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A Cornucopia of Policy Developments in 2012 for Canada's Agri-Food Sector: Can Industry and Governments Rise to the Challenge?

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Introduction

In 2012 Canada's agri-food sector faces unique opportunities to make real and sustained changes in its national farm and food policies. International and domestic policy developments as well as changing market forces offer this sector the challenge to shift public and private sector resources towards a more proactive market oriented agri-food policy. This policy shift requires ambition, bold leadership across the sector, a willingness to take market and policy risks, and a recognition that simply doing more of the same to restrain market forces has not, and will not, work.

The market and policy factors which will drive these Canadian challenges are already in play. Federal-provincial-territorial (FPT) governments with the agri-food sector are entering the final full year of consultations on Growing Forward 2. Canada has embarked upon even more aggressive rounds of international trade negotiations with long term implications for a number of domestic farm/food policies. The 2012 US Farm Bill will be in full legislative policy mode with the likelihood of major budget and policy changes. The 2012 global farm and food markets remain volatile and opportunistic for North American farmers and food companies. Domestic environmental, health and rural economic issues are in full play for the nation's agri-food sectors, with new roles for their proponents. The current public funding of national/provincial farm or food programs cannot be financially sustained over the longer term. All these policy and market forces must lead to a recognition that the future prosperity for this sector does not lie with maintaining the status quo.

The following commentary explores these developments and the opportunities and challenges these pose for Canadian agriculture and food sector leaders in 2012. Real policy discussions must occur- not just shifts in levels of funding or program criteria. These offer Canada the chance to raise its sights and actions to a more ambitious and sustained prosperity for those

individuals/families in this sector and realign Canada's agriculture and food policy towards innovation, risk taking and growth.

Canada's Agriculture and Food Policy Context

For the past couple of years, FPT consultations have been held with domestic agri-food stakeholders on the next round of the national Growing Forward program, which is designed to end in 2013. These Growing Forward 2 discussions have expanded and the FPT Ministers are fully engaged. However, the analysis of the impacts of the existing Growing Forward suite of programs is not yet complete, or in some instances does not exist.

The rounds of consultations, led by Agriculture and Agri-Food Canada along with the participating provincial governments, provide ample opportunity to raise issues, concepts, and possible priorities. Unfortunately, the scale of these efforts also limits capacity of the participants to focus in on key options, or the analysis of major strategic shifts in domestic policy. Major policy developments outside of Growing Forward, including continuing shifts in global markets, increased competition globally, and shifting resource capacities within Canada and globally with a much more constrained fiscal environment will all challenge the foundations of Growing Forward. It is time for the leaders of the Canadian agriculture and food sector to step away from the status quo outlook and raise their sights to very different options for Canada's longer term agri-food policy.

Policy and Market Volatility in 2012

1. Canada's Aggressive Trade Policy Direction

The Government of Canada, in its latest series of new trade negotiations, is moving beyond agreements with smaller nations and onto Canada's major trading partners. These most recent initiatives with the EU, India, Japan, and now the Trans Pacific Partnership, all signal a much more risk taking trade policy direction. Such an aggressive trade policy recognizes that Canada's sustained economic growth lies with expanded real market access, particularly into the increasingly prosperous emerging markets globally. This is a critical policy direction for Canada's agri-food sector.

Current and past FPT governments have managed a "balanced approach" trade policy for Canada's agri-food sector. This will be increasingly more difficult to sustain. It is unlikely that Canada's major trading partners will be circumspect in seeking negotiating leverage- they will focus on Canada's "hot button" sectors. In turn, for Canada to increase its market access for its farm and food products, as well as other sectors, negotiations will inevitably lead to trade policy discussions on amending the "balanced approach" to achieve desired goals. These discussions will require significant leadership at private and public levels to find practical domestic solutions. It will also require the supply managed sectors to re-examine their own internal policies and develop the needed agility to adapt to changing domestic and global markets.

For 2012, Canada's trade policy debates will provide major opportunities to re-examine domestic agri-food policies in order to best determine the optimal negotiation and implementation strategies. The December 7, 2011 announcement by the Prime Minister/President on the Action Plan for Perimeter Security and Economic Competitiveness alone demands Canada's farm and food leaders re-examine Canada's agri-food regulatory frameworks. This initiative with Canada's largest food customer and competitor will challenge all segments of the agri-food sector.

2. United States 2012 Farm Bill

The 2012 US Farm Bill is now well underway through its very transparent national legislative process-as has done since its origin in the Depression. The US Farm Bill debate provides a full view of the next 5 years of US farm/food sector policy development, with full transparency on who gains, who loses, options and how best to cut costs. The 2008 estimates of the 5 year cost of the 2008 US Farm Bill were in the \$280 Billion range, with rising cost estimates of the Supplemental Nutrition Assistance Program (SNAP- or old food stamps programs) to some \$80B annually due to the adverse impact of the recession on US consumers. Such expenditures cannot be sustained, but how /where these changes occur will affect Canadian markets and Canada's agri-food policy.

This openness of the US agriculture and food policy debate- with its many and varied points of views- will offer Canadian agri-food sector participants new insights on Canada's major food customer and competitor. It will also provide indications of overall direction of US farm/food policy, its priorities, best estimates of impacts, costs/benefits, and in turn raise questions which can/should be asked within this country's farm/food policy discussions- notably around the Growing Forward 2 consultations.

3. Global Farm/Food Markets

For the past several years, a number of segments of Canada's agriculture and food sector have benefited from the dynamic and upwardly priced global markets for many agricultural commodities and processed foods/beverages. Improved prosperity in various emerging markets and the view that such prosperity will continue should mean continued growth for segments of Canada's agri-food sector overall.

However, to sustain this growth, and allow for the agri-food sector to best adapt to possibly more volatile market shifts with the needed realignment of resources, Canada's farm/food policies need to be reviewed. This is necessary to ensure that Canadian farms/food firms are as cost competitive as possible given environmental health, and social policy constraints on the agri-food sector. It will be necessary to review the associated regulatory frameworks to ensure Canadian farms and food firms are as innovative, well managed, and sustainable as possible to meet Canadian demands/standards and to compete globally. This does not mean a "race to the bottom" for standards. Indeed, with increased prosperity here and globally, consumers will demand higher quality and higher standards in the domestic and global marketplaces. Canadian

agri- food policy will require industry leaders to analyze, interpret and challenge those domestic programs or regulations to better adapt to market and technology forces so as to best meet what Canada's competitors offer AND what Canada's customers demand. This will also mean far better monitoring of what Canada's competitors are doing to remain cost competitive while achieving the needed higher standards.

4. Environmental, Health and Rural Policy Issues

Policy discussions on the Canadian agri-food sector must now include environmental, health and rural policies. This also means the inclusion of their proponents in these discussions. Although farm and food production have always been linked to these "new" policy levers, the focus is shifting to be more inclusive of broader environmental impacts, population health developments, and overall impacts on rural communities. This requires far improved outreach to previously neglected or excluded groups, and an improved policy capacity within the domestic agri-food sector, matched in its turn by capacity building for those other groups to better understand modern farming/food production.

For some within the agri-food sector, this has led to demands for a "national food policy". Such a "policy" would have the broadest inclusion of factors affecting the domestic population as well the supply of and demands for foods. Unfortunately, the science, technology and societal dynamics of these "new" policy levers are not well understood, documented, or fully proven. The capacity of Canada's agri-food sector to adequately resolve many of the issues identified by other groups seeking proactive measures is also not well understood. The trade offs associated with these "new" policy directions with other social/policy goals are not fully analyzed. The interaction with the existing regulatory frameworks for food safety, food standards, nutrition, regulated marketing, innovative food products with these newer demands on the sector will require far more substantive examination to determine what really works.

As an example, the linkages between obesity and other longer term health challenges facing an aging Canadian population are more apparent. However, the management capacity of Canada's agri-food sector to adequately resolve such challenges will depend upon other policies/initiatives outside of this sector. Canadian agri-food policy leaders must be engaged in such debates. But the analysis and the understanding of the impacts of the many new options will require greater clarity and awareness of multiple policy or market demands upon this sector. In the Growing Forward 2 consultations, among others, it will be critical to ensure the practical demands for growth, prosperity and sustainability are not lost in urgent demands for early solutions for longer term environmental, health or rural issues.

5. Federal and Provincial Fiscal Constraints

Canada's public sector responses to address the adverse impacts of the 2008 recession have led to serious deficits facing most Canadian governments. In 2012 all governments will be more forcefully examining fiscal capacities and budget priorities across all sectors and all

departments. The current Growing Forward 2 consultations will have begun under one scenario of public financing capacity and may be finally negotiated under a very different fiscal scenario.

Despite the hopes of some Canadian agri-food stakeholders it is doubtful that this sector will be funded at the current levels of public resources. It is anticipated that parts of the existing agri-food public sector budgets will be cut. This may reduce the overall fiscal imbalance. It can also allow for reallocations to higher priorities- assuming analysis of impacts are well defined. This does not need be a “slash and burn” exercise. It can be one of reallocation of existing resources to higher and better priorities-but also to those priorities which provide clear, undisputed effective public results to the desired clients.

Regrettably, the desired measures of effectiveness or impact, and the direct connection between program action and market results are not always apparent. This will also be a critical area for future policy development as industry and governments grapple with the need to better understand what their existing programs and policies actually achieve. It will also be a higher priority to determine what better measures need development, and once properly measured, to then better link program or policy goals to market impacts. For the 2012/13 fiscal year, reallocations or reductions in public financing for this sector will be a critical ongoing policy issue- and one which may override at times the above list of equally critical policy discussions.

Challenging Canada’s Agri-Food Leaders

For Canada’s agri-food leaders, 2012 will provide ample opportunities to determine different courses for Canadian agri-food policy. The policy and market volatility in 2012 will surpass previous years, even without considering adverse weather. The challenge will be to properly understand these policy and market changes; to better measure results of existing and proposed policies (domestic and foreign); and to better understand what are the market risks associated with changing policy directions or continuing the status quo.

Many of the underlying fiscal, market and policy foundations within Canada’s agri-food policy have shifted. Current Canadian policy discussions, while rhetorically bold, are basically modest shifts from the existing policy frameworks. In 2012, the Canadian agri-food sector faces a far greater array of policy and market forces than in recent years and on more fronts. This is not the optimal time to either “hunker down” or to “blow up” the existing policy frameworks. It is the time to shift towards a more adaptable, innovative, and market focused strategy aimed at growth and prosperity- at home and in global markets. It is also critical for these leaders to focus both on scarce resources to support this sector, as well as on the needed investments in capital and most importantly in the talent and skills of those Canadians within this sector.

There is a real need to develop a different national agri-food agenda. Such an agenda would:

- acknowledge that substantial market and policy changes are occurring across the entire sector- and that these are not always within Canada’s control;

- undertake real analysis/measurement of actual and possible impacts from these policy and market challenges- including what Canada's competitors are doing, as well as Canada's customers;
- require new policy options to focus on practical stepwise policy options linked to real impacts on Canada's agri-food markets, and on Canadians in the sector;
- develop bolder, more ambitious agri-food policy objectives AND results with even greater transparency to all stakeholders and the general public; and,
- focus on real world challenges, options to be implementable-over time-and consistent with Canada's legislative framework for this sector.

This will not be easy, or palatable, for all Canadian agri-food stakeholders. Other policy options will be and should be proposed. But the level of Canadian policy debate and analysis must rise to test all options to best determine what options are most effective? What options best meet limited fiscal capacity? What options best satisfy Canada's trade opportunities and constraints? What options are most sustainable? What options best meet the goals of those Canadians actively engaged across the Canadian food chain?

This year will be unique for Canada's agri-food sector. Given the myriad of policy and market forces facing the sector, a bolder, more ambitious agenda geared to sustainable prosperity for all those Canadians involved in this industry is needed. Canada's agri-food leadership must examine the real policy and market challenges to make optimal choices for the future of the farm and food communities in this sector.