

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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2015 Budget - Increased Spending for Agricultural Exports

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Report Highlights:

On April 21, 2015, the Canadian government tabled its annual budget. The Economic Action Plan for 2015 (“Strong Leadership – A Balanced-Budget, Low-Tax Plan for Jobs, Growth and Security”) includes expanded funding for re-opening, expanding and maintaining market access for Canadian agricultural and agri-food products and for promoting and differentiating Canadian products in international markets. The budget also funds the development of new markets for seal products, including certification requirements for the EU market, increases research funding available for agriculture, and accelerates increases in the lifetime capital gains exemption for farmers and fishermen.

General Information:

The Canadian government announced its annual budget – both an election year budget and one which meets the Harper government’s commitment to balance the budget in 2015 - on April 21, 2015. The Economic Action Plan for 2015 entitled “Strong Leadership – A Balanced-Budget, Low-Tax Plan for Jobs, Growth and Security” includes several changes with significance for Canadian agriculture, including increased funding for re-opening, expanding and maintaining market access for Canadian agricultural and agri-food products and for promoting and differentiating Canadian products in international markets. The budget also funds the development of new markets for seal products, including certification requirements for the EU market, increases research which could benefit agriculture, and accelerates increases in the lifetime capital gains exemption for farmers and fishermen.

The following provides excerpts from the report that pertain to agriculture or agricultural trade. The full text of the Economic Action Plan is available online at

<http://www.budget.gc.ca/2015/docs/plan/budget2015-eng.pdf>.

Excerpts from the 2015 Economic Action Plan

-- Providing \$42 million over five years to expand the footprint and resources of the Trade Commissioner Service.

The Canadian Trade Commissioner Service has more than 160 trade offices and almost 1,000 staff in Canada and around the world to help provide export advice and guidance to entrepreneurs, such as information on local regulations, customs and business practices. In 2013–14, the Canadian Trade Commissioner Service provided direct services to almost 12,000 Canadian firms to help them enter foreign markets.

Additional investments in the Canadian Trade Commissioner Service will help Canadian exporters take advantage of the market access gains achieved through Canada’s new trade and investment agreements. 20 new trade commissioner positions and new programming resources will be focused on recently announced free trade partners, such as South Korea and the European Union, as well as in high-growth emerging markets and commercially important established markets that are home to large numbers of global value chain leaders and are major sources of foreign investment and innovation.

--Investing \$18.1 million over two years, starting in 2016–17, to promote trade opportunities for the agriculture and agri-food sector.

Canada has achieved considerable success in opening up new markets and creating opportunities for the agriculture and agri-food sector through new free trade agreements. With export sales of \$46 billion in 2013, Canada is the fifth largest exporter of agricultural and agri-food products globally. In 2009, the Government created the Market Access Secretariat to help maintain access to new and existing markets. The Market Access Secretariat is the Government’s single window to assist industry in addressing trade-related concerns by reopening, maintaining and expanding market access for Canadian agricultural and agri-food exports. To build on the achievements to date, Economic Action Plan 2015 proposes to provide \$18.1 million [1] over two years, starting in 2016–17, to expand the activities of the Market Access Secretariat, to introduce new agriculture trade commissioners abroad and to play a more active role in setting international science-based standards. This will support the agriculture sector in

continuing to expand and diversify into new markets and in continuing to capitalize on opportunities created by new trade agreements.

--Providing an additional \$12 million over two years, starting in 2016–17, to market Canadian agricultural and agri-food products around the world.

Agricultural and agri-food products produced in Canada are among the safest and highest quality in the world. Economic Action Plan 2015 proposes to provide \$12 million over two years, starting in 2016–17, to expand Agriculture and Agri-Food Canada's AgriMarketing Program to promote and differentiate Canadian products in a highly competitive global and domestic marketplace. This builds on the \$341 million in funding over five years currently available through the AgriMarketing Program under *Growing Forward 2*. Funding will enable farmers to further enhance marketing capacity at home and abroad, and to enhance Canada's international presence in priority markets and build strong relationships with trade partners.

The AgriMarketing program helps farmers and food processors compete in markets at home and abroad. Under this program, not-for-profit industry organizations and small and medium-sized enterprises in the agriculture, agri-food, and fish and seafood sectors receive support for promotional activities. Specific activities supported include:

- Development and implementation of long-term market development strategies.
- Industry-wide branding, promotion and advertising, including in-store and food service promotions and product demonstrations for buyers both domestically and internationally.
- Technical training for buyers about Canadian products and product handling.
- Trade seminars designed to inform industry representatives of specific attributes of Canadian agriculture, agri-food, fish and seafood products.

Funding through the AgriMarketing program supports a wide range of agricultural products including Canadian pork, beef, grains and fish and seafood products, including lobster.

--Allocating \$5.7 million over five years, starting in 2015–16, to help secure new market access for Canadian seal products.

Sealing is a way of life and a valuable source of food in many Aboriginal and coastal communities. Seal products also generate income in some communities that have limited job opportunities. The Government will establish a system to certify seal products resulting from hunts traditionally conducted by Aboriginal communities in order to meet the requirement set by the European Union so that seal products can enter that market. Actions will also be taken to help Aboriginal sealers develop effective sealing businesses by providing business advice and training. The Government will continue to support efforts by the broader sealing industry to increase export market opportunities.

--\$15 million per year to the Natural Sciences and Engineering Research Council, of which \$10 million per year is directed to collaborations between companies

and researchers from universities and colleges under the new consolidated suite of similar business innovation programs (as described below in the section entitled “Strengthening the Delivery of Business Innovation Programs”)... This new funding will target research areas such as natural resources and energy, advanced manufacturing, and environment and agriculture.

For example, in partnership with the Canadian Wheat Alliance, KWS and Syngenta Inc., the Council is improving the efficiency of genomic technologies to accelerate the crop improvement cycles that will lead to higher-quality wheat plants and ultimately improve the yield, production, sustainability and profitability of wheat farming.

--Increasing the Lifetime Capital Gains Exemption to \$1 million for owners of farm and fishing businesses.

The Lifetime Capital Gains Exemption (LCGE) for farm or fishing property provides an incentive to invest in the development of productive farm and fishing businesses, and helps farm and fishing business owners to accumulate capital for retirement. Budget 2007 increased the LCGE for qualified farm or fishing property to \$750,000 from \$500,000, the first increase in the exemption since 1988. Economic Action Plan 2013 further increased the LCGE for qualified farm or fishing property to \$800,000 for 2014 and indexed the new limit to inflation, bringing it to \$813,600 for 2015.

To allow farm and fishing business owners to maintain more of their capital for retirement, Economic Action Plan 2015 proposes to increase the LCGE applicable to capital gains realized on the disposition of qualified farm or fishing property to \$1 million. This measure will apply to dispositions of qualified farm or fishing property that occur on or after Budget Day, 2015. For taxation years after 2015, the LCGE for qualified farm or fishing property will be maintained at \$1 million until the indexed LCGE applicable to capital gains realized on the disposition of qualified small business shares (\$813,600 in 2015) exceeds \$1 million. At that time, the same LCGE limit, indexed to inflation, will once again apply to the three types of property.

^[1] \$6 million in 2016/17 and \$12 million in 2017/18.