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Report Highlights:

Canada's federal budget measure passed on April 26, including more than \$5.2 billion of proposed new spending related to agriculture, forestry, and fisheries sectors, including nearly \$2 billion of direct investments.

The Trudeau Government passed its first budget in more than two years (Budget 2021) on April 26, 2021, affirming its commitments to defeating COVID and building back a better, cleaner, more resilient, and equitable economy. The spending plan includes additional financial support for the supply managed sectors (dairy, chicken, eggs, turkey, and hatching eggs/chicks) and expands upon [previously announced climate-related agriculture provisions](#).

Budget 2021 includes approximately \$81 billion of new spending commitments, equal to 4 percent of Canada's GDP, through 2024. Approximately \$1.9 billion is allocated to direct investments in the agriculture, forestry, fisheries sectors with another \$3.3 billion of programming related to these sectors (see Budget 2021 Appendix). Summaries of Budget 2021 agricultural highlights are included below.

Compensation for Dairy, Poultry and Egg Processors

Budget 2021 commits \$230 million¹ through 2029 to compensate dairy, poultry, and egg processors for market access concessions under the Comprehensive Economic and Trade Agreement (CETA) with the European Union and under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Similar to a 2016 \$80 million dairy processor compensation package for anticipated CETA concessions, the Budget 2021 funds will offset the cost of processing plant expansion and upgrades. Details of compensation to dairy, poultry, and egg farmers and processors for USMCA market access concessions have yet to be announced. There are more than 500 dairy processors and nearly 150 poultry and egg processors in Canada.

Support to Replace Excise Duty Exemption Elimination for Canadian Wines

Budget 2021 commits nearly \$80 million to support the wine sector “in adapting to ongoing and emerging challenges.” While the government announcement is vague, Wine Growers Canada (WGC – previously the Canadian Vintners Association) [stated](#) the funding “will support wine growers across Canada as they deal with the impacts of the pandemic and the pending repeal of the excise duty exemption program,” following Canada's [partial agreement](#) with Australia in their [WTO wine dispute](#).

WGC, supported by wine growers in [British Columbia](#) and [Ontario](#), recommended the federal government implement a “Wine Grower Quality Enhancement Program” as the best way to provide “trade legal” support to Canadian wineries so they can “invest in [their] future and compete on a fair equitable basis with other wine regions globally.” Details of the program have yet to be announced, but implementation is expected in 2022, when the excise duty exemption expires. For more on the excise duty exemption, please see GAIN Report [CA2020-0074](#).

Climate Programs to Accelerate Farmers' Access to GHG Offset Credits

Budget 2021 includes \$158 million for the [Agricultural Climate Solutions Program](#) to provide incentive-based direct support to farmers to promote adoption of on-farm investments eligible for benefits under the protocols to be developed as part of the [Federal Greenhouse Gas \(GHG\) Offset System](#). Coupled with the nearly \$8 million under the [Agricultural Clean Technology Program](#), Budget 2021 should cover investments in practices like cover cropping, rotational grazing, improved nitrogen management, and clean energy adoption.

¹ All amounts in this report are in U.S. Dollars converted from Canadian dollars at the exchange rate of \$1.27 CAD per \$1.00 USD.

Additionally, the \$47 million allocated under the [Nature Smart Climate Solutions Fund](#) to target the protection of existing wetlands and trees on farms should incentivize expansion and protection of ecological goods and services, such as soil erosion control, floodplain mitigation, and contaminant filtration, which can be provided by natural infrastructure like healthy wetlands. Details for all these programs are yet to be announced, likely following consultations with stakeholders. For more information on programs referenced in this section, please see [GAIN Report CA2021-0014](#).

Partial Relief to Grain Farmers for Carbon Tax on Fossil Fuels

The [Greenhouse Gas Pollution Pricing Act](#), which established the [carbon tax on fossil fuels](#) (commonly referred to in Canada as the “carbon tax”), provides an exemption from the tax for certain fuels used on-farm to power certain farm equipment used in agricultural production. The Act does not, however, exempt natural gas and propane powering machinery used, for instance, to dry grains or heat livestock barns. Budget 2021 offers partial relief to grain and oilseed farmers in federal backstop provinces² in the form of an ongoing partial rebate on the carbon tax, estimated to be worth \$80 million in 2021, and by repurposing \$39 million from the [Agricultural Clean Technology Program](#) to support farmers purchasing more efficient grain dryers. For more information on the impact of the carbon tax on grain farmers, please see [GAIN Report CA2021-0016](#).

Additional Investments in National Trade Corridors

Budget 2021 expands the [National Trade Corridors Fund](#) by \$1.5 billion over four years to finance additional transportation infrastructure projects in Canada, such as building and improving transportation networks in Canada’s North. Further details on investments will be made available later in 2021. Past Fund investments have included new road construction at the Port of Montreal as well as the upgrade of existing rail tracks and the expansion of port terminals in British Columbia.

Supporting the Production and Use of Clean Fuels

Budget 2021 provides \$1.2 billion funding to Natural Resources Canada to establish a Clean Fuels Fund, previously announced in the government’s strengthened climate plan ([A Healthy Environment and a Healthy Economy](#)). The Fund is meant to support the production and distribution of low-carbon and zero emission fuels, including hydrogen and biofuels, and to deliver on the [Hydrogen Strategy for Canada](#). To assist in implementing clean fuels goals, Budget 2021 also provides \$53 million over seven years to Measurement Canada to ensure that commercial transactions of low-carbon fuels are measured accurately just as they are for conventional fuels. Additionally, Budget 2021 provides \$53 million over seven years to ECCC for implementation and administration of the [Clean Fuel Standard](#) (CFS). Further details are expected later in 2021 with the publication of the final CFS regulations. For more information on the CFS, please see [GAIN Report CA2020-0070](#).

Extended Support for Temporary Foreign Workers in Quarantine

Roughly 60,000 temporary foreign workers (TFWs) comprise a critical segment of the Canadian agricultural labor force, working on farms and in food processing plants each year. Under Canada’s COVID-19 pandemic mitigation measures, TFWs are required to complete a mandatory 14-day quarantine upon arrival. Budget 2021 adds \$45 million to the [Mandatory Isolation Support for Temporary Foreign Workers Program](#) to cover costs incurred by Canadian employers through the end of August 2021. Thereafter, the program is expected to be phased out.

² Alberta, Manitoba, Saskatchewan, and Ontario

APPENDIX

Budget 2021 Highlights

Measure Name	Implementing Agency	Proposed Funding	Funding Timeline
Expand the \$1.8 billion National Trade Corridors Fund to expand investments in trade infrastructure	Transport Canada	Additional \$1.5 billion	4 years, starting in 2021
Funding Clean Fuel Standard implementation and administration	ECCC	\$53 million	7 years, starting in 2021
Establish Clean Fuels Fund for production and distribution of low-carbon and zero-emission fuels, including biofuels ³	NRC	\$1.2 billion	5 years, starting in 2021
Fund accurate measurement of commercial transactions in low-carbon fuels, like biofuels	Measurement Canada	\$53 million	7 years, starting in 2021
Prioritize Agricultural Clean Technology Program funding for the purchase of more efficient grain dryers	AAFC	\$39 million (out of \$130 million program)	7 years, starting in 2021
Partial carbon tax rebate for farmers in AB, SK, MB, and ON	ECCC and CRA	\$79 million rebate (est. for year one)	Ongoing, starting in 2021
Expand Agricultural Climate Solutions Program to accelerate on-farm adoption of emissions reducing practices	AAFC	Additional \$158 million (on top of \$146 million)	2 years, starting in 2021
Allocate Agricultural Clean Technology Program funds to transition farms from diesel to clean energy	AAFC	\$8 million (out of \$130 million program)	2 years, starting in 2021
Allocation from Nature Smart Climate Solutions Fund to protect wetlands and trees on farms	ECCC	\$47 million out of \$497 million program	2 years, starting in 2021
Create a new Canada Water Agency	ECCC	\$14 million	2 years, starting in 2021

³ This measure was originally announced in December 2020 as “Low-carbon and Zero-emissions Fuels Fund,” part of [A Healthy Environment and a Healthy Economy](#)

Measure Name	Implementing Agency	Proposed Funding	Funding Timeline
Expand the Emergency Food Security Fund and Local Food Infrastructure Fund to improve food security and prevent hunger.	AAFC	Additional \$110 million	2021
Expand the Nutrition North Canada Program to address food insecurity in Canada's northern communities	CIRNAC	Additional \$129 million	3 years, starting in 2021
Create Processor Investment Fund supporting dairy / poultry processing investments as compensation for CETA and CPTPP concessions	AAFC	\$230 million	7 years, starting in 2021
Boost resources for trade controls regime, including monitoring supply managed goods trade	GAC	\$30 million	5 years, starting in 2021
Establish program to support wineries in adapting to "ongoing and emerging challenges"	AAFC	\$80 million	2 years, starting in 2022
Expand Universal Broadband Fund to accelerate project rollout	ISED	\$787 million	6 years, starting in 2021
Extend Mandatory Isolation Support for Temporary Foreign Workers Program thru 08/2021	AAFC	\$45 million	2021
Fund preservation of wild Pacific salmon	DFO	\$510 million	5 years, starting in 2021
Fund consultations to plan transition from open net-pen salmon farming in BC by 2025.	DFO	\$16 million	2 years, starting in 2021
Fund pilot of area-based aquaculture management in priority BC coastal areas	DFO	\$1.6 million	2 years, starting in 2021
Expand Sustainable Fisheries Solutions and Retrieval Support Program to address fisheries gear environmental impact	DFO	\$8 million	2021

Measure Name	Implementing Agency	Proposed Funding	Funding Timeline
Extend the Fisheries and Aquaculture Clean Technology Adoption Program to expand clean tech adoption	DFO	\$8 million	2 years, starting in 2021
Expand Investments in Forest Industry Transformation Program to grow forest-based economy	NRC	\$43 million	2 years, starting in 2021
Maintain expanded food safety inspector workforce to address inspection backlogs	CFIA	\$16 million	2021
Maintain daily shift inspections to export meat to the United States	CFIA	\$26 million	2 years, starting in 2021
Maintain additional staff for risk and intelligence oversight, offshore preventive activities, and stakeholder compliance	CFIA	\$24 million	2 years, starting in 2021

AAFC = Agriculture and Agri-Food Canada

CFIA = Canadian Food Inspection Agency

CIRNAC = Crown-Indigenous Relations and Northern Affairs Canada

CRA = Canada Revenue Agency

DFO = Fisheries and Oceans Canada

ECCC = Environment and Climate Change Canada

GAC = Global Affairs Canada

ISED = Innovation, Science and Economic Development Canada

NRC = Natural Resources Canada

Attachments:

No Attachments.