

Federal Budget 2017

Yesterday's [Federal Budget](#) was policy-focused, light on new spending and weak on specifics. This was to be expected given the current environment characterized by geopolitical uncertainties with the new US administration, sluggish economic growth and fiscal constraints following aggressive spending from last year's budget. The deficit is projected to reach \$27.4 billion in the 2017-2018 fiscal year, up from the \$23.5 billion which was predicted in the fall economic statement. In keeping with the cautious "wait and see approach" evidenced in this budget, a large part of this discrepancy can be attributed to the restoration of a \$3 billion contingency fund (scrapped in the last budget) to manage unexpected events.

The big news for agriculture though was the numerous references to the sector and its promise as strategic sector for economic growth. The government is clearly signalling that it has embraced the recommendations of the Dominic Barton report for the PM's Economic Advisory Council and sees agri-food as playing a key role in its innovation and growth agenda. Exactly how this will play out remains to be seen but the recognition and highlighting of the agriculture sector as a strategic asset is a welcome change and redirection for this government. It sets us up well for our advocacy over the upcoming year. (pages: 79, 95, 107, 108)

For GGC members, the following items arranged according to our five areas of focus are of particular interest.

Sustainability

To advance agricultural science and innovation, \$70 million will be spent over 6 years beginning in 2017-2018 to support research at AAFC with a focus on climate change and water and soil conservation. This is on top of the \$30 million over 6 years that was allocated in the last budget. In addition to this \$100 million, AAFC will also be eligible to apply for funding for clean technology adoption under the \$200 million umbrella provided in the Clean Growth in Natural Resources program. (p 108)

On carbon pricing, the budget announces upcoming consultations on the technical details of the proposed federal carbon pricing backstop mechanism. (p 127)

Research

Budget 2017 addresses the importance of sound science, evidence-based decision making and research with the creation of a Chief Science Advisor. \$2 million will be allocated to an annual budget for this role and its associated secretariat. In the coming year, the government will work on the details of a federal science infrastructure strategy to ensure that federal scientists are equipped with the best resources including access to federal laboratories and equipment, human resources, and computer technology to pursue research.

The budget makes specific reference to the CFIA's Sidney Centre for Plant Health in BC. This plant health research facility will receive \$80 million in cash funding over five years beginning in 2017-2018. (p 88-89)

Trade

The budget does not offer much in the way of direction on potential new free trade deals. There are a mere two pages (p 180-181) devoted to the Canada-US relationship, trade with Asia and the European Union. Rather it focuses on the links between trade and transportation and spending to improve networks and corridors rather than the allocation of new resources to build capacity to explore new trade deals as well as a NAFTA renegotiation.

The budget does include a specific reference to agricultural exports within the context of positioning the sector as a strategic area of growth. It sets out a target of \$75 billion annually by 2025. (p 107)

The budget also mentions the importance of reducing internal barriers to trade and references the new Canadian Free Trade Agreement which is expected to enter force this year. It will establish a process to deal with future liberalization in the interprovincial trade of products such as alcoholic beverages. (p 93)

Transportation

The budget includes a proposal for a new trade and corridors fund to address bottlenecks and capacity constraints at major ports such as Vancouver and Montreal. \$2 billion will be set aside over 11 years as well as at least an additional \$5 million to be provided the Canada Infrastructure Bank. (p.139)

The budget addresses the need for transportation data and performance measures and allocates \$50 million in funding to Transport Canada over an 11-year period to establish a trade and transportation information system. Partners will include Statistics Canada, other levels of government, industry and educational institutions. How this will play out with existing programs such as the Grain Monitor remains unclear and we will need to find out more in the coming months. (p. 139)

Safety Nets

The federal funding portion for the next Agricultural Policy Framework and BRM programming will be revealed in Budget 2018 and details were not expected in this budget. However, on page 108 there is reference to the current framework and its funding level of 2.6 billion per year with \$2 billion of that allocated to BRM programs. Further details for the next framework will be announced over the coming year following the F/PT Ministers meeting in July. The good news is that the positive positioning of agriculture sector within this budget sets us up well to call for reform and carry our message of smart business risk programming.

Specific Tax Measures

In the technical tax area, there are measures that will impact individual tax and risk planning for farmers. On the positive side, anticipated changes to increased taxes on the treatment of capital gains were not included.

However, of particular concern and requiring immediate attention by grain farmers is the announcement of a consultation on the potential elimination of the existing tax deferral option for cash purchase tickets. The deadline for the submission of comments is May 24, 2017. (p. 28, [*Tax measures: Supplementary Information*](#))

In conclusion, on a fun note, a word count of Budget 2017 reveals the number of times the following key words for the grains sector were mentioned:

Farmer(s) – 3

Grain – 2

Agriculture – 14

Agri-Food – 29

Agriculture and Agri-Food Canada – 4

Rural – 30

Rail – 35

Trade (includes the Trades ie: skills) – 103

Clean technology – 62

Adaptation – 17

Climate change – 46

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