

**GRAIN GROWERS  
OF CANADA**



**LES PRODUCTEURS  
DE GRAINS DU CANADA**

Brief to:  
**Minister of Finance  
and  
The House of Commons  
Standing Committee on Finance  
Fall 2009  
Pre-Budget Consultation**

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**Grain Growers of Canada**

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# GRAIN GROWERS OF CANADA BRIEF ON PRE-BUDGET CONSULTATION

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## EXECUTIVE SUMMARY

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The Grain Growers of Canada represent the interests of 80,000 Canadian grain, pulse and oilseed producers. Our driving principle, developed by farmers, is to pursue a grower-driven, competitive agricultural trading environment based on comparative advantage and open markets. We feel strongly that while government does not owe farmers a living, it does owe them a policy environment that will allow farmers to make a living.

To pursue this aim, we have identified two key areas of government action in the next budget, with the aim of securing competitive advantage for our farmers by stimulating innovation and through effective policy:

- 1) **Public Research** – Federal government contributions to Agriculture and Agriculture Canada’s (AAFC) research branch have been stagnant for the last 10 years and the number of full time employees has been continually decreasing. There is a significant need for increased investment in research branch expenditures and a succession plan to replace retiring research scientists
- 2) **Certified Seed Tax Incentive** – One of the barriers to securing reasonable levels of private investment in cereal and pulse research is the fact farmers often save their seed on a yearly basis, instead of buying new varieties of certified seed. There is little incentive for the private sector to advance research into these crops without a return on investment. A tax credit to encourage farmers to buy new certified seed annually will be a good starting point to encourage private investment in cereals

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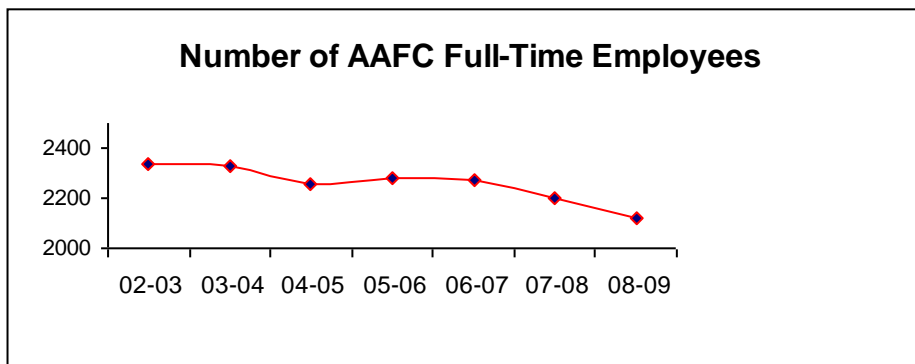
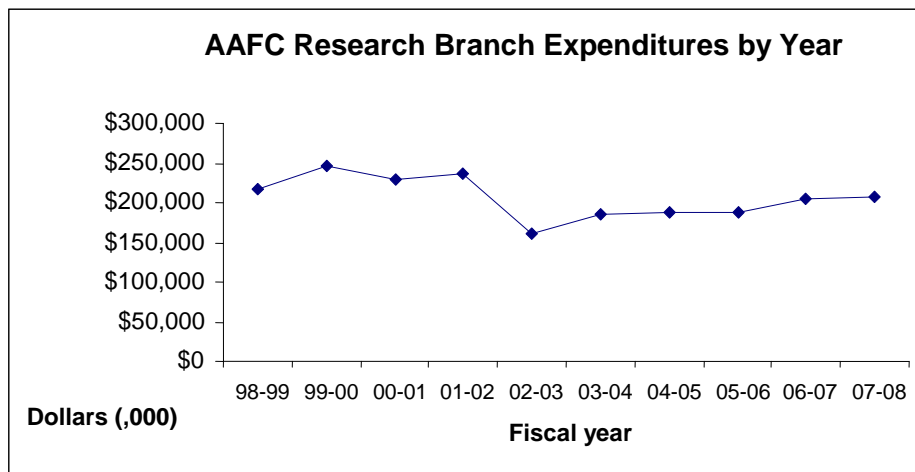
## PUBLIC RESEARCH

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Public research is vital to the long-term success of Canadian farmers. However, real dollar investments in public agricultural research have declined. To address this concern, the GGC specifically requests the Government of Canada to:

- Put forward a renewed focus on public research in agriculture to support Canadian farmers
- Double the A-Based research budget in AAFC to total \$560 million over a period of time, and
- Develop a succession plan to replace retiring scientists

Federal government contributions to AAFC’s research branch have been relatively stagnant for the last 10 years with no increases for inflation, and the number of full time employees has been continually decreasing (Figures 1 and 2). This has begun to cripple our agricultural industry and will continue to do so at an accelerated rate. In 1994 there was \$340 million invested in A-base research, which in 2009 dollars equates to \$458 million. The \$280 million allocated to A-base research is not enough to maintain our research infrastructure to keep us competitive.



Private research is needed, but there are currently insufficient returns on cereal and pulse varieties for large scale investments. Nor is there a “financial return” to capital on basic agronomic research on crops across the board. By 2012, 95% of private sector research will be in three crops: canola, corn and soybeans, with only 2% directed to wheat. Even in those three crops though, very little will be directed to basic agronomics. The public sector has an important role to fill in this void.

The government has made positive steps to facilitate public and private cooperation in research for value-added products in science clusters as DIAP. Additionally, dollars have been allocated to combat new threats to Canadian crops such as Ug99 stem rust. This funding however, does not address our crumbling agricultural research from the maintenance of research stations to the replacement of retiring researchers. As Canada falls behind other nations in public research in agriculture, our farmers lose their edge in the marketplace.

This issue unites all of our farmer members across the country.

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### **CERTIFIED SEED TAX INCENTIVE**

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As mentioned in the previous section on public research, there is a lack of private sector investment in cereal research. This stems from the tendency of farmers to save cereal and pulse seed which reduces short-term input costs, and not purchase it annually. Only 18% of all seed planted to wheat is certified, and only 30% of seed in Canada is certified. Essentially, 30% of farmers carry the research costs that benefit everyone. Without farmers buying seed on a regular basis, there is no incentive to invest dollars in research to develop new varieties.

We believe the government should implement a broad-based tax incentive for farmers that buy certified seed. One suggestion is a 155% credit on the cost of buying certified seed as an expense on the income tax return of farmers.

This proposal would cost the government \$89.5 million if amount of certified seed increases from 30%-50% and \$179 million if Canada reaches a full 100% certified seed usage.

The George Morris Centre estimates that if Canada reaches 100% certified seed use, the tax credit will:

- Increase farm income over \$170 million from the 8 most recently introduced varieties alone
- Generate an additional \$60 million in tax revenue from the 8 most recently introduced varieties
- Return to the economy would be \$600 million

These economic stimulus benefits are in addition to aiding long-term competitiveness by creating the incentive necessary to bring private investment in cereal research. While this does not replace the importance of A-base public research funding, it will help ease pressure on the public sector research infrastructure.

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## CONCLUSION

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The Grain Growers of Canada strongly believe that the advancement of agricultural research in Canada is critical to secure the prosperity of Canadian farmers for the future. Canada is lagging in research, so our competitive advantage is slipping. We believe our proposal to implement a certified seed investment tax credit will promote greater private sector involvement in cereal, pulse and special crops research. As well, a doubling of A-base public research will shore up our research infrastructure and ensure adequate researchers are in place to maintain basic agronomic research, where private sector dollars are minimal.

The farmers our organization represents from across the country feel very strongly on this issue and we would appreciate the opportunity to share our key priorities with the House of Commons Standing Committee on Finance this fall.

Please contact our Executive Director, Richard Phillips at any time if you have questions or concerns. 613-233-9954