents more than 38,000 farm family members across the province, supporting our members and the agri-food industry on issues, legislation and regulations governed by all levels of government. OFA works to ensure the agrifood sector and our rural communities are included, consulted, and considered in any new and changing legislation that impacts the sustainability of our farm businesses. We are the leading agricultural advocate for Ontario farmers, their businesses, and their communities.

OFA appreciates the opportunity to participate in the budget consultation process and provide recommendations to help strengthen our agri-food sector, rural communities, and all of Canada.

As the voice of 38,000 Ontario family farms, the Ontario Federation of Agriculture recommends the following:

1. Financial compensation for farmers negatively impacted by fertilizer tariffs
2. Exempt farm businesses from the filing requirements for the Underused Housing Tax
3. Improve the Advanced Payment Program
4. Provide funding for farmers to adopt clean technologies
5. Broadening the Fuel Tax Exemptions for Farmers

FINANCIAL COMPENSATION FOR FARMERS NEGATIVELY IMPACTED BY FERTILIZER TARIFFS

On March 3, 2022, the Canadian government implemented a 35% tariff on a broad range of products imported from Russia including fertilizer.

Although the imposition of such an import tariff is intended to apply pressure on the Russian government by imposing economic hardship on Russian suppliers, some Russian suppliers have been successful, as in the case of fertilizer, in increasing the price paid by their Canadian customers. As result, the final purchasers of fertilizer (i.e., Canadian farmers) have been negatively impacted by the federal government-imposed tariff.

Ontario, Quebec, and Atlantic Canada rely heavily on fertilizer imports. Approximately 660,000 – 680,000 tonnes of nitrogen fertilizer is imported from Russia to Eastern Canada annually, which represents between 85-90 per cent of the total nitrogen fertilizer used in the region. These tariff costs add to the already inflationary environment Ontario farmers face, including significant costs in farm fuel and other input costs.

The Tariffs also had indirect impact on fertilizer prices. In some cases, farmers ended up having to pay higher market prices for fertilizer which was not directly subject to the tariff due to supply and demand market forces.

OFA urges the federal government to immediately announce financial compensation for farmers impacted by fertilizer tariffs and deliver that compensation in a simple and time efficient way.

Recommendation:

From the onset, OFA's preferred solution has been the reimbursement of fertilizer tariff dollars collected by the federal government back to farmers who paid them. This is a similar position that other farm organizations have put forward. The OFA has offered alternative ways to ensure these dollars are returned to agriculture if reimbursement to farmers directly is not feasible. Alternative methods to return tariff dollars to the agriculture sector include:

- Development of a new program or an investment by the federal government into an existing program that provides easy, direct payments to farmers for implementation of Best Management Practices particularly around emission reduction.
- Investment in the development of domestic nitrogen production in Eastern Canada.
- Establishment of a tax rebate to return dollars directly to farmers.

The impact of the fertilizer tariffs have exposed a critical weakness in Canada's food security and agricultural supply chains which is the overreliance of fertilizer imports, particularly from a single country which does not share Canadian values.

Farmers need compensation in the short term, but the long term solution to our reliance on Russian fertilizer is for the federal government to invest in the domestic capacity for nitrogen production, particularly in Eastern Canada.

The U.S. Department of Agriculture (USDA) recently announced \$500 million to increase American made fertilizer production. To maintain food security and ensure producers have access to affordable inputs required for a thriving agricultural sector, the Canadian government needs to make a similar investment.

EXEMPT FARM BUSINESSES FROM THE FILING REQUIREMENTS FOR THE UNDERUSED HOUSING TAX

In June 2022, the Underused Housing Tax (UHT) Act received Royal Assent and is now law. The Act requires private corporations and partnerships (including farms) that own a residential property to file an Underused Housing Tax return, even if they do not have to pay the tax.

Many farmers who run a private corporation or partnership in Canada will not know they have to file the UHT return, as they are in the business of farming, not real estate. The penalty for failing

to file is \$5,000 for individuals and \$10,000 for corporations and partnerships. This penalty is exorbitant and applying these penalties to farmers does nothing to help the issue of lack of available affordable housing in Canada.

Farmers do not play a meaningful role in the rental market for housing, and as such most will not think to file the return, resulting in unnecessary financial hardship for farmers throughout Canada while doing nothing to help the government reach the intended policy outcome. Therefore, we ask that farm businesses be exempted from filing the UHT return.

IMPROVE THE ADVANCE PAYMENT PROGRAM

The Advanced Payment Program (APP) remains a strong program for the federal government to support farmers during times of intense inflationary pressures and geo-political and trade challenges. While this program offers benefits, farmers from across Ontario have indicated a number of regulatory and policy changes that could be made to the program to make it more accessible and provide greater certainty during these times.

Recommendation:

- Thoroughly review the APP program and remove all unnecessary red tape and complexity to make the program more efficient.
- Permanently increase the interest-free limit to \$250,000.
- Amend the APP guidelines to allow for 60% of the advance to be paid on Nov 1st.

In June 2022, Minister Bibeau announced a temporary increase in the interest-free limit under the APP from \$100,000 to \$250,000 for the 2022 and 2023 program years. In coming years, farmers will continue to face higher input costs such as fertilizer, seed treatments and fuel costs. In addition to rising input costs, farmers continue to face uncertainty and strains on cashflows as a result of issues outside their control like an increasingly volatile climate, labour shortages and trade and other geopolitical tensions. For these reasons we recommend that the temporary increase to interest-free limit under the APP be made permanent.

OFA has heard from members and delivery partners that there are a number of administrative hurdles that if removed, would make the program simpler and more efficient. Currently producers are forced to provide proof of commodity sale when repaying funds under the program. This requirement serves no purpose and only creates unnecessary red tape and should therefore be removed.

Additionally, producers currently have to wait until April 1st to receive funding. The reason for this is because AgriStability and production insurance coverage as security are processed through delivery partners.

OFA recommends that the APP guidelines be amended to allow 60% of the advance be paid on Nov 1st. This would allow farmers to make important pre-planting purchases such as seed and fertilizer. The remaining 40% would be advanced once the security is in place via AgriStability and Production Insurance programs in April.

FUNDING FOR FARMERS TO ADOPT CLEAN TECHNOLOGY

The \$165.7-million Agricultural Clean Technology Program announced in 2021 was so well received by farmers that the demand greatly outweighed the amount of money available. This is particularly true for the adoption stream, which included funding to help farmers purchase technologies that help reduce on farm GHG emissions.

Over the lifespan of this funding agreement, the OFA has continued to hear strong positive feedback from farmers in terms of the availability and impact this has had on farm clean technology adoption. The additional funding of \$50 million for more efficient grain dryers was also extremely well received.

Recommendation:

- Provide additional funding to help farmers adopt clean technologies.

The uptake in the Agricultural Clean Technology Program proves that this is an effective government program that must be renewed with enough funding to accommodate the demand for all viable projects. Whether in conjunction with the return of tariff dollars to farmers or to further the government's goals of reducing the carbon impact of the agriculture industry, renewing the program would be well received and a positive step forward.

BROADENING THE FUEL TAX EXEMPTION FOR FARMERS

The federal fuel surcharges for the price on carbon have placed a significant financial burden on farmers across Canada. Farmers depend on fuels like natural gas and propane to heat and cool livestock barns and dry grain crops to keep them from spoiling. These aren't optional activities and, unfortunately, there are currently no practical, affordable alternative energy options readily available.

In 2021, the Ontario Federation of Agriculture released results from research conducted by Agri-food Economics Systems that estimated the explicit cost burden of the fuel charge on livestock housing with seasonal heating requirements, grain drying, and greenhouse production in Ontario to increase to just over \$156 million per year by 2030. The cumulative costs to Ontario farmers between now and full implementation of federal carbon pricing structures in 2030 are estimated at over \$890 million.

Recommendation:

- Expand the definition of eligible farming machinery in the Greenhouse Gas Pollution Pricing Act

We recognize that agriculture isn't the only sector that is affected by carbon pricing, but the biggest challenge for our industry is that we operate in a global economy and most farmers are price takers not setters. This creates a natural inability to pass on increased costs through the price of the products we produce on our farms.

OFA strongly recommends that all MPs support Bill C-234 which would expand the definition of farm machinery exempt under the Greenhouse Gas Pollution Pricing Act to include heating and cooling of livestock barns and grain drying activities.

The OFA and our farm business members and associated organizations are prepared to work closely with the Canadian government to deliver these necessary investments and programs for the benefit of Canada's economy and all its citizens.

Sincerely,



Peggy Brekveld
President