

A Certified Seed Tax Incentive

Economic Stimulus for Agriculture and Agri-Products



It Starts with the Seed – Seed is the foundation of the world’s agriculture and agri-products sectors, and is a contributor to the health and well being of farmers, processors, consumers and the environment.

The Seed Industry Invests in Innovation – Private seed companies are the largest single investor in plant breeding and research in Canada, accounting for 39% of total investment. In 2007, Canada’s seed companies invested over \$56 million in research, and they plan to almost double that by 2012.

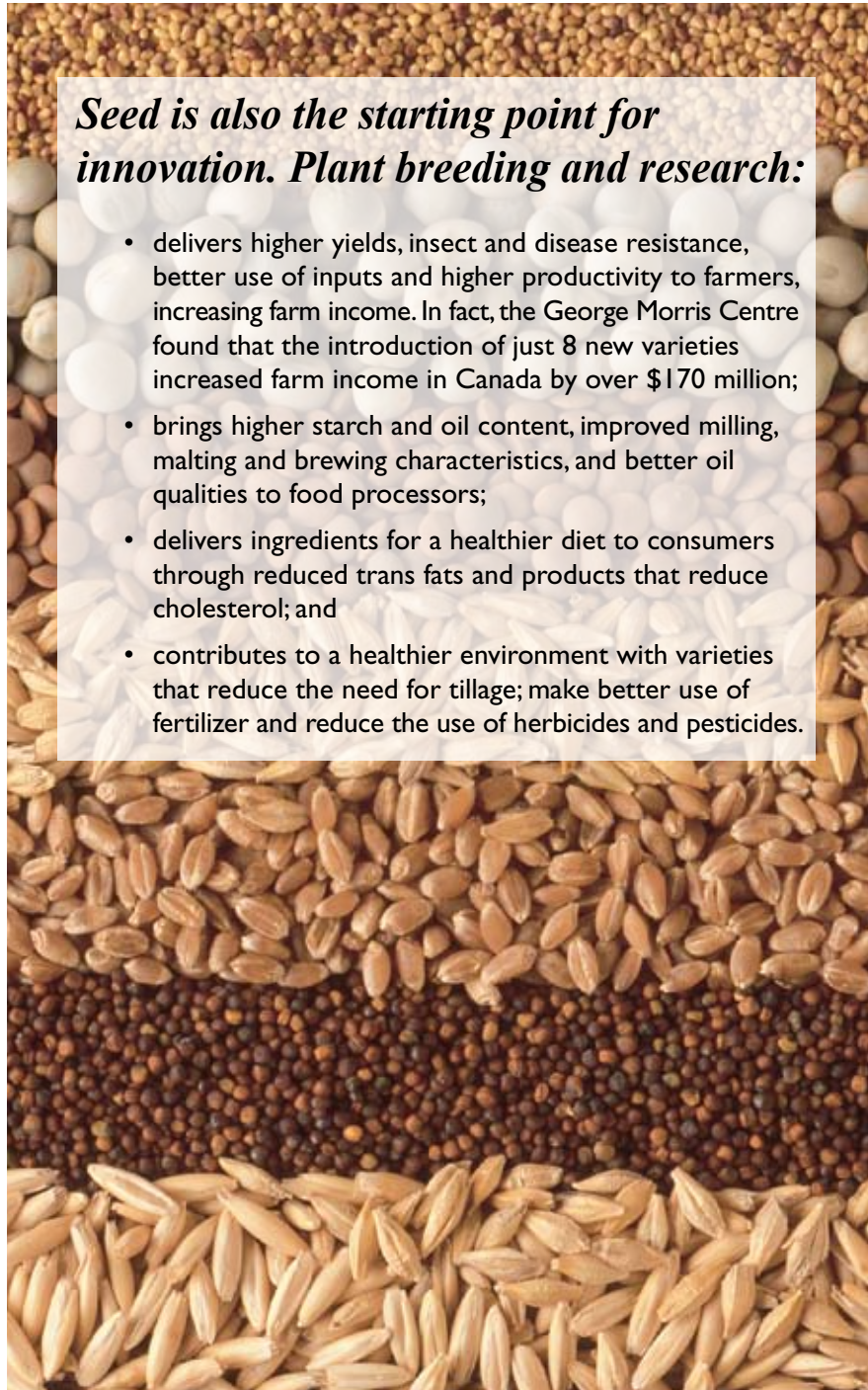
Investment Funded by Certified Seed Sales – Private sector investment in plant breeding and research is funded through the sales of certified seed. Where the use of certified seed is high, investment is high. For example, by 2012 over 95% of private sector investment will be in three crops: canola, corn and soybeans. On average over 92% of the seed planted to these crops is certified. Only 18% of the seed planted to wheat is certified, and private sector investment in cereal breeding will only account for 2% of total investment.



On average, only about 30% of all the seed that is planted in Canada is certified. That means that only 30% of Canada’s farmers carry the cost of the research and development that provides so many benefits to all of Canada.

Seed is also the starting point for innovation. Plant breeding and research:

- delivers higher yields, insect and disease resistance, better use of inputs and higher productivity to farmers, increasing farm income. In fact, the George Morris Centre found that the introduction of just 8 new varieties increased farm income in Canada by over \$170 million;
- brings higher starch and oil content, improved milling, malting and brewing characteristics, and better oil qualities to food processors;
- delivers ingredients for a healthier diet to consumers through reduced trans fats and products that reduce cholesterol; and
- contributes to a healthier environment with varieties that reduce the need for tillage; make better use of fertilizer and reduce the use of herbicides and pesticides.



CANADIAN SEED TRADE ASSOCIATION

L'ASSOCIATION CANADIENNE DU COMMERCE DES SEMENCES

A Tax Incentive Would Deliver the Benefits of Certified Seed to Farmers, and Share the Costs of Innovation – Surveys indicate that the majority of farmers believe that certified seed delivers benefits and contributes to farmer success. They also agree that sales of certified seed generate funds for investment in the development of new varieties, and that the value of the new innovations in the longer term outweighs the extra cost of certified seed. However, in an effort to control short term costs, many producers choose not to regularly purchase certified seed.

CSTA proposes that the government implement a broad based tax incentive for farmers who purchase certified seed. The tax incentive proposal would have farmers claim 155% of the cost of certified seed as an expense on their income tax returns. The reduction in taxable income and resulting increased refund would offset the extra cost of the certified seed purchase.

A True Economic Stimulus Generates Wealth – If the tax incentive resulted in an increase in certified seed use from the current average of 30% to 50% of the seed planted in Canada, the tax income forgone by government would be \$89.5 million. However, this “expense” would be more than offset by:

- Increased farm income – over \$170 million from only 8 recently introduced varieties.
- Increased tax revenue from seed companies, and all of the participants in the value chain who would benefit from the innovation funded from certified seed sales – the George Morris Centre estimates that the 8 new varieties generated over \$60 million in tax revenue.
- The George Morris Centre estimates that if the tax incentive induced **full** use of certified seed, the cost would be \$179 million, but the return to the economy would be over \$600 million annually.

A Certified Seed Tax Incentive – A True Economic Stimulus

