

What Should Shape the Next Canadian Agri-Food Policy Framework?



**Independent Agri-Food Policy Note-
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The Issue

The recent Agriculture Ministers' meeting and release of the Calgary Statement on agri-food policy signals that the dialogue on the next generation of policy, programs, and funding among federal, provincial, and territorial governments is gearing up. The existing federal-provincial-territorial (FPT) agreement on Growing Forward II (GF II) will expire in March of 2018. This by itself creates the impetus to establish a successor agreement to GF II.

However, the burning platform pushing the successor to GF II to be much more than a renewal of the existing agreement has not been made apparent, nor the rationale for material changes to budget and program design. The current agreement is heavily producer-centric, rather than value-chain oriented. Furthermore, the agreement has been program-centric, with overall policy direction, scope and clarity more often revealed only implicitly from the nature and construct of the programs and funding levels, rather than having the programs designed within explicit strategic policy intentions. That is, programs have defined policy, instead of policy analysis and strategy defining the type and nature of programs needed for the sector.

With this the fourth FPT agreement of its kind, no doubt the inertia exists to focus on budgets and resource allocation within existing program structures. But missing the opportunity for a comprehensive dialogue on strategy and policy context to shape the dialogue would be a critical error, as the true magnitude of forthcoming changes demand a more strategic response.

This longer term agenda for Canadian agri-food policy is revealing itself in real time. The economics of grain and oilseed production, along with aspects of livestock, appear to be worsening, with farm debt projecting into the future from recent boom years. Agriculture produces about 25 percent of methane in Canada and about 70

percent of N₂O emissions, so the industry cannot blithely talk about beneficial management practices and environmental farm plans when federal and provincial governments are already underway on greenhouse gas and climate change adaptation approaches, along with carbon tax or cap and trade initiatives. With the Brexit, the ultimate nature (and fate) of the Canada-EU Comprehensive Economic and Trade Agreement (CETA) has become more uncertain, and the American political climate seems to be working against a Trans-Pacific Partnership (TPP) agreement; Canadian agri-food has a big stake in both of these trade agreements. The Canadian dairy industry is going through its most extensive policy change in decades, with the outcome not yet certain. Canadian food processing has suffered a loss of \$7 billion in net trade balance for the sector in roughly 10 years. Interest has grown in how food is produced, how food impacts health, and how farming influences ecosystems; effectively the stakeholder base in agri-food has widened, and prompted food marketing initiatives that cater to these perceptions and concerns.

These present big, difficult and longer term challenges to which sound agri-food policy can contribute. In the face of these developing issues, more of the same types of programming will eventually break down. The purpose of this policy note is to frame the contextual and strategic issues at play that need to be involved in striking a more comprehensive and longer term, strategic policy framework for the agri-food sector. The underlying rationale is that there is a need for bolder and more ambitious change based on the increasingly different economic, social and environmental challenges than existed in previous FPT agreements.

Calgary Statement

The Calgary Statement released in late July¹ provided an overview and summary of the state of FPT discussions on agri-food policy. It extends well beyond the communique typical of Agriculture Ministers' meetings, at nine pages, and enunciates the objectives, principles, and desired results, and priority areas from the next FPT agreement. As such, it has much in common with the Saint Andrew's Statement, issued by Agriculture Ministers in 2011 to frame the FPT agreement that would later become GF II². The Calgary statement shares much of the wording and discussion with Saint Andrew's, and goes further to discuss risk management as an issue (oddly missing in the Saint Andrew's Statement) and to develop objectives and anticipated results. The priorities appear very similar, with the Calgary Statement raising processing/value added and public trust as priority areas, with less apparent priority on human resources contained in Saint Andrews. As with its predecessors, the current discussions are focused on programs and their funding, rather than on issues of regulation and public agri-food institutions.

What neither the Calgary Statement nor its Saint Andrews predecessor have done is provide an assessment of the issues raised, or an argument that its identified areas are the appropriate priorities, to the exclusion of others. As such, within the range of prospective issues that could be addressed in agri-food policy, the choice set is left open. This makes it difficult to perceive what is being viewed as the critical areas of importance under the current discussions, and how the options can be narrowed to focus the discussion and get to an eventual more strategic agreement.

The existing FPT framework also appears buoyed by a loose yet effective industry consensus. However, the consensus going forward must involve a growing number

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http://www.agr.gc.ca/resources/prod/doc/pdf/calgary_statement_declaration_calgary_jul_2016-eng.pdf

² http://publications.gc.ca/collections/collection_2011/agr/A34-10-4-2011-eng.pdf

of politically active players far beyond traditional stakeholders to respond to the on-going changes in society, the economy, environment, climate change, technology, competition and trade. Some of these issues are already in the framework, but the growing interactivity between the themes, the global and domestic environment, and our marketplaces mean that more rapid and bolder action to meet longer run pressures is required. Even by taking into account the changes expected during the next period for the agreement, there exists a number of issues ten to twenty years ahead for which the next agreement must lay the foundations now.

Economic Demographics

A critical aspect of the upcoming policy framework and agreement relates to the identification and demographics of client groups. The current discussion seems to identify processors as clients more clearly than in the past (as per the Calgary Statement) but producers will continue to be primary clients. As such, the nature of producer and processor demographics will impact the nature and design of programming.

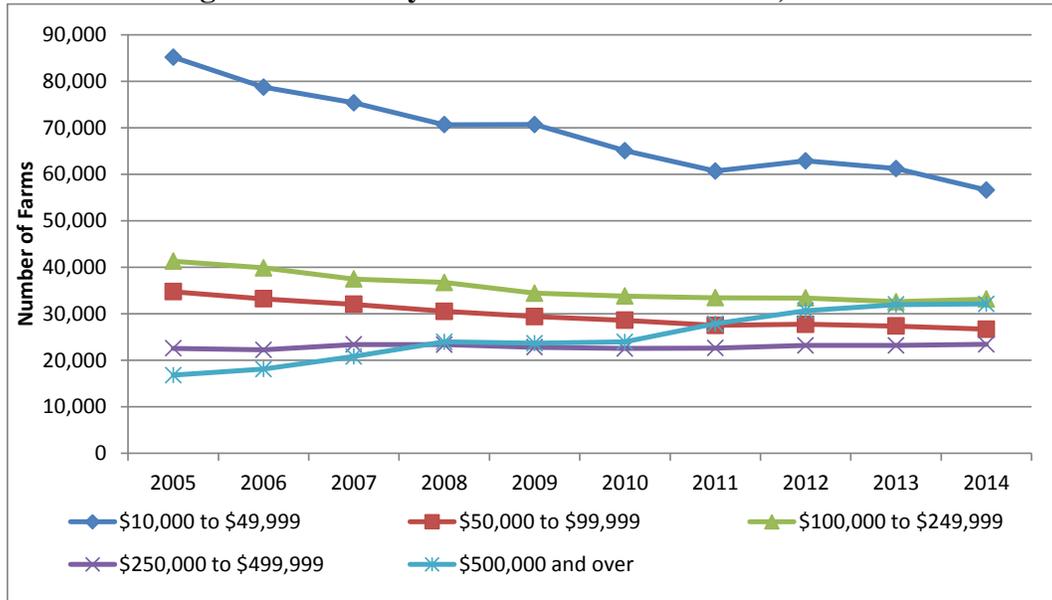
The consolidation of food processing to serve larger retail and foodservice customers, with many food processors operating in Canada but headquartered elsewhere, surely impacts how they interface with programming as clients for policy in Canada. Canada has relatively few global-scale food companies domiciled here. The programming needs of these larger processors- Canadian or headquartered elsewhere- will differ from those of small and medium-sized processors, many of whom face the challenge of growth or of withering.

In primary agriculture, the number of farms in Canada have been declining for an extended period; however, the farms in the smallest economic strata have declined the most rapidly- but remain the largest number of farms. This is illustrated in Figure 1 below, using data summarized from income tax filings by Statistics Canada, for 2005-2014. The figure shows that the only category of farms that is clearly increasing in numbers over time is the largest farms. Figure 2 reports the operating income for these farms by size and over time. The smallest category of farms has operating income

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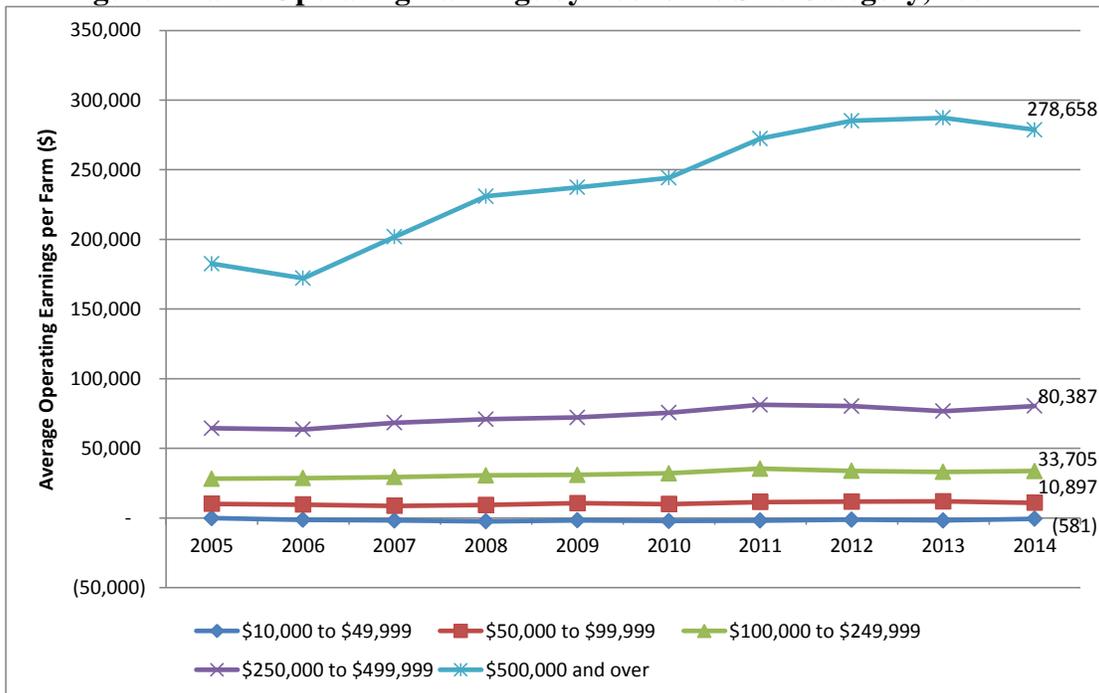
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Figure 1 Farms by Economic Size in Canada, 2005-14



Source: Statistics Canada Cansim Table 002-0045 Detailed average operating revenues and expenses of farms, by revenue class, incorporated and unincorporated sectors, Canada

Figure 2 Farm Operating Earnings by Economic Size Category, 2005-14

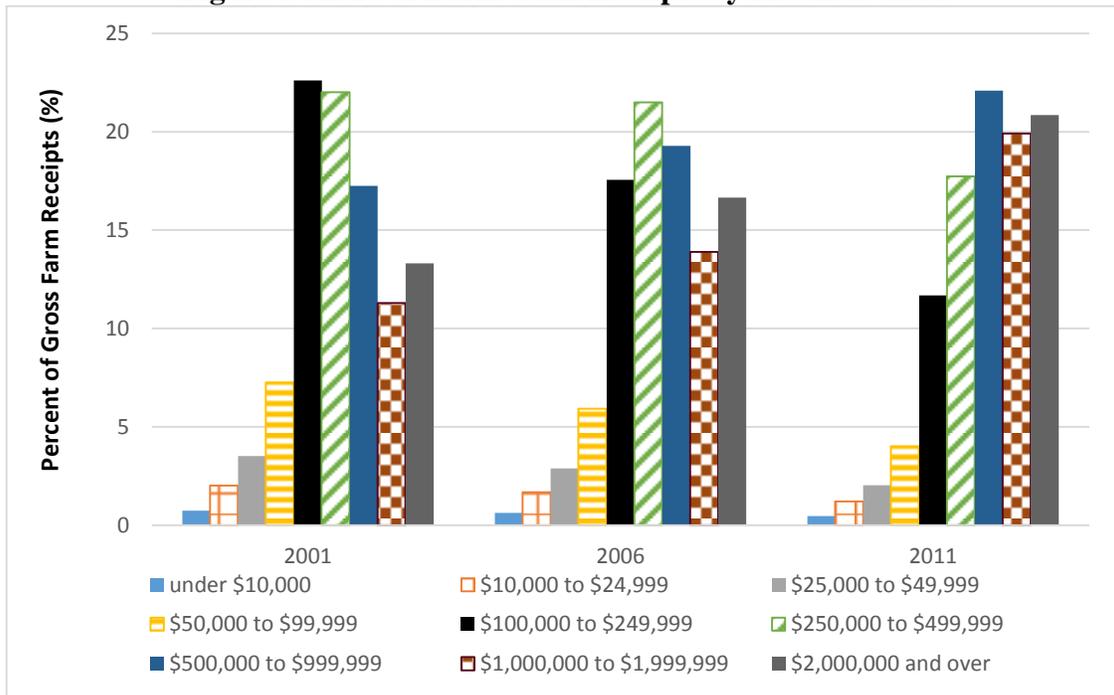


Source: Statistics Canada Cansim Table 002-0045 Detailed average operating revenues and expenses of farms, by revenue class, incorporated and unincorporated sectors, Canada

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Figure 3 Share of Farm Cash Receipts by Revenue Class



Source: Statistics Canada Cansim Table 004-0233

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levels ranging between about zero and -\$2000 since 2005; the largest farms recently have operating income ranging close to \$300,000/farm.

Figure 3 shows the shares of farm cash receipts received by each of the cash receipts classes of farms. The shares of total farm cash receipts for all classes from under \$10k to \$500K have fallen over the decade from 2001 to 2011. Only the classes with farm cash receipts greater than \$500k show growth in shares over the period.

Thus, the objectives of business risk management (BRM) programming and the anticipated needs of clients in each of these categories can be expected to differ, and as a consequence, the design of programs and public policy rationale for stabilization and support should be expected to differ. The problem facing the small farms may be orderly financial transition out of agriculture, or assistance to attain a threshold size for sustainable economic scale. The problem facing the larger farms may be market/economic fluctuations that impact operating earnings, requiring significant stabilization program funding but only at specific points in time.

The current BRM suite assumes one-size fits all. To illustrate, for farms with less than \$100K in gross farm receipts, net program payments were \$275 million in 2013. For the mid-range sized farms (\$100K to \$500K), net program payments totaled over \$370 million³. Is there an opportunity to better target these funds to the differential needs for ongoing transition in the farming sector, for farms moving toward retirement, or aspiring to grow, or remaining small as hobby or weekend farms, particularly when income from off-farm sources for the smaller farms dominates overall household income? These considerations play out across farm size categories within a province, as well as across provinces that differ in their complements of farms according to size category, and farm type.

Conversely, what elements of BRM policy attempt to safeguard the most efficient and profitable farms, with

³ Statistics Canada Table 002-0036 Total and average off-farm income by source and total and average net operating income of farm operators by revenue class, incorporated and unincorporated sectors, annual

scale capable of sustaining full-time incomes for operators? What analysis is present to characterize or identify these and design appropriate programming, without creating the appearance of picking winners? Without considering these needs, the fragility of the sector will become increasingly clear as the numbers of producers, processors, agri-input suppliers continue to consolidate.

Thus, it will become increasingly difficult to avoid the reality of differential demands for BRM programming, and the issue is of importance from a budgetary perspective as well as from the perspective of securing an efficient and profitable agri-food sector. At the same time, there will be a need to balance prospective public concerns that governments make a large number of small or trivial program payments to small farms insufficient to meet needs or drive material changes in the sector, or conversely that large payments are periodically made to large farms, tantamount to corporate welfare. Similar concerns could dog programming in food processing.

Markets and Trade

Core elements of the policy framework include the market and trade outlook, conditions and strategies of competitors, and the sources of uncertainty that could impact Canadian agri-food.

The long-term outlook for farm and food product markets will be a critical determinant of the needs for programming and its accompanying budgets. Passing reference is made to market outlook in the Calgary Statement, pointing toward a positive view. The 2016 OECD outlook appears less rosy, envisioning slower demand growth, slower growth in agri-food trade, and softening global prices for most farm products.

A renewed Canadian agri-food policy should also anticipate changes being made by competitors. An understanding of policy initiatives in key competing regions, capacity building in these regions, and anticipated changes in their agri-food sectors are required. Some of the developments by competing regions, and other developments, constitute uncertainties but fall in the category of “known unknowns”, things we

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know can or will occur, but the specific outcome or value is unknown at the present time. The current dialogue is confronted by several of these on the trade front- will CETA be ratified as expected? Will TPP be ratified? How will the next US presidency impact Canadian agri-food markets and trade?

We have a successor to the Agreement on Internal Trade, but no negative list yet to indicate constraints on provincial policies and standards. Other known-unknowns relate to nascent, disruptive technologies. For example, as it becomes more feasible to detect imperfections in foods or contaminants at minute levels, it creates both the prospect of increased value from higher levels of quality/purity that can be documented, but also the prospect of new liabilities for deficiencies. The Canada-China canola issue is a case in point. There are apt to be several other key technology developments forthcoming, requiring identification, research and discussion for policy development, even if concrete analysis is not yet available.

A disclaimer statement is contained in the Calgary Statement, similar to that in the Saint Andrew's Statement, acknowledging supply management as business risk management, and apparently exempting it from further discussions of competitiveness and greater market orientation. However, provincial and federal governments have great stakes in the health of supply managed industries, and supply management is not in the same place today as it was in 2011.

For example, milk supply management has recently seen its most extensive reforms since the signing of NAFTA and WTO Uruguay Round agreements, and more reforms are likely to be forthcoming, with the potential for trade challenges to these reforms. The 2015 Nairobi agreement assures that all export subsidies will be gone by the end of 2020; this means that Canada's subsidized exports (which are only declared and reported in dairy) will need to stop. Any progress on reducing domestic support in the WTO will force reductions in deemed market price support for milk.⁴ Taken together, this

⁴ Market price support for milk was 73.6 percent of Canada's reported Current Total Aggregate Measurement of Support

suggests that by the early 2020s, Canadian dairy policy will have been further restructured; planning and implementing the pathway to the early 2020s for the dairy industry must thus be undertaken under the new FPT agreement.

Chicken supply management continues to struggle with issues of interprovincial allocation, even with a landmark FPT agreement to address this issue completed in 2014. New trade agreements, especially TPP, threaten supply managed industries with expanded import competition. Supply management is a quintessential federal-provincial agricultural policy in Canada, and should be the source of strategic discussion in a new agricultural policy framework.

Thus, the new policy framework will need to accommodate and prepare for new trade agreements, with an acknowledgment of the uncertainties that these may not roll out exactly as planned, and be robust to the evolution in at least some aspects of supply management.

Internal Trade

Internal trade arrangements in Canada are challenging for many constitutional, political and historical reasons. The popular press takes great delight in exposing the difficulties of transporting beer or wine across provincial boundaries by mocking the absurdity of such restrictions. The usual comment, with considerable truth behind the comment, is that it is easier to trade some products and services across international boundaries than it is to trade across provincial boundaries within Canada. However, the press rarely seeks out the difficulties, legal and political, in addressing internal trade.

As an example of the conflicting arrangements, Section 121 of the Constitution indicates that "All Articles of the Growth, Produce, or Manufacture of any one of the Provinces shall, from and after the Union, be admitted free into each of the other Provinces."⁵ Extensive

(AMS) under the WTO for 2012. Any meaningful WTO agreement on reducing Canada's AMS would require a reduction in the MPS for milk.

⁵ The Constitution Act, 1982.

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litigation on the meaning of this clause over several decades more than 90 years ago has resulted in the narrow interpretation that there can be no duties on product moving across provincial boundaries, but it does not prevent provinces under other sections of the Constitution Act to impose what can be effective provincial barriers to trade.⁶

The Premiers' Conference appears to lay the basis for some movement on the internal trade agreement. Ministers of Agriculture need to take on the task for the agriculture and food sector. But to be clear, it may be impossible to remove all barriers to movement of goods within Canada. Nonetheless, working toward greater freedom to move goods across provincial boundaries should be a major policy priority, through FPT agreements, where necessary, on a case-by-case basis. These arrangements hinder growth and investment in the agriculture and food sector in Canada.

Attempting to overturn existing legal precedents is fraught with great political difficulty. Waiting on the results of all appeals on the New Brunswick beer decision to effectively overturn or accept the longstanding legal precedents will take years. Nonetheless, the federal government could move forward with active and progressive negotiations with and among provinces and territories on specific issues in the agriculture and food sector. Doing nothing, because it is too difficult, assures a complete standstill and continued barriers to growth.

Environment

Environmental sustainability is identified as a priority area in the Calgary Statement, coupled with climate change, certainly a logical connection. However, in pushing this forward into policy, programming, and budget discussions, some form of environmental baseline

⁶ See for example, G.P. Browne, 1967. *The Judicial Committee and the British North America Act: An Analysis of the Interpretive Scheme for the Distribution of Legislative Powers.* University of Toronto Press, Toronto, Canada. See also: John T. Saywell, 2002. *The Lawmakers: Judicial Power and the Shaping of Canadian Federalism.* University of Toronto Press.

is required. This would provide the context for environmental sustainability objectives and constraints. More directly, it would put into focus what is expected from agriculture in contributing to federal and provincial climate change goals, and what agriculture can be targeted to deliver, given regional differences in soils, cropping patterns, moisture, climate, etc. The components of an agri-environmental baseline probably exist, as suggested by the recent release of the fourth Agri-Environmental Indicators report by AAFC⁷, but its analyses date from 2011, and no broad baseline model has ever been presented or advanced as a guidepost for agri-environmental policy. Without a baseline to assess what is realistic, the danger exists that policy will simply attempt to push more environmental goods and less environmental bads, without a sense of context, trade-offs, or metrics of what should or can be accomplished.

Emerging issues should also be identified and enunciated. An important one is increasing frequency of pest resistance in both livestock and crop pest management. Another is the growing evidence of the benefits of more complex crop rotations and crop/livestock interaction in supporting increased diversity of soil microflora, with the benefit of improved resilience of agricultural systems to variation in weather and pest conditions. These, and perhaps other emerging issues, are collective action problems amenable to public policy programming instruments.

Agriculture is a significant emitter of greenhouse gases (GHG), representing 8-10 percent of GHGs (CO₂ equivalent) in Canada in 2014 with growth of 20 to 28 percent since 1990⁸. The agriculture and food industry cannot escape the attention that this track record will generate. Programs and approaches to date have dealt

⁷ Clearwater, R.L., T. Martin and T. Hoppe (editors). 2016. *Environmental Sustainability of Canadian Agriculture: Agri-Environmental Indicators Report Series Report #4.* Agriculture and Agri-Food Canada

⁸ National Inventory Report 1990-2014: Greenhouse Gas Sources and Sinks in Canada - Executive Summary. Table S-2 Trends in Canadian GHG Emissions by IPCC Sector (1990-2014); Table S-3: Canada's GHG Emissions by Economic Sector, Selected Years. Table S-2 shows growth 1990-2014 of 20 percent; Table S-3 gives 28 percent growth.

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almost exclusively with mitigation, with little attention to the necessary adaptation of the sector over the next two to three decades to climate change through long term research, technology and innovation. Equally important is the assessment, maintenance and enhancement of Canada's use of the natural resources, soils, water, air, genetic resources, and the like, in production agriculture and the food processing and distribution industry.

The large livestock numbers and the immense land area in crop and forage/pasture production are unique problems and opportunities in addressing climate change and environmental sustainability. Livestock production generates about 60 percent of agricultural GHGs; agriculture produces 27 percent of Canada's CH₄ (methane) emissions and 70 percent of N₂O (nitrous oxide) emissions⁹. Assuring that these unique features are fully recognized by the First Ministers' working groups on climate change is of critical importance for the industry.

Beyond climate change, the environmental performance of agriculture will be closely linked to social license. A perception that agriculture results in environmental degradation does not build public trust, and becomes a lightning rod for skeptics or others with activist agendas. At worst, it provides the tangible evidence from which to launch broader and extremist attacks on the food system.

Research, Development, and Innovation

Growing Forward II budgeted nearly \$700 million for research over the five-year agreement. Seven different programs for science and innovation appear in the Departmental Performance Report for 2014-15. From federal government records, the GF II funding arrangement allocated \$129 million to the 17 clusters, with 36 percent reserved for research within AAFC and the balance for research external to AAFC. All of these funds were distributed to farm organizations to allocate the research funds to projects submitted to the clusters, with an expectation of matching funds from the sector.

⁹ Methane is 25 times more potent than CO₂; nitrous oxide is 298 times more potent than CO₂.

Another program provided funds to the provinces to pursue research either in-house or to allocate resources to project submissions, again expecting some industry and provincial matching funds.

The funding levels over the five-year period remain unclear;¹⁰ and there is little available evidence on the role and extent of government research as public goods. However, the emerging trend appears to be a shift in federal funding from basic research to applied research and extension of information to producers and processors, apparent in the growth of programs requiring for-profit or not-for-profit organizations to share the cost of research.¹¹

One of the difficulties in seeking matched or shared funds from private industry in agriculture and food research is that Canada has few large, world class companies domiciled in Canada. Although many large multinational companies have operations in Canada, research funding decisions are generally based in head offices. It is not surprising that encouraging the private sector to share research costs is difficult; pressing private industry for research support can also shift research priorities to short term, immediate problems, weakening concentration on basic longer term public good research. Transparency in priorities and funding activities, and balanced support for basic and applied research is a sound message for moving forward, and confirmed in the Calgary Statement. The role and methods of seeking shared funding from the private sector also needs greater attention and understanding of what may be possible and appropriate in Canada. Basic public good research needs to be expanded,¹² provided through governments, to

¹⁰ The funding information for science and technology for AAFC drawn from the Departmental Performance Reports lists funding by program over the previous years. However, the categories of spending shift each year so a consistent pattern of funding levels of basic and applied research cannot be traced.

¹¹ Canada lies below other major countries in the share of total research conducted by private organizations, the apparent rationale for the shift to shared cost funding in research programs in agriculture.

¹² Canada lies below the OECD average in gross research and development expenditures as a percentage of GDP State of Science and Technology in Canada, 2012. p. 29.

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address long term issues such as adaptation to climate change, food processing technology, breeding programs for disease and pest tolerance and reduced GHG emissions in livestock and crop production.

Food Processing

Canada's food processing industry finds itself in a precarious position. It is a large and crucially important manufacturing sector, and enjoys some immunity from the vagaries of business cycles. It has also revealed itself to be a weak competitor versus others. Figure 4 shows the trade balance across the four HS categories covering agricultural and agri-food products. While net trade in animals and animal products, grains, oilseeds, pulses, fruit, vegetables and other crops, and fats and oils show sustained positive trade balances, the trade balance in manufactured food products has declined steadily since about 2004. Even adding back into food manufacturing the primary processing of animals and animal products in which there is a positive trade balance, the trade balance in processed food products remains negative.

Figure 5 shows annual investment minus depreciation in buildings and equipment in food and beverage processing in Canada. The steady decline in net investment in buildings suggests little if any green field investment, although net investment in equipment began to grow about 10 years ago from previously negative levels.

The causes of this decline may be complex. Limited research in food processing technologies; a high proportion of federal research directed specifically at the farm level, not the agri-food value chain; limited exports of dairy products discouraging investment and re-investment in processing capacity; limited plant scale in the Canadian market compared to the USA; few Canadian domiciled world class firms in the industry; investment decisions made at headquarters of multinational companies, not in Canada; very little food processing equipment manufactured in Canada; all of these symptoms and more need to be explored to understand how best to re-invigorate this industry.

In much of the last twenty years, Canada was expanding its exports of food products as a share of total agricultural and food products. Food processing provided the demand for Canadian farm products, and was a major employer. This trend now appears to have plateaued, so that primary and secondary processed food products no longer offer a platform from which to grow Canada's trade balance in agriculture and food. From a policy perspective, finding the proximate causes of the decline in manufactured food trade balance, and rebuilding the research and investment climate for expansion of the industry is a high priority for all levels of government. FPT Ministers have identified this issue in the Calgary Statement.

Social Pressures

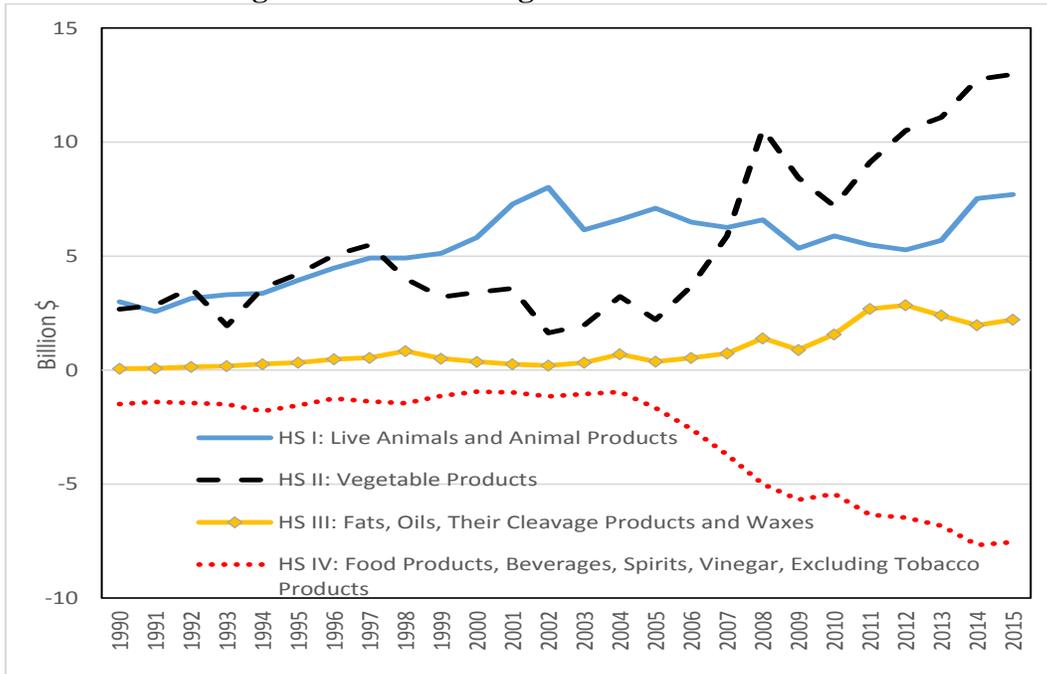
Agri-food policy programming extends into the public sphere involving existing and developing social networks based around agriculture and food; in food safety, processing methods, labelling, genetics, health, local food systems, farm families, and more. These networks are the basis upon which people form trust relationships on food, and are well outside the boundaries of the traditional stakeholders in the industry- but have real and growing impacts on food systems. The next generation of policy and programming will need to address the alignment of views on agri-food issues held by these groups, in Canada as well in the countries around the world we regard as customers for our products. Some groups coalesce around broad issues (e.g., maintenance of family-based, market oriented agriculture) and others are quite specific (e.g., ban battery cages). To some extent, agri-food policy may be able to lead or build upon this cohesion of views; at a minimum policy will need to avoid supporting or fueling activist or extreme agendas.

For example, resistance to genetic modification (GM) technology in Canada appears to be segmented and relatively small, though tightly held by some groups united on this issue; conversely, other groups have formed to support and defend GM crop technology. At the same time, the move toward labeling of foods containing GM crops has grown in the US, and appears firmly rooted in the EU where production of GM crops is also strictly limited. Canada is the largest producer and

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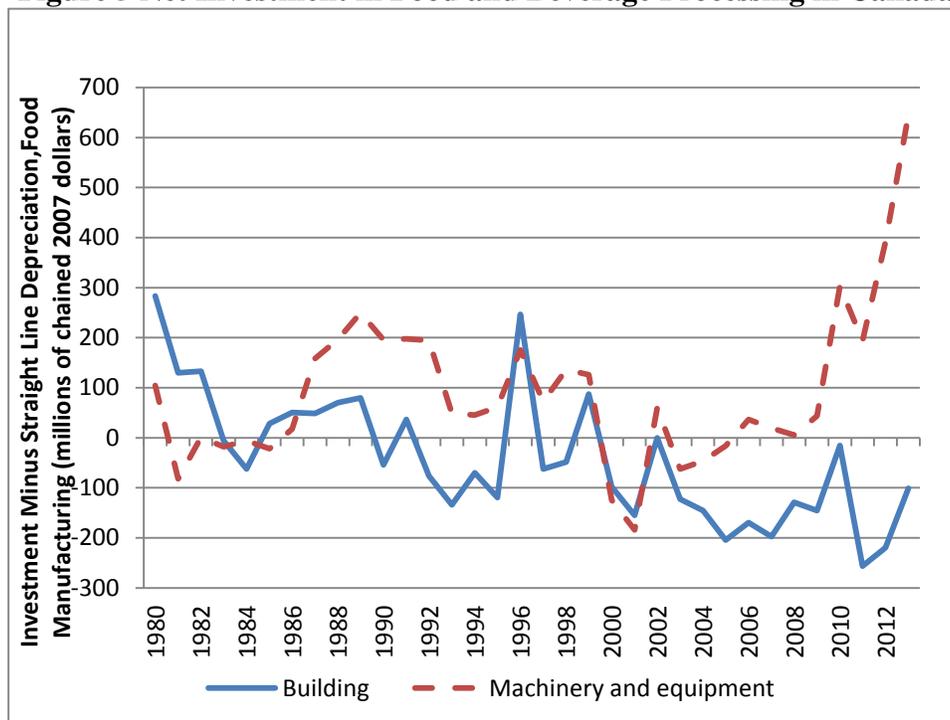
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Figure 4 Canadian Agri-Food Trade Balance



Source: Statistics Canada, Industry Canada Trade Data Online

Figure 5 Net Investment in Food and Beverage Processing in Canada



Source: Statistics Canada Table Table 031-0002

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exporter of canola and canola products, and virtually all canola grown in Canada is GM. Policy developed in this context will need to retain and build confidence in Canadian product, which may require policy shifts given conditions in customer countries, without giving way to either extreme agendas (i.e., ban GM crops) nor distorting Canada's competitiveness, market access, and impressive innovation record in canola (based on GM technology).

The "Public Trust" priority area in the Calgary Statement is firmly consistent with this. The challenge will be to develop policy and programming that goes beyond a better communications strategy intended to convince the public that Canadian farm and food products are safe and healthy, and that farmers are great people. But agriculture comes from somewhat of an isolated public policy environment, in which it is accustomed to special treatment and exemptions compared with policy for the rest of the economy¹³. This is changing, but agriculture is still viewed with suspicion by some of the newer stakeholder groups. In this context, "trust me" communications strategies tend not to work with those already skeptical of the message, and indeed can provoke a negative reaction.

Rather, forging public trust will need to engage the many and various groups aligned around specific aspects of agri-food issues, and foster an open dialogue on specific concerns, with more of a problem solving mantra, that can be seen as having integrity by the public and the groups involved. This is a difficult challenge, and one that already effectively sits on federal Minister MacAulay's mandate to develop a national food policy.

Moreover, food retailers and foodservice operators have engaged in their own form of trust-building with consumers, through marketing food products as variously sustainable, free-from, made-with, local, or enhanced in different ways that relate to farm products. These conform with scientific understanding and emotive imagery to varying degrees. In effect, these private

¹³ A recent illustration is the outcry from the farm community to Bill 6 in Alberta, which makes certain aspects of the workplace safety and labour code from non-farm businesses applicable to agriculture.

standards place increased pressure on initiatives at the farm level, such as environmental farm plans, and also tend to narrow market access for farm products- a traditional source of concern in farm marketing regulation.

Conclusion

The current, scheduled dialogue on agri-food programs and spending offers a unique opportunity to go further to tackle the big issues that will confront the sector. The risk is that the dialogue and ultimate agreement proceeds in a manner that is both too small in ambition and too safe, but can be defended as rational and plausible given existing programming and immediate issues. The necessary agreement on programs and budget can be built upon to be more substantive, farther reaching, and anticipate the magnitude of change that Canadian agri-food will have thrown at it.

The issues are exceptionally broad and deep- the programming objectives and expectations given the diversity of demographics in farms and the broader value chain; the uncertainties and prospects of major changes in markets from shifting global supply and demand, trade agreements and regulated markets; the constraints and opportunities from changes in internal market access; new and much farther reaching demands on agriculture to secure environmental goods and mitigate climate change; transparency in research priorities, and remaining competitive with research and innovation investment; encouraging a more competitive Canadian food processing segment; facilitating an environment in which the food system is trusted and appreciated, and also competitive and market-oriented.

To effectively engage these, a robust FPT agreement on agri-food policy must be more than just programs and dollars, and more into policies fully integrated with other mandates and responsibilities in federal and provincial governments. Health and food, as well as climate change and environmental sustainability, are classic examples of issues that span multiple ministerial mandates, with the lead for policy and politics outside of the agriculture and food ministries. It also needs more active public engagement as much of the dialogue occurs behind

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closed doors, and consultations include a significant element of what amounts to government communications activity. Finally, the agreement needs to lay the foundations for building solutions for emergent problems over the next one to two decades, not just for the period of the agreement.

With such a dynamic and broad range of issues that will reach into the early 2020's under the term of this five year agreement, it requires a strategic policy approach that can lead to programs and their design, rather than a focus on design amendments to existing programs and budget refinements. Another five years of modest change in policy and programming is unlikely to provide a stable base for industry growth, despite best intentions of the Ministers. Other policy forces will alter the next GF policy framework, either head-on, or by blind-side hits. The international marketplace will not be a safe haven for more of the same in Canada, at local, regional or national market levels. New investments based on strategic requirements over the next decade are needed across the board, at a time when public monies will be scrutinized by past metrics, or evaluated by results for a previous generation of industry stakeholders- yet not keep up with shifts in public comprehension/demands on agriculture and food.

Governments and the industry should demand an FPT agreement that is more about fulsome policy direction and shaping ourselves for what is to come, building on a five-year agreement on programs and spending, with a process to get us there. This will require far better policy analysis, and more strategic policy work to make more substantive changes, and some initial resource allocations to new (higher) priorities. We sit at an important and opportune time to pursue this kind of bold strategic policy development.

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