



**Written Submission for the Pre-Budget Consultations in  
Advance of the Upcoming Federal Budget**

**August 2023**

## List of Recommendations

**Recommendation 1:** We recommend that the Government of Canada implement the 2022 National Supply Chain Task Force recommendations, including:

1. Make the current 18-month extended interswitching rail service pilot permanent, make it available nationally and increase the distance from 160km to 500km;
2. Invest to remove pressure points and increase capacity and fluidity, especially at ports, particularly the North Shore rail bridge and tunnel in Vancouver;
3. Give the Canadian Transportation Agency the mandate to ensure balanced negotiating powers between shippers and railways; and,
4. Give grain farmers and shippers the ability to apply meaningful reciprocal penalties when railways do not deliver rail cars on time.

**Recommendation 2:** We recommend that the Government of Canada create regulations and policies that allow for Canada to be a world leader in grain innovation, including:

1. Canada should set a target to be the largest investor (public and private combined) in grain-related research per GDP. This requires increased public investment in grain R&D to 'catch up' from years of dilution and underinvestment, and to address regulatory irritants and hurdles, to attract a much higher share of global grain R&D from private firms.
2. Gene-editing will revolutionize plant breeding and bring more sustainable varieties to farmers faster. CFIA must publish the final guidance on plant breeding innovations, as soon as possible, to secure investments in R&D and to ensure that farmers have access to the new varieties, when they are available around the world; and,
3. Pesticide approvals must be based on science and risk-based decision-making. Real world observations must be given priority over modelling. Agronomic factors (e.g., disease pressures, alternatives, etc.) need to be reflected in decision making.

## **Introduction**

Canadian grain farmers know that a safe and ever-growing food supply is key to protecting our food security. With an international reputation for consistency, high quality and reliability, Canadian grains are depended upon worldwide. Canada's grain sector is also a major driver of economic growth domestically. As one of the top five global exporters, demand for Canadian grain is only growing. Grains produced in Canada are broken down into three major groups, including cereals, pulses, and canola.

Combined, grains in Canada account for \$135 billion of our GDP. The sector is responsible for one in nine jobs across the country. Farmers are also stewards of their land, caring for over 159 million acres of land. Simply put, Canada's grain sector is essential to our economy and environment, and the government must ensure that it continues to be supported today and well into the future.

## **Getting Grain to Market – On Time and On Budget**

Supply chain disruptions are not new for grain farmers, who have experienced significant challenges getting grain to export position by rail for decades. International customers often raise transportation reliability as one of their main issues with Canadian grains.

Broader supply chain disruptions over the last years brought more attention to the issue and caused significant action within government, including the appointment of a National Supply Chain Task Force. The Task Force released a report in October 2022, which included more than 20 recommendations.

Most of the recommendations in the report align with the priorities that grain farmers have been raising for years, including expanding interswitching (which gives shippers increased competition) and investing in infrastructure.

### *Extended Interswitching*

The Grain Growers of Canada (GGC) would like to commend the Government of Canada for recently passing the Budget Implementation Act that included an 18-month pilot for extended rail interswitching, which was characterized by the government as a “down payment” on the implementation of the Task Force recommendations. The pilot increases the radius, at which interswitching is available to shippers, from 30 kilometres to 160 kilometres.

The pilot, which will come into effect in the early fall, will present three important benefits to grain farmers and shippers. First, it will increase competition by allowing shippers to have more options for rail service, instead of the current geographical monopoly that most grain shippers would otherwise face. Second, it will improve service and efficiency by giving shippers leverage in discussions with the serving railway through the threat of loss of business. Lastly, it will allow Canadian grain to have greater access to new markets and customers, providing opportunities for growth and expansion.

However, an 18-month pilot project will not have a long-term impact. Grain shippers, in partnership with farmers, have already planned over nine months ahead, and will need to transition back to the previous system once the pilot nears its end. With that in mind, the pilot will likely only present benefits for only a few months. Moreover, we anticipate grain shippers will be reluctant to use a temporary tool that will draw the ire of their monopoly rail service provider and the possible repercussions they would face as a result.

Seeing that the benefits of extended interswitching are well documented between 2014 and 2017, we are recommending that the Government of Canada make it permanent. We also recommend that the government increase the radius, from 160 kilometres to 500 kilometres, to allow most grain farmers and shippers to make use of this tool. Moreover, consideration must be given to making this provision available nationally, not just within the three prairie provinces.

#### Financial Accountability

Additionally, the power in the railway – grain shipper relationship is still imbalanced, given they are often physically and geographically captive to that service provider. Grain shippers do not have the right tools to be able to hold railways accountable when they do not live up to their contracts and order commitments, even though railways regularly make farmers and grain shippers pay when they fail to perform. In fact, almost every other link in the transportation chain can charge a penalty (e.g. vessel owners charge demurrage when they are kept waiting at port) which is typically captured in a contract. The need for penalties has increased because of Canada's lack of competition in rail service, and the supply chain headaches we have encountered over the past years.

Farmers have long called for reciprocal penalties to ensure that railways live up to their contractual obligations, such as delivery of rail cars to an elevator, or a port facility, when they say they will. Past legislative changes have not gone far enough to give shippers, or the Canadian Transportation Agency, the authority to impose financial accountability, which is the only way to change railway behaviour and performance. The government must go further and provide the authority to allow shippers the ability to impose meaningful financial accountability in the supply chain.

#### Addressing the Power Imbalance

Lastly, the government's enforcement agency for rail service matters, the Canadian Transportation Agency, needs to be given the tools to ensure that commercial negotiations between railways and shippers are balanced. Presently, that is not the case, which has given rise to practices, such as having railways demand that shippers waive certain rights under transportation legislation (e.g., their ability to use interswitching) if they want to enter into a commercial contract and ensure proper rail car supply for their business. The Task Force raises the need to address this power imbalance in its recommendations, and the government should actively consider options to improve the situation.

### **Supporting Grain Innovation**

Canada's farmers are part of the climate change solution, but they also need to sustainably increase production to meet rising global food demand. Farmers have already reduced emissions and sequestered carbon due to innovation in inputs and farming practices. This has allowed them to reduce their emission footprint, while also improving profitability. By supporting farming innovation, the government can ensure that farmers continue to reduce emissions, while also contributing more to Canada's economy.

#### Grain R&D Investment

Public funding in grain-related R&D has been systematically reduced and diluted over the past decade, which has eroded Canada's position as a leader in this area. Given the clear competitive advantage and importance of the national grain sector to Canada's economy, the government needs to decisively measure our performance in grain R&D investment – both public and private – and execute on a plan that would have Canada rank first globally as the largest GDP per capita investor in grain R&D.

Canada's economic strengths are numerous, but we have not realized our full potential. Reversing this trend, and setting a target to be the largest investor in grain-related research per GDP, should be a top priority for the Government of Canada.

### *Plant Breeding Innovation*

Canada's grain farmers are proud of our hard-fought reputation as one of the world's largest suppliers of safe, sustainable and high-quality grains. That reputation is due in no small part to the science- and risk-based regulatory environment we have in Canada. Preserving that reputation is key for our sector's future success, and the reason why the grain value chain identified a critical need to clarify and modernize Canada's regulatory approach to plant breeding innovation, including gene editing. The Government of Canada's efforts in this area will not only help grow our agricultural exports and speed the post-covid economic recovery, but also help address some of Canada's pressing domestic food, health, and environmental policy challenges.

Countries around the world are working to sustainably intensify food production. Farmers can only achieve these goals when they have access to plant varieties with the best drought, pest, and disease resistance or that are designed to use nutrients more efficiently. Plant breeding innovation can reduce the amount of time taken to introduce a new crop variety by half. While important recent progress has been made at the Canadian Food Inspection Agency (CFIA), regarding regulatory guidance on plant breeding innovation, Canada lags behind many other grain-producing countries by many years in giving innovators the clarity and predictability they need to invest in R&D in Canada, as well as bring their innovations to Canadian farmers. We are asking that the CFIA expedite its publication of the last remaining piece of regulatory guidance as it relates to novel feed regulations, given that the guidance on food and the environment have been published over the past year and a half.

### *Crop Protection Regulatory Approvals*

Pesticides are one of a variety of tools in a farmer's toolbox, and integrated pest management approaches enable farmers to use the right tools accurately to protect their crops, as well as our environment, food and feed. Departure from science and risk-based regulatory decisions in this space could have consequences that extend well beyond agriculture.

For example, there is evidence that some segments of public opinion are directly at odds with scientific conclusions for some of the nonselective herbicides, that are essential to the conservation tillage practices in Canada that store carbon in soils across tens of millions of acres. Our agricultural soils are removing more than six megatons of carbon dioxide equivalent from the atmosphere annually, according to the Government of Canada's latest National Inventory Report. This is a pesticide-based environmental success story that is not well known by the public. Outcomes from the Pest Management Regulatory Agency's (PMRA) Transformation Agenda must be guided by and deliver meaningful improvements, based on objective science and risk assessment, and demonstrable process improvements.

Our collective interest is maintaining the strong reputation that Canadian grains are safe and healthy for those we serve. Canadian grain farmers, who produce some of the world's healthiest and safest crops, need the certainty of a science and risk-based regulatory approach in order to deliver on these demands. This is especially true at a time when the world is depending on Canada to continue to be an important provider of staple foods like cereal grains, pulses and oilseeds.

## **About Grain Growers of Canada**

As the national voice for Canada's grain farmers, Grain Growers of Canada (GGC) represents over 65,000 producers through our 14 national, provincial and regional grower groups. Our members are trade oriented, sustainable and innovative. As a farmer-driven association for the grains industry, GGC advocates for federal policy that supports the competitiveness and profitability of grain growers across Canada.