



GEORGE MORRIS CENTRE

## **Where to Next? Thoughts on National Agri-Food Policy Developments and Directions**

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In the private sector, decisions on investments, expenditures, or internal firm policies are guided by the “bottom line” or, more appropriately, by explicit results gained or lost by these decisions. In the public sector, there are several “bottom lines”, but over time it has become appropriate and indeed necessary for public policies - expenditures, legislation, and trade - to clearly identify the desired results and, as in the private sector, to measure these results. This should apply to the Canadian agri-food sector. Judging from the lead-up to, and decisions at, the recent Federal-Provincial-Territorial (FPT) Ministers of Agriculture meeting earlier this month, and the responses by the Canadian agri-food sector, there is considerable room to improve on the performance measures for Canada’s agri-food policy.

Over the last three decades, the annual meetings of FPT Ministers of Agriculture have evolved into more substantial policy and program discussions and decisions. Not all such meetings have been fully successful for the Ministers or their clients. Debates over the Agriculture Chapter of the Agreement on Internal Trade; tripartite stabilization programming; changes to the Western Grain Transportation Act; developments in trade policy; and various income safety net programs are all examples of difficult policy and program decisions that did not reach complete consensus at the annual meetings.

This year’s July meeting of FPT Ministers in Saskatoon kicked off with the key announcement of \$450 Million in AgriRecovery funding for prairie crop producers affected by excessive rainfall and flooding. Discussions also included a number of directional decisions by the FPT Ministers that indicate more work will be done on a number of policy/program issues facing the Canadian agri-food sector. While the AgriRecovery funding announcement will no doubt be appreciated by affected producers and their suppliers, there will be mixed views on the lack of detailed action on a number of other policy issues. There was no discussion on the desired results and explicit performance measures for these current/future initiatives.

In turn, over these same years, industry stakeholders - primarily Canadian farm groups - have also developed more formal processes to advise, prepare, or lobby the various FPT Ministers prior to these meetings. Indeed, the Canadian Federation of Agriculture (CFA) again hosted a formal roundtable discussion with participating Ministers. There were calls for financial assistance for those adversely affected by flooding, as well as longer standing calls from other groups for significant changes to key business risk management programming in order to improve income benefits for participating Canadian farmers. However, again, there were no

discussions or calls for the desired industry results from these new initiatives, nor added funding or identification of appropriate measures to indicate whether these new initiatives would be successful.

Overall, aside from the sizeable funding initiative to address the immediate needs of producers in the Prairies, the July FPT Ministerial meeting did not resolve many issues. Rather, it only moved a number of these issues along various decision paths. While several farm groups will not be fully satisfied, most agri-food stakeholders (including most in the food/agribusiness segments of the sector) will either acquiesce or be somewhat indifferent to much of the discussion. This is unfortunate. Several provinces, and Agriculture and Agri-Food Canada, have launched early discussions on the “successor policy framework” for Growing Forward, and other industry groups have also launched discussions on a national food strategy. To date, these efforts have not focused on what is to be gained from these various public interventions into the industry - through expenditures or legislation - and how these results are to be measured. This inability to tackle and resolve the issue - by the industry itself and by the FPT Ministers - will prevent the Canadian agri-food industry from properly resolving the numerous challenges and opportunities facing it over the next decade.

### **Some Basics on Policy Development**

A major challenge inherent in developing a successor policy framework is to articulate the desired results for that policy. This in turn, must lead to substantive analysis to determine and approve the measures of performance - clear, precise, transparent and practical measures – which will indicate progress toward, and achievement of, the defined results.

Over these past thirty years, Canadian FPT governments have committed and spent sizeable public funds in the agri-food sector. The implicit promise is sustained prosperity for the entire sector. These efforts include the following:

- enhanced agriculture and food research and development;
- changes to and improvements in the agri-food transportation and infrastructure policy;
- initiatives to develop and implement a series of farm income policies;
- programs to address domestic and global market opportunities and the accompanying trade policy agreements or disputes;
- initiatives to address regulatory barriers, innovation, environmental concerns and, most recently, health concerns within this sector.

Industry and governments in Canada have worked to evolve these policies and programs that address, and at times resolve, issues facing the sector. Improvements in programming have occurred over time, as have the capacity of the governments and industry to provide national or regional implementation of these policies and programs.

Yet serious discussions and agreement on exactly what should be achieved and what the observable measures of performance for the sector are remain undefined. Such discussions are difficult and the analyses of such measures are not always easy to obtain and verify; moreover, the development of clear, precise, transparent measures of performance is a work in progress. It is clear that our global competitors for Canadian and export food markets are not standing still.

This creates an argument for a more thorough, open discussion on what is to be achieved and what the results of all of these interventions are.

There is an increased desire on behalf of the Canadian public for improved accountability regarding the use of taxpayer funds, and for the effectiveness of such expenditures or regulatory efforts. Establishing and implementing measures of performance is thus warranted. In light of the deficits facing governments, such measures should be a necessary prerequisite for decisions regarding current and future program expenses, and the determination of priorities for the future. The changes in technology and science, and in domestic and global competition will use such performance measures as signals on how well the Canadian agri-food sector is doing, and where future private and public investments should be made to best support such competition, or to alleviate constraints.

These discussions are not trite or unrealistic. Measures are critical for future policy directions, programming, and legislative reforms as appropriate. Work on such measures can proceed simultaneously with ongoing developments/changes in existing policies and initiatives and, if done properly, can inform current discussions, as well as better define the desired future measures of performance.

The need for such measures cuts across all segments of the Canadian agri-food sector and all of the strategic policy directions, including Growing Forward. For example, innovation in the Canadian agri-food sector usually starts (and sometimes ends) with discussions and analysis of research and development expenditures by governments, post-secondary institutions and by industry. There is usually little discussion or analysis, in contrast to other economic sectors, on private sector commercialization initiatives to finance, develop and implement innovative products and processes in the Canadian agri-food sector. This gap in analysis is doubly awkward as most governments do identify innovation as a key strategic thrust and future prosperity theme. Most governments have supported individual projects that undertake innovative activities and commercialize them into successful products/processes. Precise performance measures for agri-food innovation should go beyond the usual analyses of research expenditures or tax incentives, to more micro analysis of best practices, regional and commodity/sub-sectoral differentiation. The analysis of such measures should look not just to agri-food manufacturing but also the service sector for prosperity opportunities. It would also allow for a more thorough debate on the use of agri-food inputs for new agri-product developments, such as cleantech and biofuels, and would recognize that there are positive and adverse impacts on the Canadian agri-food economy.

In turn, for regulatory discussions for this sector, the following questions must be posed: What are the appropriate goals for food safety/environmental regulation of the agri-food sector? What are the appropriate measures of food safety risks and are they implemented according to the threats posed? How can innovation in the sector be improved or constrained by the regulatory process and what measures clearly define this? What are the tradeoffs? What have we learned from other jurisdictions and other sectors to better inform those performance measures that work best? Can improved environmental sustainability for the industry be measured solely at one end of the value chain? Are such measures different for owner/operators, or employees? The proper description and analysis of the measures of performance here would also provide strong

directions for priorities for legislative changes, regulatory enforcements shifts, and better means of determining appropriate self-policing.

In discussions on competitiveness, appropriate questions include: What are the clear measures of competitiveness by subsector of this industry? Do such measures vary by region, market, regulatory environment? What are the measures of Canada's competitors and how does the sector match up? What are the elements of Canada's competitiveness? Do various policy/program measures assist/damage that competitiveness over time? How does this relate to innovation and overall prosperity of the industry?

In discussions on the sector's environmental or health performance, responses are required for the following questions: What results are necessary for the environment, and what are the desired goals for intervening in this sector to achieve those results? What improvements are required for the health of Canadians? If diet and various farm/food production methods have environmental/health impacts - positive or adverse - what are the performance measures to indicate that changes in policy are effective? What is the science/application of science that will best bring this about, resulting in practical measures that lead to desired improvements in the environment or in the health of Canadians?

These are but some of the areas where transparent, practical measures of performance in the Canadian agri-food sector would assist its performance, as well as improve future policy and program deliberations.

As noted by the FPT Ministers, approximately \$6 billion has been spent on BRM initiatives. Coupled with other Growing Forward expenditures as well as other FPT departmental expenditures (administration, extension, special investment incentives, training, etc.), the multiyear public expenditures on the Canadian agri-food sector may reach upwards of \$15 – 20 billion over 5 years. This would not include various tax benefits available to the industry or related sectoral benefits from other legislative or regulatory initiatives. These are significant public expenditures, and these initiatives do reflect the public's desire to take the sector's issues seriously. But more importantly, what do Canadian citizens gain from this? What does the sector gain from this? What would an additional \$100M in Agri-Stability, as some farm groups have requested, actually accomplish? And what does the next generation of farmers/farm families, entrepreneurs and employees in the sector gain from future participation in this sector? How can this best be determined if clear, precise, transparent and practical measures of performance are not part of these discussions?

### **Where to Next?**

Over the next two years, Canadians in this sector will have an opportunity to participate in various deliberations over the future policy framework for Growing Forward, and the wider public policy. The July 8<sup>th</sup> communiqué from the FPT Ministers and various submissions/commentaries from farm and food groups indicate that many are preparing for discussions. But, at present, the focus is on modifying the status quo. Many other sector participants are not ready or may have determined that they have little interest in the future framework.

The scale of these expenditures and regulatory interventions is significant. Therefore, as many in the sector as possible should be encouraged to participate in discussions that would shift the policies, programs and legislative framework to better address future challenges and opportunities facing the sector. However, without measures of performance, these discussions are unlikely to shift the policy framework to anything more than modest cuts/changes in the existing Growing Forward initiative.

It's time to start this discussion now, to use the time to analyze, determine, discuss and agree on the measures that can best describe the desired performance and goals of the various strategic elements of Canada's agri-food policy framework. These discussions will open up debate, and must involve a wider sectoral and even public participation. The discussions must challenge existing assumptions of the sector. It is neither necessary nor appropriate to halt ongoing revisions to existing programming. These efforts can be undertaken simultaneously and will, eventually, inform each discussion, the appropriate measures of performance, and the revisions that are likely to lead to more desired results.

A good start is to examine, without some of the rhetoric, the state of the sector across all regions, commodities and industry subsectors, as well as the real future opportunities. It is also time to look at long-term trends that argue the Canadian agri-food industry will still be valued as a supplier of quality foods/beverages and related services on a global scale. This will occur with increasing dependence upon smaller numbers of farmers, food processors and agribusinesses to provide the commercial scale of production/processing. There will also be significant opportunities for many others in the sector to participate in niche markets and unique enterprises. The development of appropriate measures of performance could cease the non-productive debate over which is the more appropriate market strategy, domestic or global market focus, and could allow the sector to pursue both elements, but with different participants. It is time to examine why investment in this sector is a good opportunity and under what conditions, and what it would mean for future farmers, entrepreneurs, employees and overall talent to allow this sector to succeed and prosper.

These are the discussions on the future of the Canadian agri-food sector that should capture the attention and enthusiasm of the entire sector, as well as the FPT Ministers in the lead-up to their 2011 FPT Annual Meeting. Based on discussions on the sector's public policy performance measures, Ministers and the industry will be making decisions necessary for assisting the sector in meeting its future challenges and opportunities.