Standing Senate Committee on Banking, Commerce and the Economy
Senate of Canada
Ottawa, ON
K1A 0A4

May 28th, 2024

Re: Response to Bill S-243 — *An Act to enact the Climate-Aligned Finance Act and to make related amendments to other Acts*

Dear Senators,

We are writing to you to express the concerns shared by grain farmers across Canada regarding Bill S-243, *An Act to enact the Climate-Aligned Finance Act and to make related amendments to other Acts*. We are concerned about the unintended consequences for Canadian farmers should this piece of legislation pass into law. As the national voice for Canada's grain farmers, Grain Growers of Canada (GGC) represents over 65,000 cereal, pulse, and oilseed producers through our 14 grower groups. Our members are trade-oriented, sustainable, and innovative. As a farmer-driven association for the grain industry, GGC advocates for federal policy that supports the competitiveness and profitability of grain growers across Canada.

We are concerned that the spirit of the legislation will have unintended consequences that limit Canadian grain farmers' ability to access capital. It is important to understand that farming is a capital-intensive industry. For example, in 2022, the average Canadian farm had over $730,000 in outstanding debt[1,2]. Our producers rely on institutions such as Farm Credit Canada (FCC), banks, credit unions, and provincial lenders (i.e., Agriculture Financial Services Corporation, Manitoba Agricultural Services Corporation, etc.) to access affordable credit. Under S-243, the ability of grain farmers to access credit to grow crops will be threatened. The bill explicitly includes agriculture and land use activities in the "emissions" description and includes FCC, banks, and credit unions under "federal institutions", which are organizations through whom farmers secure financing.

Should S-243 come into law, financial institutions may be required to use higher capital risk weights when issuing loans to grain farmers because their practices might be considered "emission-intensive activities" under the legislation. In turn, growers may be subject to higher-than-normal interest rates, hampering their ability to access capital. In 2022, the average grain farm paid over $25,000 in interest and bank expenses when the annual target average overnight rate was only 1.92%[3,4]. With higher interest rates today and the threat of the bill coming into law, farm financing will become unaffordable for many.

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[1] Statistics Canada (2023, Nov 28). *Farm Debt Outstanding, classified by lender (x 1,000). Table: 32-10-0051-01.*
[2] Statistics Canada (2022, Nov 23). *Canada at a Glance 2022, Agriculture. Table 24 – Farms classified by farm type, Census of Agriculture 2021.*
[3] Statistics Canada (2024, Mar 28). *Farm operating revenues and expenses, annual. Table: 32-10-0136-01.*
[4] Bank of Canada. *Canadian interest rates and monetary policy variables: 10-year lookup.*

Grain farmers produce some of the most sustainable grain globally[5] by implementing beneficial management practices, reducing their emissions, and positively contributing to climate change mitigation and adaptation, respectively. Our growers continue to invest in new technologies, such as fuel-efficient machinery, precision agriculture technology including variable rate and sectional control capabilities, and the implementation of 4R Nutrient Stewardship to use fertilizer more efficiently without overapplying. These initiatives all require producers to take on additional risk to adopt new but beneficial practices. However, these investments are expensive. In the last two years, the cost of farm equipment has increased between 25 to 62 percent. For instance, a large tractor with the newest and most up-to-date and efficient technology will cost a grower an average of $725,000[6]. However, with the higher cost of credit under this legislation, mixed with record inflation, producers will need to forgo upgrading their equipment or take on greater risk on their operation. Ultimately, this bill counters the ongoing sustainability efforts of the agriculture sector and delivers the opposite results of its intended objective.

It is important to recognize that no amendment will render this bill acceptable to grain farmers, as any changes would still fail to provide the necessary access to capital essential for grain production. The bill, in its current form or with potential amendments, remains fundamentally flawed. The sector continues to adopt sustainable production practices, and to continue this progress, additional capital investments are crucial, necessitating affordable access to loans. Any legislation that creates more barriers to accessing these funds is counterproductive to the sustainability goals of both the sector and the broader Canadian economy.

Due to the reasons stated above, we are encouraging all Senators to oppose Bill S-243. Should you have any questions or wish to learn more about the potential impact on grain farmers, please contact me at kyle@graingrowers.ca.

Sincerely,

Kyle Larkin
Executive Director
Grain Growers of Canada

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[5] Bamber et al. (2023). *Carbon footprint analysis of Saskatchewan and Canadian field crops and comparison to international competitors*. Global Institute for Food Security

[6] Government of Manitoba (2023). *2024/2025 Cost of Production Farm Machinery*