

House of Commons Agriculture Committee

March 31, 2009

Speaking Notes

- Thank the committee for the opportunity to meet
- Note that there is a formal submission that has been provided in both official languages.
- Introduce CSTA
 - 130 member companies ranging from small, farm based operations to multi-national corporations
 - Research and plant breeding, marketing, distribution, production and sale of seed of over 50 different crop species, including grains, oilseeds, forage and turf, vegetables and flowers
 - CSTA's mission is to foster an environment that contributes to the success of our members and their customers.
- There is a very strong link between innovation and competitiveness – That was recognized by Agriculture and Agri-Food Canada as it began the process to develop this generation of agriculture and agri-food policy. The document on innovation and competitiveness states it clearly:

“Productivity alone is no longer able to sustain Canada’s comparative advantage. Innovation is the key to enhanced competitiveness and has the potential to improve the future of the sector while benefiting producers.”
- Innovation starts with the seed. Plant breeding and research has and continues to deliver benefits to farmers, processors and consumers around the world. CSTA submits that if we are to enhance and increase Canadian agriculture’s competitiveness, the creation of an environment that fosters innovation is critical.
- Before I go on to talk about competitiveness, I want to take a minute to address competition. This was identified in the invitation to appear today. The seed sector is a very highly competitive sector.
 - There are close to 1,000 registered seed establishments handling, distributing processing and selling seed in Canada.
 - Farmers have access to thousands of varieties of over 50 different crop kinds from which to choose, and hundreds of new products are introduced every year – we submit that even more could be introduced with an improved regulatory system.
 - We have full disclosure of product performance through official testing which is published for growers
- Given more flexible regulatory and intellectual property regimes, our sector could be even more internally competitive.

- The seed industry is competitive internationally as well. This is demonstrated by the importance of the export market to our sector. 15% of the seed sold in Canada (by value) is exported. Canada consistently exports more seed than we import. In fact over the past years, Canada's trade surplus in seed has been steadily increasing, from 4% in 2002 to over 40% in 2007.
- The seed industry makes a very significant contribution to the Canadian economy. In 2007 that contribution totaled \$3.95 billion, and our sector employed over 14,000 Canadians.
- The private sector, which comprises our membership, makes a very substantial contribution to the success of farmers. In fact, at 39% of total research and development investment, the private sector is now the largest single investor in plant breeding and research. That compares with Agriculture and Agri-Food Canada "A Base" which makes up 21% of plant breeding and research; provincial investment at 6% and check-offs, which make up 4% of investment in plant research and development. CSTA's members invested over \$56 million in plant breeding and research in 2007 – that is 26% of their combined operating budgets. They plan to almost double that investment to \$106 million by 2012.
- However, there is a sub-story to tell. By 2012 96% of private sector investment will be in three crop kinds – Canola, Corn and Soybeans. Investment in cereals, forages and other crops will decline. There is a direct link between the level of private sector investment and the regulatory and intellectual property environments, and the use of certified seed.
- First the regulatory environment. Seed is one of the most regulated sectors in Canada. In order to introduce new innovations to farmers, our industry can be faced with three different departments administering 5 different acts and associated regulations. But let's look at the biggest problem we are having – Variety Registration.
 - For over 20 years, the seed industry has been working to modernize Canada's system of variety registration. The latest trench of work has been going on for a decade. The goal is to make the system more flexible, to allow for faster and more efficient registration of varieties for farmers. In June, 2008 we thought we finally had progress, when proposed regulatory changes to put in place a three part registration system were published in part 1 of the Canada Gazette. The comment period ended in August, 2008 and we have heard nothing more.
 - Even if we get this framework in place for a registration system, it won't mean that registration will be faster or more efficient. Other than a couple of minor crops, no crop kinds have been placed in the tiers – that will take yet more regulatory changes.
 - The three crop kinds where private sector investment is high have been able to deal with this, either within or outside of the system. Canola and Soybean structures have a strong link to the value chain and as a result, have been more willing to adapt within the system to streamline the registration process. Corn is not subject to variety registration. Other crop types, like non-oilseed soybeans are also not subject to registration. This has allowed that sector to grow and return substantial premiums to farmers.
 - Conversely, forage crop kinds are still subject to all of the strict requirements of variety registration – often requiring a recommendation for registration from a recommending committee where one doesn't even exist. Investment in forage breeding and research by the private sector is under 1% of total investment.

- There are other cases that make it clear that the regulatory system in which our sector operates is cumbersome and slow to adapt.
 - Many of our members continue to struggle with the process for approval of novel foods and feeds
 - Approval systems for seed treatments need to be more closely linked to those in particularly the United States, to ensure that our farmers are not at a competitive disadvantage
 - The system for labeling and tagging seed is outdated and doesn't reflect advances made in printing and other technologies – we have been working on this issue for a couple of years and hope that we will get close to resolution this year.
- The crops with the highest share of private sector R&D investment –canola, corn and soybeans – have another thing in common. The link between intellectual property protection and investment in new technologies is well recognized and accepted by most producers. Up to and sometimes beyond 90% of the producers of these crops purchase new seed every year and enter into contracts and technology use agreements to do so. They do this to capture the benefits of the new technology that comes from research and development.
 - Canada is at a very strong disadvantage when it comes to the protection of Intellectual Property. The ability to protect intellectual property is critical to generating the funds to continue to invest. This is important to both public and private sector plant breeders.
 - Canada is one of the only “developed” countries that has not brought its Plant Breeders' Rights legislation into conformity with the most recent international convention on the protection of plant varieties UPOV. Because we don't comply with UPOV 1991, countries that do comply are reluctant to introduce their exciting new technologies to the Canadian market
 - Canadian plant breeders also don't have access to as many different forms of intellectual property protection as do our main competitors. For example, Canadian plant breeders cannot patent plant varieties, where that is a well used tool in the United States.
- The main source of funds for private sector investment in innovation is the sale of certified seed. It's not surprising that the crops that have the highest levels of investment also have the highest use of certified seed. Certified seed use ranges from 80% to 98% for canola, corn and soybeans, and as we have already noted, 96% of the private sector investment in 2012 will be in those crops.
 - Farmer surveys indicate that most producers see certified seed as a driver of success, and they understand the link between seed purchases and investment in research and development. However many farmers believe that the extra cost is prohibitive.
- CSTA, supported by others in the seed sector, retailers and some farmer groups support the implementation of a tax incentive for producers who purchase certified seed. This would assist farmers to invest in the success of their farmers through the quality assurance and new opportunities presented by certified seed.
 - Many of you are familiar with our proposal, and we hope that you can support us in our efforts to have it implemented.
 - The Tax incentive proposal would allow farmers who purchase certified seed to declare 155% of the cost of the purchase as an expense when they file income tax. The resulting reduction in taxable income would offset the extra cost of purchasing certified seed.

- The tax income foregone by government, if half of the seed planted in Canada is certified, would be about \$89.5 million. The benefits to farmers of the plant breeding and research that is funded through sales of certified seed far outweigh that cost. The George Morris Centre determined that the recent introduction of just 8 new varieties boosted farm income by over \$170 million and generated tax income for government of about \$60 million.
- We have done detailed analyses, trade law assessments and studies of this proposal, and would be happy to provide more information to the committee on request. However we are confident that this is one of the best ways to stimulate investment in innovation for farmers and the entire economy of Canada. As such we believe that it fits very well into the design of the new Agri-Flexibility program that was detailed in the federal budget.
- Thank the committee for the invitation, and say you will be very pleased to answer questions.