Agricultural Manufacturers of Canada

Remarks for appearance before the House Standing Committee on Industry, Science and Technology

Good afternoon, Mr. Chair and committee members.

My name is Leah Olson, and I'm the president of the Agricultural Manufacturers of Canada. Our board chair, Geof Gray, sends his regrets for not being able to attend. I'd like to make a few remarks before the floor is opened for questions.

I am pleased to be here as you continue your study on the manufacturing industry in Canada. It's an important one and I want to share with you the critical role that agriculture equipment manufacturers play in today's economy.

ABOUT AMC

The Agricultural Manufacturers of Canada is a national, member-driven industry association with just under 300 members. Our mission is to "foster and promote the growth and development of the agricultural equipment manufacturing industry in Canada."

Canadian-made agriculture equipment is amongst the highest quality and most sought out in the world. Just over 50% of our manufacturing members are located in rural communities of less than 10,000 people. Some of our members are located on the family farm or in communities where the number of people the manufacturer employs is larger than the community it is in.

For example:

- Westfield, founded in 1951 by Abraham Plett, a farmer turned manufacturer, is a leading producer of grain augers. Westfield, acquired by Ag Growth International in 2000 continues to have its manufacturing facility of approximately 175,000 square feet in Rosenort, Manitoba, a community of less than 600. Their products

are exported to over 30 countries world-wide and they employ approximately 250 people at their plant in Rosenort;

- Seed Hawk, a manufacturer of seeders, was established in the early 1990s when Pat Beaujot, a professional agronomist with a passion for precision seed and fertilizer placement wanted to avoid tilling his farm land but did not have equipment to fit his needs on the farm. As such, he and two partners developed and began manufacturing equipment to enable them to employ no-till technology. Today, Seed Hawk is majority owned by a privately held Swedish company, Vaderstad. Despite the ownership change, Seed Hawk continues to be located in Langbank, Saskatchewan – a hamlet with a population of less than 100 people – where they employee more than 200.

These are not isolated examples, rather, our members are important employers in rural communities, providing unique employment in all the realms associated with being a quality manufacturer: finance, marketing, IT, engineering, procurement, etc.

All across Canada, agriculture equipment manufacturers are making a positive economic impact, but they are not immune to global market downturns and job losses. While there have been some employment reductions, it is not consistent across our industry. In fact, with a global downturn, most of our members have turned to increased R&D and made efforts to reduce their input costs rather than seek out government subsidies. The key role the government can pursue for agriculture equipment manufacturers is to enable further innovation by providing tax rebates supporting R&D and the commercialization of their products in Canada and globally.

INNOVATION

Machinery has been at the heart of Canadian agriculture for many years. It shaped agricultural practices and, in many respects, created the opportunity for rapid European settlement in the late 1800s. The agricultural equipment manufacturing industry has progressively developed as an entity separate from commercial or industrial manufacturing.

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Central to this evolution was the need to develop agricultural machinery capable of meeting the challenges of the Canadian climate. This drive for innovation was critical to farmers who struggled with foreign equipment designed for smaller farms and less arid conditions. These same challenges have enabled Canadian agriculture equipment manufacturers to be global leaders in the development and production of high quality, durable and innovative machinery.

Innovation is crucial if we want to address global issues such as overpopulation, limited resources and food production. The agriculture industry will need to produce more with less and Canadian farmers are at the forefront of meeting this challenge. AMC's members continuously develop innovative technologies and manufacture products that enable us to be leaders throughout the world. This puts us in a good position to align with and inform the government's innovation agenda.

Our industry is unique not only that it's developed in Canada, but because it impacts food sources globally. Our products help feed the world. Our environmental footprint is better today than 30 years ago because of the equipment we have developed and are using.

Our members lead the world on intellectual property of agricultural equipment. Innovation happens every day because our members are talking directly to farmers and responding to their needs by further refining and enhancing their products. For us innovation is not just a way of being or something that happens in an isolated facility, it is in how we manufacture and manage our day to day operations. It is what drives us to develop some of the best agriculture equipment in the world.

IRAP & SR&ED

Although our sector innovates regularly, there are some areas that could be improved which I'd like to discuss with you.

First, I'd like to speak about the Industrial Research Assistance Program. The $50-million in additional support allocated to IRAP in the 2016 budget is an important investment in

moving the innovation agenda forward, which we applaud. It has helped our members tremendously. For example, as one of our members highlights:

> *We were given an IRAP grant last year that allowed us to do some testing with the Prairie Agricultural Machinery Institute (PAMI) on a new product destined for the European Union. That product testing identified a fatal flaw in one of our components and allowed us to stop installation and adjust our product development direction into something that worked.*
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> *Without the IRAP funding we would not have been able to afford the testing. The test was expensive and we had put our money and energy into the design and development of the prototypes. While the testing year wasn't pleasant due to the identified failure, the results could have been disastrous for us if the product had made it to the market without this test and instead of costing us a few hundred thousand dollars to right the problem it could have easily cost us millions.*

Small and medium-sized enterprises benefit greatly from the IRAP program. Often, it is the difference between launching an innovation, leaving it on the research floor or launching without due testing, however we would like to see IRAP expanded to cover production and marketing costs of projects, which would help grow our industry even further and further contribute to an innovative economy.

Another program that is beneficial to approximately 60 per cent of AMC members is the Scientific Research and Experimental Development tax credit (SR&ED); however, administrative costs associated with it are increasingly burdensome, resulting in research and development becoming more challenging. The process to make a submission to the

program needs to be streamlined if the objectives of the program remain to reward innovation.

Of our members who use the SR&ED program, many are frustrated with the submission process indicating it is confusing and often requires professional outside help to do the applications. Often members will pay anywhere from $30,000 to $100,000 to get the application done. If you assume but 10 of our members hire external consultants for their submission, the combined amount is upwards of $1 million into administration costs rather than innovation itself. Perhaps it is the cost of doing business but these are dollars we would rather see invested into R&D.

Innovation in our industry is incremental and it's those small steps that allow for the leaps and bounds to occur.

We encourage the government to not only streamline the process but to also have auditors who understand the agriculture equipment industry.

MARKET ACCESS

And finally, I'd like to speak about market access.

Export Development Canada is a key player for many of our members and we thank them for their support. In 2015, agriculture equipment manufacturers exported $1.8-billion worth of products to 154 countries; the U.S. represented 82 per cent of this. This is why we're keen to see the Trans-Pacific Partnership agreement ratified and want to work with the government on communicating the importance of stronger and more open trade relations to the public.

Innovation Minister the Honourable Navdeep Bains recently said in a speech that "as a country made up primarily of small businesses, [he'd] like to see more than 10 per cent of them exporting, and to places other than the U.S."

Mr. Chair, we agree. Australia and Eastern Europe are key markets for Canadian agriculture equipment manufacturers —our equipment performs very well there, but there are also great opportunities in South America and Asia. The government could do

more to support our efforts at international farm shows and working with us on challenges that have been overlooked, for example visas and getting entry into a country more easily to market our industry's products.

Continued investments promoting international trade and bringing international buyers to Canada are key to our continued growth.

CONCLUSION

In conclusion Mr. Chair, Minister Bains has said "innovation is the path to growth, the path that leads to a stronger middle class and higher quality jobs for all Canadians."

Mr. Chair, committee members, we couldn't agree more.

AMC members help drive the Canadian economy, are global leaders in innovation and are entrepreneurs who are helping feed the world. It's why changes to the IRAP and SR&ED programs as well as opening up international markets is integral to Canada's innovative future.

Thank you very much. I am happy to answer your questions.

Merci. J'apprécie votre temps