



Canadian  
Horticultural  
Council

Conseil  
canadien de  
l'horticulture



**Presentation to the  
House of Commons  
Standing Committee  
on Agriculture**

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*Since • Depuis 1922*

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## Study: Innovation and Competitiveness

### Presentation to the House of Commons Standing Committee on Agriculture

Ms. Anne Fowlie, Executive Vice-President

Mr. Chairman and Committee Members, thank you for the opportunity to appear before the Committee to speak within the context of your study on innovation and competitiveness.

#### **ABOUT US: THE CANADIAN HORTICULTURAL COUNCIL (CHC)**

The Canadian Horticultural Council (CHC) represents producers across Canada primarily involved in the production and packing of over 100 fruit and vegetable crops from apples to zucchini. Members include provincial and national horticultural commodity organizations as well as allied and service organizations, provincial governments and individual producers.

The CHC represents members on a number of key issues such as crop protection, access to a consistent supply of farm labour, food safety and traceability, fair access to markets, research and innovation and government programs. **The mission is to ensure a more innovative, profitable and sustainable horticultural industry for future generations.** Horticulture producers are committed to ensuring that strong Canadian farms will continue to be able to provide safe, secure and healthy food for families in Canada, and around the world. I believe that we have a demonstrable record of success in this regard, which includes:

- Seasonal Agricultural Worker Program, established over 40 years ago due to the vision and leadership of the day; the Government of Canada - CHC MOU continues; 20,000 workers come to work on Canada's horticultural farms. In addition to meeting horticulture's labour needs, the program is one of Canada's most important and compelling foreign aid success stories
- Establishment of the Fresh Fruit and Vegetable Dispute Resolution Corporation (DRC) under article 707 of NAFTA
- CHC was integral to the establishment of the (AAFC) Pest Management Centre; the CHC office was previously recognized as "IR4 North" as Canadian trials were coordinated through CHC
- CHC developed and established CanadaGAP, the on-farm food safety program for Canadian grown fruit and vegetables and the first Canadian food safety program benchmarked to the Global Food Safety Initiative; CanadaGAP now includes the repack and wholesale steps in the value chain
- CHC led a collaborative initiative, which included the World Wildlife Fund to develop an Integrated Fruit Production Program: ligne directrices pour la culture de la pomme au Canada selon les principes de la production fruitière intégrée
- CHC is a founding member of the Grow Canada Initiative
- CHC is an active participant in a number of Value Chain Roundtables

#### **THE HORTICULTURAL SECTOR**

With a primary production value of over \$5 billion and after-packing or processing value of \$10 billion, horticulture is one of Canada's largest, and certainly the most diverse, agricultural production sector. Representing an annual export value of \$3.2 billion a year, a number of Canada's horticultural crops may be found around the world. Horticulture has been an engine for economic growth and can be a

foundation for continuing job growth. It is a growing industry and the overall economic contribution of horticultural production in Canada has doubled in the last 25 years. In many respects, innovation has been a major driver of this growth and in recent years. Of course, innovation is many things to many people and our use of the term always includes both traditional and non-traditional areas of research and innovation.

### **IMPROVING FOOD DIVERSITY AND SECURITY**

Improving food diversity and security in a “*by Canadians for Canadians*” manner is a priority which will only be achieved through dialogue, understanding and strategic collaboration through:

- adequate funding for research and innovation
- appropriate actions to develop and implement policies and programs which foster producer profitability; this includes traditional and non-traditional risk management programs
- ensuring a favourable regulatory environment which is conducive to commerce and timely access to new crop protection technologies
- supporting food safety and traceability initiatives and ensuring that imports meet Canadian standards

Research and innovation are critically important to maintaining the competitiveness of Canada’s horticultural sector. The initial and subsequent announcement of the Canadian Agri-Science Clusters initiative with the stated purpose: “to encourage key agricultural organizations to mobilize and coordinate a critical mass of scientific and technical capacity in industry, government and academia required to create, design and implement a national program of applied science, technology transfer and commercialization plans in support of their sector strategies and priorities for enhanced profitability and competitiveness” was received with enthusiasm and a sense of opportunity.

Horticulture rationalized its needs and priorities vis-à-vis research and innovation into five theme areas:

- Health and Wellness
- Food Safety and Quality
- Production, Production Systems
- Environmental performance of the Horticultural system (pest management)
- Energy management and efficiency

These themes have served the sector well and were reaffirmed in 2103.

### **SCIENCE CLUSTER**

The CHC-led Agri-Science Cluster for Horticulture, a multi-activity project funded by Agriculture and Agri-Food Canada in the amount of \$4,700,000 for the period of April 1, 2010 to March 31, 2013. Industry contributed \$1,400,000, a significant investment in the sector.

In May 2013, Minister Ritz advised the CHC of an allocation of \$7 million to Cluster 2. Industry will be contributing matching funds of \$2.4 million during the five year project. I extend to you a standing invitation to each of you as you travel across the country to reach out to us to arrange for visits to the farms and operations where projects have taken place and the resulting innovations implemented. Alternatively, should the Committee’s schedule allow, I have no doubt that project proponents and practitioners would be pleased to address the Committee.

### **NEW MARKETS**

The Market Access Secretariat (MAS) was created in 2009 as an initial response to the implementation of industry's recommendations on how to strengthen Canada's market access approach. The MAS coordinates government initiatives with industry, provinces and territories to aggressively and strategically pursue new and existing markets and keep pace with international competitors. On June 14, 2013, the Minister announced that Canadian cherries had gained access to China and it is projected that over the next five years, sales of fresh cherries to China could be worth over \$20 million annually. There are other success stories waiting to happen, however will only be achieved through industry and government collaboration and commitment. The Canadian Food Inspection Agency is key in this regard and reduced resources to assist in this regard (i.e.: plant health and sanitary-phytosanitary) are a grave concern. Notwithstanding the importance of food safety and traceability, the CFIA is so much more and is integral to trade, commerce, industry and economic growth and confidence in Canada as a producer and exporter of choice.

## **CROP PROTECTION**

Crop Protection has been the subject of previous attention and studies. Investment in the establishment and ongoing activities of the AAFC Pest Management Centre (PMC) are a credit to those involved. The CHC, and other stakeholders, were strong proponents of the PMC and initiatives to work with the US to standardize regulatory regimes to lead to equal access to crop protection technologies for producers in both countries, related issues, such as the disparity in MRLs (maximum residue levels among countries) emerge and with it, obstacles to trade. AAFC/PMC and Health Canada/PMRA must be sufficiently resourced to carry forward with leadership roles at CODEX and OECD. All of agriculture is in full support in this regard.

## **POLLINATORS**

Agriculture relies heavily on both crop protection products and pollinators, like bees. We believe the horticulture sector is an exemplary model of successful coexistence between farmers, production and a robust pollinator population. This coexistence is an absolute must: no bees - no food; and conversely, no crop management products - no food. Apples, blueberries and cherries are particularly striking examples of this. We rely on research, innovation and a regulatory environment which is conducive to bringing forward new technologies and chemistries. Pollinators are an important part of agricultural success in Canada and Canada's horticultural sector is an exemplary model of the coexistence that exists, and which can in fact thrive, between producers, bees and production practices.

There have been concerns raised both in Canada and around the world about long-term pollinator health. Canadian bee researchers overwhelmingly agree that the main stressors to bees are pests and parasites diseases, inadequate diet and weather conditions. Both bees and pesticides play critical roles in agriculture. Bees pollinate many important crops while pesticides protect crops from pest and disease damage. The plant science industry and producers are committed to ensuring that both bees and agriculture co-exist and thrive. Pollinator health is a complex issue that is impacted by multiple factors. By focusing exclusively on pesticides, the potential to understand the impact of other contributing factors is being overlooked.

Farmers understand that pollinators are essential to having healthy crops; more than half of the bee colonies in Canada contribute to the pollination of canola each year and pollinators are also needed for the production of other key crops, including blueberries, apples and cherries. The international research community has been working to determine and characterize the impact of all of these factors. For an industry which already struggles with a limited number of crop protection products, any outright product bans would be devastating. Canadian horticultural producers know is that there is a need for both crop protection products and pollinators; the loss of either could have devastating consequences for the industry and consumers. Some of our members are the biggest clients of commercial

beekeepers in the country. In fact, one of the big issues, particularly for the horticultural sector, is the lack of available bees for pollination. One thing is clear; both bee keepers and horticultural producers and other stakeholders are working together to find a fair and reasonable solution that meets the needs and protects the interests of all parties affected. Our sector is fully committed to doing so and all stakeholders will need to contribute to research and innovation to capitalize on the growth opportunities which lay ahead for both producers and beekeepers. I have no doubt that the commitment from each, as well as from the other relevant stakeholders, will ensure that the opportunities are realized. Successful coexistence is not optional.

## **BILL C-18**

Our President, Keith Kuhl, was with Minister Ritz in Winnipeg for the December announcement of Bill C-18. Horticulture has been a strong proponent of amendments to Plant Breeders' Rights legislation and we fully support the move. As farms work to match production with the growing global population it becomes increasingly important that they have the tools needed to continue to increase production. New varieties are an important segment of this growth. Strengthening Plant Breeders' Rights in Canada to conform to UPOV'91 will encourage investment in research and breeding here in Canada. It will also help motivate foreign breeders to protect and sell their varieties here in Canada. This very important for our horticulture sector as many of the most successful varieties are developed in the US and European Union, both of whom conform to UPOV'91. Breeders in these countries are reluctant to bring their varieties into Canada because our current *Plant Breeders' Rights Act* based on the now outdated UPOV'78 Convention. We appreciate the action taken to ensure that our plant breeders' rights regulations are matched with those of our global trading partners.

## **US FARM BILL**

I must comment on the recent US Farm Bill as it is indeed a fact of life that we do have to compete with the treasuries of other countries. Given the trade in fruit and vegetables with the US, the state of affairs there is a consideration is assessing our competitive position. Horticulture, or special crops, saw significant increases in allocation as in the recent US Farm Bill.

- An increase of \$80 million in annual mandatory funding for the **Specialty Crop** Research Initiative
- An increase to \$72.5 million in fiscal year 2014 to 2017 and \$85 million in fiscal year 2018 in funding for **Specialty Crop Block Grants** which provide funding for state specific projects for promotion and research
- Reauthorization of \$200 million per year in Market Access Program Funding which provides funding for **specialty crops** to promote US agriculture in foreign markets
- Reauthorization of \$9 million per year in Technical Assistance for **Specialty Crops** which addresses foreign market access barriers that block US agricultural products from their intended destinations

In developing our own programs, we cannot fully discount the strategies developed and applied in competing jurisdictions.

## **SUCCESSION**

With respect to transitioning farms to the next generation, the small business tax limit has not been changed since the mid-1970's. The limit uses a calculation which includes assets and debt to determine whether the business/farm continues to be eligible for the exemption. As the next generation becomes involved in the farm there is the need to look at expanding the farm to ensure the operation can sustain more people being dependent on the farm. This requires the farm to purchase additional land and equipment which very quickly results in the farm exceeding the \$15 million limit

(using both assets and debt) which forces the farm to pay a much high rate of tax, which can in fact be a disincentive.

Changes to Growing Forward 2 support for farms, such as Agri-Stability must be rationalized and approaches revisited and made relevant.

## **OPPORTUNITIES**

Opportunities surround us and the challenge for all is to ensure they are fully realized. The Canada-US Regulatory Cooperation Council (RCC) and associated work plan was, in many respects, innovative. However, those initial objects must be completed and the long-standing financial protection for produce sellers is a good example of this.

Again, thank you and as always, we appreciate the opportunity to come before the Committee and we look forward to future opportunities, whether in this setting or other venues across Canada.

# Financial Risk Mitigation in the Fresh Fruit and Vegetable Industry

## Background

Growing, harvesting, packing fruit and vegetables, or perishable products, is risky: costs are high, capital is tied up in farm land, buildings and machinery and returns are delayed until the product is marketed. Growers and shippers of perishable commodities are, for the most part, small and moderate size businesses that depend on prompt payment to meet their financial obligations. The produce seller that cannot realize a reasonable or full return on the sale of the crop will not be able to survive financially.

The provisions of the (US) *Perishable Agricultural Commodities Act* (PACA) allow those who market fruit and vegetables in the United States priority standing and recourse in the case of slow and or no pay and bankruptcy.

Canada has no such provision. That is, US sellers have no recourse on sales in Canada, nor do Canadians. However, through the PACA, US and Canadian sellers in the US marketplace have recourse through the rules and regulations established within the Act. This is inequitable and after years of no resolution is an impending trade issue and our US colleagues are ready to take action.

The produce industry in Canada has raised this as an issue of concern and inequity for many, many years. The US has also raised this issue on a regular basis and the US Secretary of Agriculture has corresponded with the Minister of Agriculture on numerous occasions, most recently in August 2010. We understand this has been an agenda item on every Canada US Consultative Committee on Agriculture meeting since 2005.

Today, it is important to be aware of the following:

1. The US industry is disappointed with the lack of concrete progress on this matter.
2. The US and Canadian industries have been working together for many years to minimize risks in the marketplace.
3. We enjoy a common market and must reduce those differences that create barriers and risks. We have had some success in this regard, with the assistance of our respective governments:
  1. the creation of the Dispute Resolution Corporation (DRC)
  2. efforts to standardize the DRC, PACA and the Canadian Licensing and Arbitration Regulations.
  3. the establishment of the new Canadian Destination Inspection Service is similar to the USDA model.
  4. ongoing work to standardize grade nomenclature, grade standards, inspection procedures and good arrival guidelines between the two countries.
4. The US industry has been patiently awaiting the outcome of Canadian efforts that have now gone on for some six years to find a mechanism that will provide the type of protection afforded by the PACA Trust for their sales into Canada. Canadian exporters enjoy the protection of the PACA Trust when shipping to the US and there is no reciprocal treatment of US exporters to Canada.

5. The Canadian industry is concerned that unless the US industry sees something material come out of this process within the next number of months it may result in requests being presented to the US Secretary of Agriculture to remove trust protection for Canadians shipping into the US. This may in turn also result in requests to PACA for Canadians to post bonds in twice the amount of any complaint they want to file.
6. The US industry is paying the full cost of the PACA. Fees were recently increased by 100% and the US industry is now seriously question why it is paying for protection of Canadian exporters when Canada offers them no protection.

### **Summary**

This is a trade issue and a priority for the produce industry in both Canada and the United States. It is an issue of equity which, if not resolved, will have a significant impact on Canadian growers and shippers. ***It is also a non-traditional, innovative and viable business risk management tool.***

Furthermore, the Canadian marketplace will continue to see its reputation as a desirable place to do business diminish. Ultimately, this may impact the public good as availability of product may become restricted and/or significantly more expensive in order to compensate for the higher cost of doing business in Canada due to market losses.

We must ensure that a shipper in Toronto has available to him the same recourse for sales in Canada that he does for transactions in the United States. As a matter of equity and to respect reciprocity, the US shipper must have access to the same recourse in Canada as is available in the United States.

## Canadian Horticultural Council: Science Cluster 2

In May 2013, Minister Ritz advised the CHC of an allocation of \$7 million to Cluster 2. While this amount was considerably less than the \$12,114,000 total federal contribution value of the proposals submitted, it is a significant contribution to the sector. Industry will be contributing matching funds of \$2.4 million during the five year project.

### Canadian Horticultural Council: Science Cluster 2 Projects Overview

Apple	Potato
<ul style="list-style-type: none"> <li>• Optimizing Storage Technologies to Improve Efficiency, Reduce Energy Consumption, and Extend the Availability of Canadian Apples for Domestic and Export Markets (DeEil, OMAFRA)</li> </ul>	<ul style="list-style-type: none"> <li>• Understanding of Potato virus Y complex in Canada and development of a comprehensive on-farm management strategy (Singh, Agricultural Certification Services Inc.)</li> </ul>
<ul style="list-style-type: none"> <li>• Improving tree fruit storage management using weather based predictions of fruit quality at harvest (Bourgeois, AAFC)</li> </ul>	<ul style="list-style-type: none"> <li>• Development of a Rapid and Sensitive Triplex Nested Real-time PCR Method for Quantification of Verticillium in Soil (Tenuta, University of Manitoba)</li> </ul>
<ul style="list-style-type: none"> <li>• Performance of Honeycrisp on New Size-controlling Rootstocks (Cline, University of Guelph)</li> </ul>	<ul style="list-style-type: none"> <li>• Zebra Chip and Potato Psyllid Survey and Monitoring (Johnson, University of Lethbridge)</li> </ul>
<ul style="list-style-type: none"> <li>• New biological control agents for postharvest diseases of pome fruit (Nelson, University of BC)</li> </ul>	<ul style="list-style-type: none"> <li>• Nitrogen Management for Improved Yield, Quality and Profitability of Potato (Tenuta, University of Manitoba)</li> </ul>
	<ul style="list-style-type: none"> <li>• Canadian Potato Variety Evaluation Program (Sonier, PEI Potato Board)</li> </ul>
	<ul style="list-style-type: none"> <li>• Wireworm control in potatoes and strategic rotational crops in Canada (Vernon, AAFC)</li> </ul>

## CHC Agri-Science Cluster for Horticulture (Cluster 1 Project Details)

The CHC's Canadian Agri-Science Cluster for Horticulture has improved the coordination of applied research initiatives among various Canadian research organizations and horticultural producers.

The CHC led the Agri-Science Cluster for Horticulture, a multi-activity project funded by Agriculture and Agri-Food Canada in the amount of \$4,700,000 for the period of April 1, 2010 to March 31, 2013. Industry contributed \$1,400,000, a significant investment in the sector. The focus was to conduct research on the key areas identified by the Canadian horticultural industry. The Cluster had been categorized into four commodity groups (tree fruit, small fruit, potato and water).

Group	Project Title	Project Lead	Objectives
<b>Tree Fruit</b>	Advanced Postharvest Handling and Storage Technology for Canadian Apples	Dr. Jennifer DeEll OMAFRA	<p>To determine the time frame of flesh browning development throughout the storage season, in relation to growing season and weather data</p> <p>To evaluate the effects of postharvest handling, 1-MCP technology, and storage regimes on the physical and sensory quality of new cultivars</p> <p>To investigate the application of diphenylamine (DPA, antioxidant, Stop Scald) using thermo-fogging technology in commercial apple storage rooms.</p>
	Identifying genetic markers to enhance apple breeding in Canada	Dr. Sean Myles Nova Scotia Agricultural College	To lay the foundation for a large-scale marker-assisted apple breeding program by collecting genomic data from over 1000 diverse apple cultivar.
<b>Small Fruit</b>	Wild Blueberry Environmental and Production Risk Mitigation System	Dr. David Percival Nova Scotia Agricultural College	<p>To develop a novel, automated and integrated field operations system that will reduce agrochemical usage and associated pest pressures Input use efficiency, traceability and safety.</p> <p>Promote more uniform plant growth and development, and increase yields and produce quality and consistency.</p>
	Development of day neutral strawberries adapted to our changing climate and sustainable production	Dr. Yves Desjardins University of Laval	<p>To determine the effect of nitrogen and potassium rates applied through fertigation to optimize fertilizer use efficiency in order to minimize environmental impact and maintain fruit yield and quality under different production systems (matted row, annual plasticulture, day neutral, soil-less culture);</p> <p>To evaluate existing varieties and new lines and develop F1-hybrids, hardy to environmental stresses with proper plant architecture to ease harvesting resistant to early or late frost; develop and improve the production systems under tunnels.</p>
	Tunnel-growing Systems for Raspberries	Dr. Adam Dale University of Guelph	<p>Investigate cultural aspects of sustainable tunnel and other protected cultivation systems in Canadian raspberry production;</p> <p>Develop and test new cultivars adapted for high tunnel systems; conduct economic studies to quantify the feasibility and cost-effectiveness of growing</p>

			raspberries in high tunnels and umbrella protected cultivation systems.
<b>Potato</b>	Late Blight (Part 2) Assessing the efficacy of new fungicides and fungicide combinations for control of late blight (Phytophthora infestans)	Dr. Zenaida Ganga Cavendish Farms	Assess the efficacy of new fungicides (systemic and non- systemic types) against late blight on three commercially grown varieties.
	Late Blight (Part 3) Function of phosphorous acid related compounds on suppression of late blight in potatoes	Dr. Gefu Wang-Pruski Nova Scotia Agricultural College	Examine the effectiveness of phosphorous acid in potato production systems.
	Wireworms in Potatoes and Root Crops	Drs. Bob Vernon, Todd Kabuluk and Christine Noronha, AAFC with industry participants	To advance wireworm management strategies so that potato farmers who have wireworm problems can access a range of techniques that will provide sustainable mitigation to economic losses caused by wireworms.  The strategies proposed are comprehensive and span approaches that are fundamental in any integrated management plan: i) cultural techniques, ii) chemical control, and iii) biological control
<b>Water</b>	Impact of liquid hog manure and irrigation management on broccoli safety: field experiment	Dr. Caroline Côté IRDA, QC	To evaluate the combined effects of liquid hog manure application and irrigation on broccoli safety under field conditions.
	Impact of irrigation on leaf lettuce and green onion safety: combining the irrigation-harvest delay and the content of Escherichia coli in water	Dr. Caroline Côté IRDA, QC	To evaluate the impact of irrigation water microbial content and the delay between irrigation and harvest on the presence of indicator and pathogenic micro-organisms on green onion and leaf lettuce.