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NFU Pre-Budget Consultation Submission

To House of Commons Finance Committee
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Background, explanatory, and contextual information for the recommendations

We live in an increasingly destabilized world. Established norms around trade and international relations have been up-ended. The United States has initiated economic warfare against Canada, weaponizing tariffs and using threats to extract major policy concessions. Canadians have shown immense determination to resist such aggression. The people of Canada are willing to work hard to maintain our sovereignty by upholding the public institutions and the democratic framework we have built together over the past 158 years, and which differentiate us from American society.

Our concerns go beyond merely economic calculations. We are witnessing an unacceptable turn to despotism, racism, violence and lawlessness accelerated and directed by an American administration that seems to thrive on cruelty and destruction.

Mounting inequality – including in the agriculture and food sector -- heightens uncertainty, social unrest, fear and alienation. But agriculture **can** be a source of stability, security and resilience. Food sovereignty is the right of peoples and nations to define their own food systems, prioritizing local production, sustainability, and community well-being. It counters inequality and allows us to build up the true wealth of our nation: our people. Agriculture policy that works for people, the land and future generations provides the stability needed to navigate these multiple crises.

Today, more than ever, Canada must create a more just economy for ourselves, and in doing so, extract ourselves from the USA's economic sphere to avoid providing material resources and political legitimacy to its rogue government. Nation-building in today's context cannot succeed without a strong foundation of food sovereignty.

Action Plan

The weakening global free trade consensus presents an opportunity to reform Canada's agriculture strategy as the policy constraints imposed by trade agreements lessen.

Rebuilding local and regional food production, processing, storage and distribution infrastructure is needed for a reliable, long-term capacity to feed our population. This will provide more food domestically while reducing supply chain disruption risk and minimizing agriculture-related GHG emissions.

Business Risk Management programs (BRMs) - AgriStability, AgriInvest, AgriRecovery and AgriInsurance (crop insurance) are inadequate, discriminate against smaller and diversified farms, include some perverse incentives, and are inconsistently applied by provinces. Replacing these programs with ones designed according to an agricultural multifunctionality framework would enhance both the private and public benefits of improved environmental practices, food availability, knowledge-transfer and food security, and farmers' economic dignity as inter-linked core values in policy and program design.[1]

We recommend funding a task force in 2026-27 to develop a suite of programs to be implemented at the latest, when the current Agriculture Policy Framework cycle ends in 2028. This new support system will:

- increase Canada's capacity to produce, process, store and distribute food for domestic consumption in order to ensure a reliable supply of nutritious, high-quality food for residents of Canada;
- safeguard farmers' incomes;
- advance GHG mitigation and support adaptation to climate change impacts on farms and agricultural infrastructure;
- enhance biodiversity, water quality/conservation and toxicity reduction;
- promote social inclusion and diversity of farmers and food sector workers;
- promote successful establishment of young and new farmers; and
- enhance rural community vibrancy and rural quality of life.

We recommend the federal government partner with provincial and municipal governments to establish a national local food purchasing procurement framework modeled after Brazil's *Programa de Aquisição de Alimentos* for schools, hospitals, prisons and other public facilities.[2].

The loss of farmers in Canada is a looming economic and social crisis, which cannot be solved by automation and digital technology. Expanding our domestic market capacity and building a more resilient and robust Canadian food and agriculture system requires a larger workforce where all farm and food industry workers have full labour rights, including open work permits and a pathway to citizenship for migrant workers and work permit extensions to provide status to migrant workers while permanent residency applications are processed.

Canada's agricultural labour strategy must recognize seasonality by providing access to livable incomes year-round income opportunities for resident seasonal farm workers through a combination of extended Employment Insurance options and counter-seasonal employment opportunities as needed.[3] [4]

[1] European Commission, *Common Agricultual Policy - Income Support Explained* https://agriculture.ec.europa.eu/common-agricultural-policy/income-support/income-support-explained_en

[2] Global Alliance against Hunger and Poverty, *Brazil: Food Purchase Program (PAA), Policy Basket*. https://policybasket.endhungerandpoverty.org/index.php/Brazil:_Food_Purchase_Program_(PAA)

[3] National Farmers Union – Ontario, *Reframing the Farm Labour Crisis in Ontario*, July 2021 https://www.nfu.ca/wp-content/uploads/2021/07/Reframing-the-Farm-Labour-Crisis-NFU-O-Farm-Labour-Study_compressed.pdf

[4] National Farmers Union, *Towards a National Agricultural Labour Strategy that works for Farmers and Farm Workers* , October 2022 *https://www.nfu.ca/policy/towards-a-national-agricultural-labour-strategy-that-works-for-farmers-and-farm-workers/*

We recommend revisions to Canada's Temporary Migrant Worker programs, and to Immigration law and regulations to support full labour rights and a reliable pathway to permanent residency.
We recommend revisions to Canada's Employment Insurance program to make it accessible to seasonal farm workers who are residents of Canada.

As the unanimous House of Commons vote in support of Bill C-202 attests, it is critical for Canada to uphold our unique institution, Supply Management. Increasing access to quota for young and new farmers, and to support our supply managed sectors in offering opportunities to develop alternative production systems within its scope will further strengthen our system and promote its renewal and resilience.[5] This will prevent volatility and disruption, and enable long-term independence from the US market for dairy, chicken, eggs and turkey.

We recommend providing federal support to enhance marketing boards' capacity to expand new entrant programs and alternative production/processing opportunities within the system.

More than any other sector, agriculture intersects with changing and increasingly unpredictable and disruptive climate conditions. Addressing both economy-wide mitigation (reducing GHGs) and adaptation (dealing with impacts) specifically for agriculture are necessary to stabilize the climate, safeguard our food supply, and provide economic dignity for farmers and farm workers. Farmers consistently identify climate change as a top concern.

It is obvious that powerful private interests, including the oil and gas industry and agro-chemical sector, are threatened by the clear need to reduce GHG emissions and are active in the "disinformation sphere" undermining support for effective climate action. We need a publicly funded, public interest-focused, participatory institution to counter the false and dangerous messages that bombard farmers via social media, advertising and corporate PR campaigns. Access to and involvement in research towards more climate resilient agriculture will support on-farm production changes that will reduce losses from climate impacts significantly.

We recommend establishing a federal research and agricultural extension institution where farmers, scientists and agronomists together identify and solve climate change mitigation and adaptation-related problems and share the resulting knowledge.

Public plant breeding is an essential component of Canada's agricultural success. In 2025 we celebrate 100 years since the Dominion Rust Laboratory was established to study the plant disease (stem rust) and breed resistant varieties following disastrous yield loss due to disease outbreaks. Today, climate change brings serious, emerging challenges that affect growing conditions, pests and plant diseases and that demand varieties that perform well in low-input (low GHG) production systems. Yet, budget cuts and policy decisions have weakened our public plant breeding sector. Private breeding is focused on returns to the investors, resulting in higher seed and input costs for the farmers, and neglect of crops with smaller acreages or less frequent seed purchases. To ensure seed that serves farmers and Canada's need

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[5] National Farmers Union, *Strengthening Supply Management: Defending Canadian control of our market space and advancing food sovereignty*, January 2016 https://www.nfu.ca/wp-content/uploads/2019/10/Strengthening-Supply-Management.pdf

for successful, diverse cropping systems as our climate changes, a full commitment to public plant breeding to the finished variety level must be restored.

We recommend a 15% increase in total funding to public plant breeding, including taking promising germplasm to the finished variety level for all crop kinds, including low-input varieties.
We recommend AAFC commit to hiring that supports a career-path pipeline for early and mid-career plant breeders and plant breeding technical staff to ensure continuity, development and retention of plant breeding knowledge and skills in the public sector.

Since the Free Trade Agreement of 1989, Canada's agriculture has become more integrated with the USA's. Canada has become more dependent on imported high-value processed food and fresh produce from the USA, agri-businesses are increasingly foreign owned, and regulatory harmonization has resulted in Canada adopting American regulations in many areas.[6] Unprecedented cuts to American regulatory bodies, including the Food and Drug Administration and the Center for Disease Control have severe implications for food safety and public health. We can expect more incidence of diseases like the highly pathogenic bird flu now spreading through American dairy herds and infecting workers. The USA's mass imprisonment, intimidation and deportation of immigrants and undocumented residents is not only a human rights crisis, but creates labour shortages in food processing and farm labour. Food imports from the USA are becoming less safe and less available.

Regulations are not merely "red tape" but a necessary mechanism to put limits on self-interested behaviour in order to safeguard the rights of others. Regulatory independence from the USA is a key trade-diversification strategy. The power to regulate is an essential component of our democracy, and their effective enforcement needs to be adequately funded.

We recommend a minimum 25% budget increase for all food and agriculture regulators, including the CFIA, the Pest Management Regulatory Agency, the CGC, and Health Canada, to ensure these authorities are free from regulatory capture and have the mandate and capacity to enforce public interest regulations effectively and fairly.
We recommend increased funding for the Canadian Border Services enforcement of regulations for food, plants, animals and related products entering the country.

Artificial Intelligence (AI) is being implemented more quickly than it can be properly understood. Many AI applications have unknowable "black box" functions that respond to prompts, and generative AI "training" is inherently and non-transparently biased, making it difficult to assess its outputs. AI does not have access to, and cannot replace the complex, nuanced and meaningful understanding farmers develop through multi-generational farming experience. The implications of AI overtaking human decision-making are extremely serious. In 2024, AI was identified by Policy Horizons Canada as one of the most likely and high impact societal disruptors, and one of the elements of the most likely combination of high-impact disruptors with synergistic impacts: "… that society might be approaching a deeply reshaped world in which AI runs wild, cyberattacks disable critical infrastructure, people cannot

[6] National Farmers Union, "What Impact has Free Trade had on Farmers?" *Union Farmer Newsletter*, November 2017. https://www.nfu.ca/wp-content/uploads/2017/10/2017-10-NFU-Newsletter.pdf

tell what is true and what is not, democratic systems breakdown, emergency response is overwhelmed, and billionaires run the world."[7]

We recommend the federal government take a precautionary approach to AI use within government, and develop a strong regulatory and governance framework to regulate AI society-wide. This must include adequate funding to develop and deploy effective monitoring and enforcement and research capacity to discover and take action when potential for harmful impacts is detected.

We recommend the federal government establish a digital governance framework that will allow farmers to benefit from the data generated by technologies on their farms and set limits on how agricultural big data for AI technologies and other digital technologies may be collected and/or used by large agribusinesses, agricultural employers and ag-tech companies.[8]

All across Canada, the returns from farming cannot cover the rapidly rising cost of farmland. As farmland is increasingly financialized, it has become inaccessible for aspiring young and new farmers unless they are able to take on massive life-long debt. If the new generation cannot take up farming, we will lose the collective knowledge of generations, our rural communities, and the culture of agriculture.

Total farm debt increased by 20 billion dollars between 2023 and 2024, with much of that being land debt. On the other side of the ledger, farmland investment companies and private equity firms seek out farmland as a safe place to put their money during turbulent times, and see it as a way to earn annual rents as real estate values go up before eventually selling at a profit.

Farmland inflation parallels housing price inflation: passive investors and financial institutions capitalize on farmers' and residents' needs by maximizing rents and land prices. For both farmers and residents, excessive rents and mortgages take precedence over other spending, and thus local businesses have less while governments are pressured to cut taxes and reduce services.[9]

Disincentives for passive investment in farmland are needed to restore the relationship between farmland prices and its productive value and free up more income for local prosperity. This will promote long-term food security and rural livelihoods, and will prevent our best farmland from becoming urban sprawl or highways.

[7] Policy Horizons Canada*, Disruptions on the Horizon.* © His Majesty the King in Right of Canada, 2024 https://horizons.service.canada.ca/en/2024/disruptions/

[8] Sarah Hackfort, Sarah Marquis, & Kelly Bronson, "Harvesting value: Corporate strategies of data assetization in agriculture and their socio-ecological implications", *Big Data & Society*, 11(1). (Original work published 2024) https://doi.org/10.1177/20539517241234279

[9] Cathy Holtslander, "Standing up to Farmland Financialization", *Union Farmer Newsletter*, February 2024 https://www.nfu.ca/wp-content/uploads/2024/01/UF-NEWSLETTER-FEBRUARY-2024.pdf

High land costs also lead many farmers to maximize acres in crop, even on marginal land, to increase revenues, even when the cost of inputs exceeds returns. This results in loss of ecological values that would otherwise contribute to a healthier agro-ecosystem.

We recommend amending the Canada Business Corporations Act (CBCA) to create a national public registry disclosing beneficial ownership of all farmland
We recommend amending the Income Tax Act to eliminate flow-through treatment of all private equity firm investments in farmland, eliminate capital gains exemptions for private equity farmland investments and require non-resident Canadian owners to pay a 100% surtax on all dividends from private equity funds with farmland holdings.
We recommend establishing a set-aside program to, over ten years, convert 5 million acres of land currently cropped uneconomically into wildlife habitat, wetlands, treed land to support biodiversity, and carbon sequestration.

Forward-thinking municipalities protect their drinking water sources through watershed protection: a similar mechanism is needed to protect the long-term agricultural value of "foodshed" lands around cities and provide secure, affordable tenure to farmers to produce food for sale in the nearby city using low-emission production methods that protect water quality and biodiversity. The foodshed lands should also provide equitable access to farmland for Black, Indigenous, racialized, and newcomer farmers to address historical inequities in land access, and embed community governance and anti-displacement protections in agricultural land programs along with metrics for management and participation to track equity outcomes.

We recommend the federal government develop a publicly-owned non-market farmland acquisition program in the peri-urban areas of every province to ensure Class 1 and 2 farmland is available for food production at rental/lease rates aligned with the land's food production value.
We recommend the foodshed program collaborate with the local food procurement program to increase access to local food in every province.

Canada once had a thriving and diverse farm equipment manufacturing industry producing a full line of machinery, but is now almost entirely dependent of imported farm equipment. This creates risk to our agricultural production capacity due to supply chain, currency volatility and tariff vulnerability outside of Canada's control. We now have a great opportunity to re-tool and expand our manufacturing capacity to produce equipment designed for Canadian farms of all sizes and production types. An industrial strategy for Canada that includes farm machinery would have widespread benefits, including providing employment, utilizing capacity idled due to tariffs, and design for "right to repair" and climate-friendly production on Canadian farms/growing conditions.

We recommend creating an industrial strategy including tariff protection and public investment as needed to produce a full line of agricultural equipment and parts in Canada under Canadian control.

Summary of Recommendations

1. A new set of agricultural support programs based on the multifunctionality of agriculture for launch by 2028.
2. A national agricultural workforce strategy to address domestic food production and support economic dignity of resident and migrant workers.
3. Enhance Supply Management marketing boards' capacity to add new entrants and offer alternative production/processing opportunities.
4. A federal research and agricultural extension institution where farmers, scientists and agronomists together identify and solve climate change mitigation and adaptation-related problems and share the resulting knowledge.
5. A set-aside program to convert approximately 5 million currently cropped acres into wildlife habitat, wetlands, treed land to support biodiversity, and carbon sequestration.
6. Increase funds for public plant breeding, including variety finishing.
7. Increase funds for Canadian food and agriculture regulators, including the CFIA, PMRA, CGC, and Health Canada, and ensure they are free from regulatory capture and have the mandate and capacity to enforce public interest regulations effectively and fairly.
8. Regulate AI generally, and in agriculture specifically.
9. Develop a legal framework for the governance of agricultural data.
10. Create a national public registry of beneficial ownership of all farmland.
11. Create tax disincentives against private equity firm and foreign investment in farmland
12. Develop a non-market peri-urban farmland acquisition program to ensure Class 1 and 2 farmland is available for local food production at affordable rental/lease rates.
13. With provincial and municipal governments, establish a national local food purchasing procurement framework for schools, hospitals, prisons and other public facilities.
14. Include farm equipment and parts manufacturing in a national industrial strategy