The Next Policy Framework: Growing Forward 2

British Columbia · Government of Alberta · Government of Saskatchewan · Manitoba · Ontario · Québec · Newfoundland Labrador · Nova Scotia · New Brunswick / Nouveau-Brunswick · Prince Edward Island · Yukon Government · Northwest Territories · Nunavut · Canada

Growing Forward 2 Policy Development building on industry engagement

- The current agricultural framework, Growing Forward, will expire in 2013
- FPT governments have begun work on the development of the next policy framework
  - In spring 2010 – stakeholders were engaged on:
    - Challenges and opportunities facing the sector to 2020
    - Sector's long-term objectives
    - Implications of drivers and emerging trends on the Canadian agriculture and agri-food sector
  - "As It Was Heard Report" summarizes results
  - The FPT governments have since focused on analysing what we heard and this analysis is helping guide the development of the next policy framework, Growing Forward 2 (GF2)

- What will be discussed today?
  - Where is the sector at in terms of future opportunities and challenges?
  - Where do we want to be?
  - How do we get there?

Key considerations for developing GF2

- GF2 has evolved from previous policy frameworks:
  - Agricultural Policy Framework (APF: 2003-2008);
  - Growing Forward (GF: 2008-2013)
- Fiscal context and affordability:
  - Governments are in a period of fiscal restraint
- GF2 aims to enable the sector to meet challenges and benefit from future opportunities
- GF2 is being designed to:
  - Facilitate change and adaptation to a fast and evolving global environment
  - Address food policy while providing a balanced approach to food and non-food uses of agricultural products

Key Considerations: Evolving global environment

- Represents a challenge and opportunity
- Demand for agriculture and agri-food products are projected to grow at a rapid pace:
  - Growth in population and income resulting in steady increase in demand for food
  - Future availability of carbon-based fuels, leads to increased interest in bio-energy options and demand for agricultural crops
  - Innovations in bio-based processing, propelled by environmental concerns, further contribute to demand for agricultural products
- Rate of growth in production may not be able to keep up with demand growth:
  - Global resource constraints, particularly water and arable land, is a challenge to global capacity to meet increasing demand for feed, food, fuel, and fibre
  - Breakthrough technologies, such as biotechnology, could ease these constraints—however, public acceptance is a concern
- Uncertainty around ability of the world to produce enough to meet these demands has raised food security as a critical global policy issue
- Canada's relative abundance of land and water provides agriculture, agri-food, and bio-based industries with opportunities in meeting increased demands - but not sufficient to remain competitive and be sustainable

Key Considerations: Food and Non-food Uses of Agricultural Commodities

- Demand continues to grow for non-food uses, such as biofuels, biofibres, biocomposites and nutraceuticals—for example:
  - Soybean industry successfully used ongoing investments in research and development to diversify and capitalize on new opportunities, including bio products and novel traits
  - Biogas generation from animal and agricultural waste is being used to power operations and as an additional income stream for farmers
- Government policies and industry strategies are recognizing significant growth opportunities exist for the sector in non-food uses.
- The challenge is to develop innovative strategies to take advantage of opportunities for emerging trends in food and non-food uses of agricultural products

Future of the Canadian agriculture and agri-food sector depends on how well it adapts to changing domestic and global markets

- Key success factors for the industry's future performance include the ability to:
  - Remain competitive on price while responding to demand for new products and attributes
  - Access emerging growth markets and adapt to changes in traditional markets
  - Anticipate, respond and adapt to the changing external environment, including changes in climate, markets, technology etc., and to mitigate risks
  - Adapt to new business models
  - Improve the sector's ability to maintain its productive capacity (resources) and to maintain the social acceptability to produce over the long term

Future of the Canadian agriculture and agri-food sector depends on how well it adapts to changing domestic and global markets

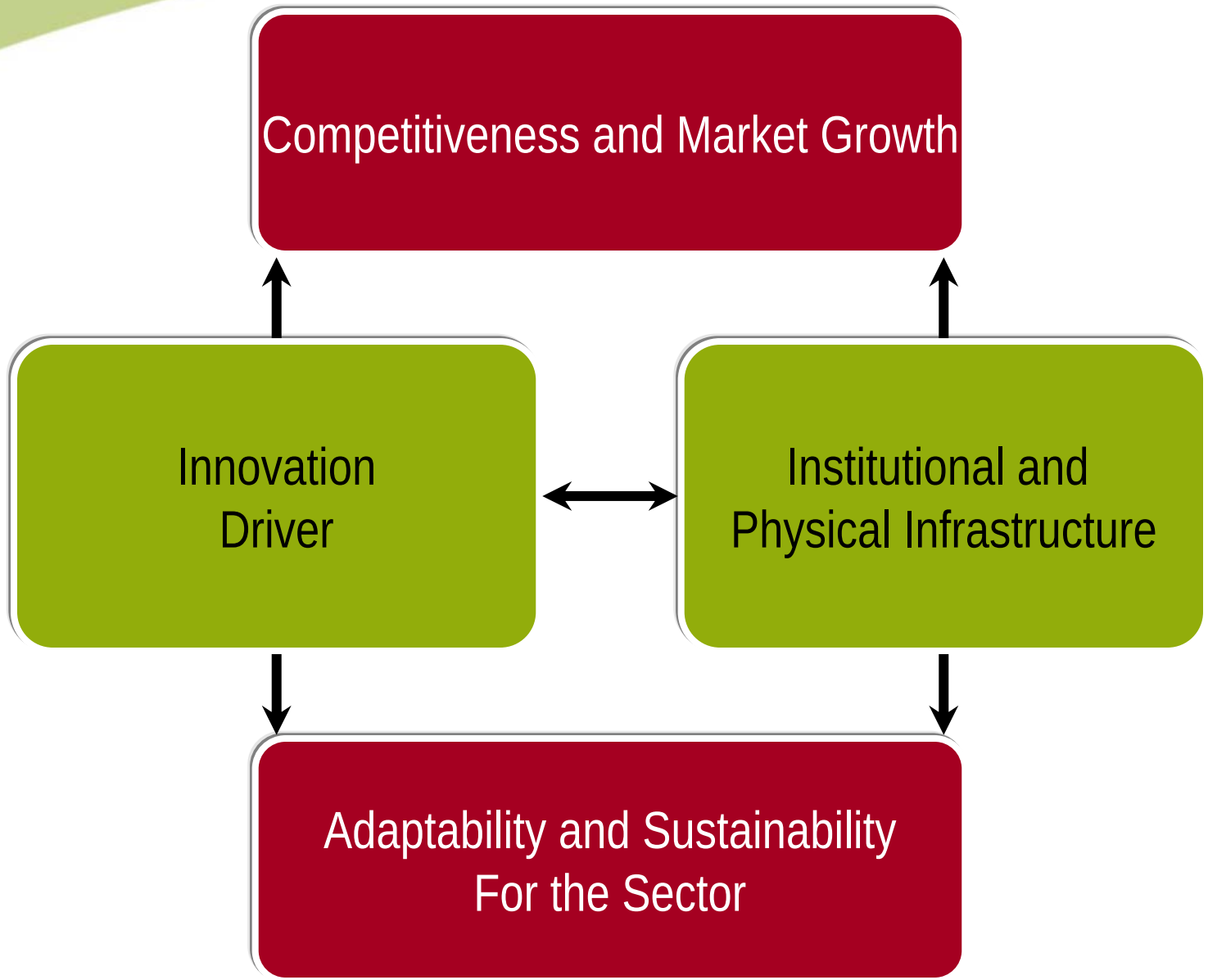
- These objectives can be achieved through:
  - Adjustments in the primary and food & beverage sectors to adapt to challenges
  - The design of intelligent regulations and institutions
  - Investments in institutional and physical infrastructure
  - Innovations to improve productivity, competitiveness and sustainability

- GF2 will emphasize:
  - Greater collaboration among stakeholders
  - Greater clarity of roles and responsibilities of government and industry

GF2 provides an integrated approach to agriculture, food and agri-based processing policies

- GF2 focuses on four elements to enable the industry to meet the challenges and benefit from the opportunities of 2020 :
  - Two broad outcomes for the sector
    - Competitiveness and market growth
    - Achieving adaptability and sustainability, by developing enterprises that are resilient when challenged by changing conditions, and a sector that is seen as environmentally sound in its practices
  - Two key drivers to achieve these outcomes:
    - Innovation will support the sector to adapt more readily and exploit new opportunities more easily
    - Infrastructure: Physical and institutional infrastructure will ensure the necessary elements in place for the sector to prosper

The GF2 Framework is designed to link policy instruments to future challenges



Competitiveness and Market Growth

- The goal is to have a sector that is competitive and derives more of its returns from the marketplace, optimizing returns from domestic and global markets, by:
  - Competing on Cost
    - Productivity improvements
      - Influenced by challenges to natural resource availability and uses, technology, input prices, labour, and scale of operations
    - Changes in business practices
  - Competing on attributes
    - Meeting customer demands for product attributes
  - Accessing markets: domestic and international
    - Challenges to movement of goods across provincial boundaries
    - Tariffs and tariff rate quotas
    - Prevalence of non-tariff barriers to trade
  - Improving market performance
    - Challenges to maintaining or improving market share in traditional markets
    - Expanding exports to emerging markets
    - Understanding and keeping-up-to-date on changing customer preferences in different markets

Competitiveness and Market Growth

	Where We Are	Where We Need to Be
Cost Competitiveness	■ Abundant natural resources ■ Reached capacity for land usage ■ Higher labour/energy costs – input price taker ■ Average to high yield/labour productivity ■ Generally dependable infrastructure ■ Primary research, but lacking innovation along value chain	■ Higher yields/productivity ■ Positioned to manage effects of climate change ■ Efficient use of resources/inputs, including labour ■ Timely regulatory system (equivalent to competitors) and pre-market approvals ■ Increased innovation and R&D to lower costs and develop new products/processes
Attribute Competitiveness	■ Driven by consumer and buyer requirements, but cost of compliance is an issue ■ Well-positioned to meet and influence international and national standards ■ Some firms complying with private standards to meet consumer demand for specific attributes ■ Some large buyers are applying individual company standards	■ Continue to influence standard setting bodies ■ Maintain capacity to meet standards ■ Ensure consistency of national and international standards ■ Improve capacity to adopt and meet standards and measure performance ■ Improve understanding of demanded product attributes
Market Access	■ Interprovincial barriers to trade continue to exist ■ Tariffs and tariff rate quotas (TRQs) continue to impact international access ■ Greatest impediment to market access are non-tariff barriers (SPS/TBT) ■ Despite multilateral trade agreements, countries are negotiating free trade agreements (FTAs) ■ Foreign subsidies of competitor countries distort global agricultural markets	■ Unrestricted interprovincial movement of goods ■ Minimized differences between national and international standards, rules and regulations ■ Elimination or reduction of tariffs and tariff escalation; predictable application of tariffs ■ Increased access under TRQs with improved transparency/administration ■ An international trading regime built on science-based decision making
Market Performance	■ Varied capacity across the sector on market/customer understanding ■ Limited but growing capacity on product differentiation ■ Strong capacity to meet customer quality requirements, but inadequate performance in meeting client service expectations	■ Increased understanding and knowledge of market/customer requirements ■ Increased product differentiation ■ Increased ability to consistently meet or exceed client service expectations ■ Increased ability to consistently meet or exceed customer quality requirement

How Do We Get There?

Addressing the challenges to competitiveness

1. How can the sector use resources more efficiently?

2. How do we better use innovation to improve productivity and reduce costs?

3. What needs to be done for industry to compete on product attributes?

4. What needs to be done to improve industry's ability to access markets?

5. How can industry be better positioned to access global supply chains and improve market performance?

Adaptability and Sustainability for the Sector

- Sustainability is about the sector's management of its resource base (financial, human and natural) – taking into consideration both current and longer term needs of the sector, consumers and society – resulting in a resilient, profitable and competitive industry. This includes:
  - Continuously investing / reinvesting
  - Managing and improving the productive base, people skills, knowledge, etc.
  - Using and managing scarce resources responsibly
  - Recognizing society's concerns (e.g., food safety, animal welfare) and being a "good neighbour"

- Adaptability refers to the ability and capacity of the industry and its individual players to anticipate and adjust to changing external environments and pressures, to manage the associated risks and to take advantage of new opportunities
  - Adaptability is a condition for long term sustainability and competitiveness

Adaptability and Sustainability for the Sector

	Where We Are	Where We Need to Be
Environmental and Social Sustainability	■ Sector faces environmental challenges e.g., increased competition for water resources or impacts of climate change ■ Progress has been achieved to minimize the impact of the sector on the environment; Nevertheless, more collaborative and focused efforts need to be examined to address evolving challenges. ■ Environmentally responsible products are being demanded by consumers and corporate shareholders ■ Growing interest in a national food policy ■ Attitudes towards food and food production are changing (e.g. how and where food is produced); meanwhile industry best practices are not widely known and understood by the public	■ Sector manages physical resources sustainably to maintain its productive capacity ■ Sector is able to address environmental challenges ■ Farms and firms have access to meaningful, timely and science-based information and tools ■ Innovative technologies / approaches available to producers and processors ■ More focused approach to address agri-environmental issues, making use of scarce resources and increasing community's acceptance of the sector's farms / firms ■ Sector capable of accessing new markets based on environmental attributes ■ Industry and governments have a common understanding of a national food policy ■ Industry recognizes and adapts, as needed, to society's changing demands and expectations ■ Citizens have access to factual information on industry's best practices
Economic Sustainability	■ Diverse sector but government responses are viewed as not responding to this diversity (e.g. "one size fits all", payment caps, whole-farm approach) ■ Sector faces increasingly complex and rapidly evolving environment; yet, industry players have different abilities to cope with these challenges ■ Some sectors are successfully using industry-led strategies to address challenges or seize opportunities ■ BRM programming contributes to sustainability but industry is concerned with longer-term income pressures ■ Risk of impeding adaptation by insulating producers from market signals ■ Limited use of private sector risk management tools ■ Limited capacity of some young farmers to enter the sector	■ Various business models are successful in adapting to proactively manage their risks and achieve market-based profitability ■ Enhanced capacity of industry players to manage their operation in this complex environment ■ Programs that encourage producers to take appropriate measures to manage risk on their operations, while limiting bias toward any business model ■ Governments focus on helping manage extraordinary losses, without impeding adaptability and sustainability ■ Industry is leading the development of longer-term vision and strategies to guide future market growth and to address broad transitional needs ■ New generation of informed and skilled entrepreneurs

How Do We Get There?

Addressing the Challenges to achieving Adaptability and Sustainability

1. What are the risks faced by industry that could be proactively managed? What are the best proactive risk management tools?

2. How can industry (industry organizations and industry players) play a more effective role in developing the capacity to adapt and be sustainable?

3. What knowledge, skills, tools or services are necessary to :
   - Further enhance industry players' ability / capacity to proactively manage their risks and achieve market-based profitability?
   - Ensure that reliable, meaningful and timely information on best practices is available to support adaptability and sustainability?
   - Support the next generation of farmers?

4. How can government play its role, recognizing the diversity of situations and business models
   - Without impeding adaptation to market signals?
   - Without displacing private risk management tools?

5. What are the right environmental priorities for action to achieve longer term sustainability?

6. What are the most effective approaches and tools to adjust to environmental challenges and opportunities for farms and firms?

7. How can the broader set of F/P/T policies be integrated to achieve a range of adaptability and sustainability objectives?

Innovation as a driver to GF2 outcomes

- Innovation is a key driver that can:
  - Foster competitiveness of the sector though
    - Productivity improvements
    - Commercialization of new products
    - The application of new business models
  - Contribute to adaptability and sustainability by enabling
    - The development of production practices and other processes that would mitigate risk
    - Improve environmental performance
- Innovation can be can be thought of as a system involving
  - Knowledge creation
    - To deal with challenges to investments in research and development
  - Knowledge application
    - To address challenges to undertake research and innovation
  - Diffusion of innovation
    - To improve awareness of information on new products and processes
  - Adoption and commercialization
    - To address capacity to adopt and commercialize
- Under GF2, government-industry actions should be focused on the most effective ways to improve linkages within the system in the context of an environment and culture where innovation is valued

Innovation as a driver to GF2 outcomes

	Where we are	Where we want to be
Knowledge Creation	■ Unbalanced funding of R&D (government vs. private) ■ focus on applied supply-side innovation ■ Insufficient linkages to international research networks ■ Perception of limited return on private sector research in some commodities	■ Increased sector engagement in the development and delivery of research agendas ■ Balanced investment in short, medium and long-term issues ■ Better appreciation for the benefits (returns) to investment supported by IP protection
Knowledge Application	■ Inconsistent capacity to undertake R&D across the sector ■Barriers to application of new knowledge for commercialized products ■ IP rights can be an impediment to knowledge sharing	■ Increased capacity across the sector ■ Enabling environment for the application of knowledge ■IP rights that do not hinder knowledge sharing
Diffusion of Innovation	■ Uneven access and capacity to absorb innovation-related information ■ Varying capacity of the sector for technology transfer	■ Improved awareness and access to innovative products, processes, practices, and business models ■ Increased sector capacity to adopt new ideas and technologies ■ Increased sector leadership
Adoption/ Commercialization of Innovation	■ Varying capacity to adopt and commercialize ■ Unclear regulatory pathways ■ Government programs may mask incentives to innovate ■ Doubts about returns on investments in innovation	■ Industry has the capacity and tools to adopt and commercialize ■ Enabling programs and regulatory pathways ■ Innovation viewed as a viable area of investment

How Do We Get There?

Addressing the Drivers - Innovation

1. How can the sector attract new investment into agriculture?

2. How can we improve our collaborations – regionally, nationally, and internationally?

3. What role should industry, academia and government play to facilitate innovation at each stage of the innovation process?

4. How do you see innovation becoming part of the sector's strategy to address risks?

5. In your opinion, what are the key incentives to foster innovation?

Infrastructure in the Context of GF2

- Infrastructure is the whole system of basic rules and values, organizations and structures necessary for an industry to function
- More specifically infrastructure includes:
  - Institutional
    - Laws and regulations, trade agreements, standards, rules, and cultural values that impact production and marketing of goods and services
    - Agencies and organizations that support sector productivity, including industry associations, trade and marketing agencies, and educational institutions
  - Physical
    - Publicly and privately owned assets that support the sector, such as information and communication technology (ICT), offices, laboratories, water management, railways and distribution systems
- Many areas of the sector's infrastructure are outside of the core mandates of FPT agricultural departments and therefore require interdepartmental collaboration, as well as industry-government dialogue

Infrastructure as a driver to GF2 outcomes

Where we are	Where we want to be
■ Canada has a strong regulatory framework that supports food safety and quality, plant and animal health and the environment; however, some regulations are not aligned with competitive context: ◆ restricted access to lower cost and/or more effective imported pesticides ◆ limited international harmonization	■ Regulatory and legislative framework that is effective in the current competitive context ■ Comparable requirements with major trading partners, especially the US
■ Difficulties attracting and retaining workers	■ Internationally recognized standards for attributes and consistent applications of standards ■ Responsive labour regulations
■ Intellectual property rules (e.g. plant breeders' rights)	■ IP rules that balance incentive for innovation without increasing costs to producers
■ Inadequate market information infrastructure to ensure accurate capturing of market conditions and trends, including standards	■ Accurate, real-time, consistently available consumer trend information
■ Complex arrangements with industry organizations hampers resolving cross-cutting issues such as R&D and strategic long-term planning	■ Coordinated industry organizational arrangements to agree on cross-cutting issues
■ Inadequate service/ lack of timeliness of rail transport	■ Efficient and cost effective transportation and food distribution capacity
■ Well established bulk transportation, but difficulty of Identity Preservation to allow end-use specific attributes	■ Transportation capacity to service bulk and products with specific attributes (e.g. containers) for Identity Preservation
■ High transportation costs; long distances from ports, processors and food distribution hubs	■ Effective information and telecommunications infrastructure, e.g. broadband in rural areas
■ Insufficient infrastructure for information sharing	■ A modern electronic certification system to support and facilitate all agrifood, plant and animal health imports and exports
■ Current certification systems are primarily paper-based; where technology exists, systems are outdated and not integrated	■ Adequate and sustainable water infrastructure
■ Water management is a concern in some regions	

How Do We Get There?

Addressing the Drivers - Infrastructure

1. How could industry organizations play a role in resolving cross-cutting issues such as R&D and strategic long-term planning that affect various members of the supply chain?

2. What mechanisms and tools would best enable the sector to respond to and benefit from public and private standards?

3. What are the regulatory issues that impact industry competitiveness, adaptability, sustainability and innovation? And how should they be addressed?

4. What are the longer term priorities for investment in systems such as Information and communications technologies, transportation and water infrastructures?

Comments and Questions

- If you have any questions or comments about the development of Growing Forward 2 or would like more information, please send an email to GrowingForward2@agr.gc.ca

- To provide comments online, please visit www.agr.gc.ca/GrowingForward2

ANNEX A

Analysis – Cost Competitiveness

	Where We Are	Where We Need to Be
Input Costs	■ **Water:** due to an abundant supply of water in general, this is a natural competitive advantage; however, competing industrial/ residential use of water is leading to limitations to access and higher costs, and there are significant regional differences ■ **Energy:** comparatively high energy needs to due climate and geography ■ For **animal and plant genetics, fertilizer, pesticides and equipment**, generally comparable costs with competitors, but access to new products and technology tends to be slower	■ Maximize the most efficient use of water and energy by the industry ■ May want to explore alternative energy options ■ Timely pre-market approvals – need access to inputs at same time frame as competitors
Yield Productivity	■ Average to high animal productivity (milk per cow, piglets per litter) ■ Lower yields for feed grains ■ In general plant yields are comparable to like climatic regions but lower than world averages	■ Maintain animal productivity advantage ■ Improve yield in feed grains ■ Optimize yields based on climatic conditions
Labour Productivity	■ Average to high labour productivity ■ High labour costs ■ Price of labour is a competitive disadvantage relative to our competitors ■ There are periodic shortages of skilled labour	■ Labour productivity increases to offset the competitive disadvantage of labour costs
Farm Scale	■ Analysis of farms in Canada show that there are profitable farms at various sizes. ■ However, farms are far more likely to be profitable if they have more than $100K in annual sales.	■ Viable business models for all scales. ■ Programs that reflect the needs of various business models and scales.

Analysis – Cost Competitiveness (continued)

	Where We Are	Where We Need to Be
Processing Firm Scale	■ Primary processing sector scale is sufficient to compete domestically and internationally, but scale of the further processing scale is generally less than competitors	■ No impediments to scale adjustments in regulations, programs, and policy ■ Firms that have high potential to grow from small to large firms and have access to venture capital
Infrastructure (Regulations)	■ Effective regulatory systems ■ To some extent, comparable to traditional competitors and better than emerging competitors ■ Stakeholders have identified a number of areas where our regulatory implementation leads to competitive disadvantages	■ Regulatory system that is timely, appropriate to risk, market responsive, and adaptable to innovation ■ Regulatory outcomes that are equivalent to or better than competitors
Infrastructure (Physical)	■ Dependable and efficient utilities ■ Certain elements of the transport infrastructure are not sufficiently reliable	■ Increased ability to deliver products
Innovation	■ Significant agriculture research focused on reducing unit costs ■ Limited research beyond agricultural production ■ We are not optimizing research results ■ It is unclear that there is sufficient innovation along the supply chain	■ Research focused on reducing costs along the full chain from inputs to market ■ Need to have research results commercialized ■ Comprehensive adoption of innovation

Analysis – Attribute Competitiveness

Standards	Where We Are	Where We Need to Be
International	■ Well-positioned to meet international standards for food safety, animal and plant health (CODEX Alimentarius, International Plant Protection Convention (IPPC), World Organisation for Animal Health (OIE))	■ Continue to influence international standard setting ■ Maintain and continue to improve our food safety, animal and plant health systems
National	■ Canadian sector and/or individual firms are positioned to meet many national standards	■ Upgrade capacity as required by the market and to meet international standards (i.e., traceability systems; organic standards)
Customer Specific Performance Requirements	■ Some sectors demonstrate ability to meet customer requirements (e.g., Warburton wheat, Japan food service pork) ■ However, benchmarking studies have shown gaps (i.e., red lentils, seed potatoes) – knowledge is incomplete ■ Functional foods and nutraceuticals are emerging market opportunities that are heavily dependent on capacity to meet specific customer and performance requirements.	■ Need to have thorough understanding of customer performance requirements and the sector's ability to meet them ■ The ability of sufficient firms to alter production process to meet customer requirements

Analysis – Attribute Competitiveness (continued)

Standards	Where We Are	Where We Need to Be
Private Standards (food safety, biosecurity, seafood sustainability, animal welfare, environment)	**Food Safety** ■ Increasing number of buyers using GFSI-benchmarked schemes for food safety assurance (e.g., Loblaws, Maple Leaf, Walmart) ■ Many individual producers/processors complying; Comprehensive sector wide approach in Horticulture (CanadaGAP) but not in other sectors **Biosecurity (Food, animals, plants)** ■ Industry has partnered with FPT governments and academia and are developing national farm-level biosecurity standards for various commodity sectors **Seafood sustainability** ■ European buyers demand Marine Stewardship Council for fish & seafood ■ Some species are certified and others are in the process, and some species will not be able to meet (aquaculture) **Animal Welfare** ■ Several large buyers applying individual company standards (i.e., KFC, Burger King, McDonalds, Whole Foods) ■ Canadian codes of practice developed and being updated by industry **Environmental Sustainability** ■ Several large firms applying individual company standards, including several large buyers (e.g., McCains, Walmart, Unilever) ■ There are measurements of environmental sustainability, but only at the primary production level, on a national basis	**Food Safety** ■ Where a firm needs to meet GFSI it has the capacity to do so **Biosecurity (Food, animals, plants)** ■ Biosecurity standards that are acceptable to markets and adopted by industry **Seafood sustainability** ■ "Made in Canada" solution to aquaculture that is acceptable by markets **Animal Welfare** ■ Codes of practice that are acceptable by markets and adopted by industry **Environmental Sustainability** ■ Capacity to measure firm environmental performance ■ Capacity to measure specific sectors, crops and livestock performance ■ Capacity to measure beyond the farm gate ■ Ability to influence private standards

Analysis – Market Access Competitiveness

	Where we are	Where we need to be
Internal Trade Barriers	■ There are different standards and regulations that are impediments to internal trade	■ Free interprovincial movement of agriculture and food products ■ Alignment of standards and regulations while maintaining a high standard of safety and consumer protection
Tariffs	■ Overall, tariffs remain an issue in key markets ■ Variability in tariff level (e.g., bound versus applied tariffs – India) ■ Processed products (e.g., pork, beef, canola oil, confectionary and other processed foods) remain subject to high tariffs ■ Inconsistent tariff treatment of substitute products can disadvantage Canadian exports (e.g., Canadian canola versus US soy)	■ Canada has tariff preference or parity with trade competitors ■ Elimination or reduction of tariffs on key exports of interest to Canada ■ Elimination of tariff escalation (e.g., higher tariffs on processed products) ■ Stability in applied tariffs
Tariff Rate Quotas (TRQs)	■ Many countries impose quantitative restrictions for important products where we are competitive (e.g., grains, meat, potatoes)	■ Sufficient quota capacity to allow access to Canadian exports ■ More transparent TRQ administration

Analysis – Market Access Competitiveness (Continued)

	Where we are	Where we need to be
Non-Tariff Barriers (TBT/SPS)	■ In general, non-tariff barriers are increasingly the primary obstacle to market access ■ In comparison with other sectors of the economy, agriculture and food exports are subject to more border obstacles (increased inspection) and trade action ■ Diverse regulations in importing countries (e.g., permissible ingredients, labelling, plant approvals, MRLs, etc.) are increasingly problematic ■ Incomplete coverage and inconsistent implementation of international standards ■ More and more trading partners are demanding evidence of the effectiveness of our regulatory systems	■ An international trading regime backed by transparent and science-based decision-making ■ Complete coverage and consistent application of international standards ■ Predictable regulatory environment in importing countries ■ Speedy resolution of technical trade barriers ■ Canada's regulatory outcomes compare favourably with those of trading partners/competitors as a basis to retain/gain market access
Foreign Subsidies	■ Export subsidies and domestic support of major competitors distorts global agricultural markets	■ Complete elimination of export subsidies ■ Minimization of trade-distortions due to domestic support in the EU and the U.S.

Analysis – Market Performance

	Where We Are	Where We Need to Be
Market/ Customer Understanding	■ Canadian supply comes predominantly from small and micro-enterprises with little capacity/expertise to secure relevant market intelligence ■ The small number of larger firms tend to have market/customer understanding ■ Canadian firms have demonstrated a limited ability/interest in accessing global supply chains	■ More large firms that can generate their own market understanding ■ Increased access for small firms to relevant market intelligence ■ An understanding by all participants along the supply chain of market requirements ■ Capacity to access global supply chains
Image of Supplier/ Country of Origin	■ Canada is viewed positively (i.e., pristine environment) and Canadian individuals are perceived as possessing positive attributes (i.e., trustworthiness, reliability) equal/better than major competitors	■ Industry maximizes the income potential derived from Canada's and Canadians' foreign image in global markets

Analysis – Market Performance (continued)

	Where We Are	Where We Need to Be
Product Differentiation	■ Firms tend to have good knowledge about what attributes consumers are looking for (such as colour, grade, protein content) in traditional markets, but can experience difficulty in identifying and responding to attribute demands in emerging products and markets (i.e., Mexico, India) ■ Inconsistent performance in terms of differentiating Canadian products in the minds of consumers (Canada is generally unknown as a supplier of agricultural products, best known products are wheat, salmon, maple syrup)	■ Maintain knowledge of and responsiveness to product attributes demanded by consumers in existing markets ■ Attribute demands in emerging markets are effectively responded to ■ Canadian suppliers consistently and effectively differentiate their products from those of their competitors – Canada well recognized as a premium supplier of a wide range of agriculture and food products
Client Service	■ Research indicates a need to improve performance in meeting client service expectations in all non-domestic markets	■ Canadian suppliers consistently meet or exceed the service expectations of their clients

Adaptability and Sustainability – Environmental Aspects

Where we are	Where we want to be
■ Sector environmental challenges: ◆ Increasing risks to water quality ◆ Agriculture is a global source and sink of GHG emissions ◆ Concerns over climate change adaptation ◆ Concerns about water scarcity in some areas	■ Sector manages physical resources sustainably to maintain its productive capacity ■ The agriculture and agri-food sector is able to address domestic and global climate change challenges ■ Farms and firms have access to meaningful, timely and science-based information and tools ■ Innovative technologies and approaches are available to producers and processors

Adaptability and Sustainability – Environmental Aspects

Where we are	Where we want to be
■ Progress has been achieved to minimize the impact of the sector on the environment through the development and adoption of BMPs (on-farm). Nevertheless, more collaborative and focussed efforts on a broader scale (e.g. watershed) currently underway may be more effective in maintaining the productive capacity of the sector, meeting the requirements of more demanding consumers and communities, and contributing solutions to local and global environmental challenges. Lessons could be drawn from these efforts to guide future activities	■ A more focused approach - beyond EFP and BMP - to address critical agri-environmental issues (e.g. nutrient management in Lake Winnipeg and Abbotsford-Sumas), making use of scarce resources and increasing community's acceptance of farm and firm activities (viewed as good neighbours) ■ The role of other actors (agriculture and non-agriculture) becomes more clearly visible and the solution set is broadened
■ Corporate shareholders and consumers are demanding environmentally responsible products	■ The sector is capable of accessing new markets based on environmental attributes and continues to retain market access in the face of new global standards

Adaptability and Sustainability – Social Aspects

Where we are	Where we want to be
■ Growing interest in a national food policy. Stakeholders (e.g., CFA, CAPI) have initiated efforts to develop national food strategies – with elements such as: contribution of the sector to population health, viability of the farm sector , environmental sustainability of Canadian food system, contribution to global food security	■ Industry and governments have a common understanding of a national food policy ■ The sector positively adapts to challenges and opportunities within a food policy
■ Attitudes towards food and food production are changing (e.g., how and where food is produced, how animals are treated, relations between food and health)	■ Industry recognizes and adapts, as needed, to society's changing demands and expectations
■ Industry best practices (production, transportation, slaughtering) are not widely known and understood by the general public	■ Citizens have access to factual information on industry's best practices

Adaptability and Sustainability – Economic Aspects

Where we are	Where we want to be
■ Diversity in structure (specialization or diversification, etc.) is used successfully to manage risk ■ The number of larger farms is increasing, but there are still producers at every size level demonstrating profitability and an ability to adapt ■ BRM programming provides substantial assistance to producers facing difficult times, across regions and commodities. However, government responses are not viewed as responding to the diversity of situations and business models/objectives ◆"one size fills all" ◆ caps ◆ whole-farm approach	■ Continue to have a wide range of business models that are successful in adapting to manage their risks and achieve market-based profitability ■ Information on successful business models, throughout the range of sizes and structures, is shared among producers ■ Programs that encourage producers to take appropriate measures to manage their operations, while limiting bias toward any business model (size; specialization or diversification strategy)

Adaptability and Sustainability – Economic Aspects

Where we are	Where we want to be
■ Industry players face an increasingly complex and rapidly evolving environment; yet, they have different abilities to cope with these challenges	■ Enhanced capacity of industry players to manage their operations (e.g., managing costs, increasing productivity or capturing higher value by differentiating products; managing risks of personal injury) in this complex environment ■ Informed and skilled entrepreneurs that efficiently manage their business to respond to markets and adapt to changes
■ Some sectors are successfully using industry-led strategies to address challenges or seize opportunities (e.g., to transition during challenging times, to revitalize the sector)	■ Industry is leading the development of longer-term vision and strategies to guide future market growth and to address broad transitional needs ■ Strategies are successfully implemented to produce results for the sector

Adaptability and Sustainability – Economic Aspects

Where we are	Where we want to be
■ BRM programming contributes to economic sustainability by stabilizing income	■ Producers have the primary responsibility in proactively managing risks faced by individual operations
■ Industry is concerned with longer-term income pressures as well as with timeliness and predictability of program payments	■ Industry organizations have the secondary responsibility in proactively managing the risks of the sector (e.g., information sharing, development of private sector risk management tools)
■ The respective roles of government and industry players in mitigating business risks are being reconsidered	■ Governments provide the third level of response in managing risks i.e. assistance for extraordinary losses. Such assistance does not impede on the sector's adaptability and competitiveness
■ Some programs could impede adaptation in the sector by insulating producers from market signals; they could also discourage sound risk management practices	■ Private sector offers insurance products for the risks faced by the sector, and industry has the capacity to insure against these risks
■ Limited use of private sector risk management tools	

Adaptability and Sustainability – Economic Aspects

Where we are	Where we want to be
■ Limitations on young farmers' capacity to enter the sector and successfully manage farm business ◆ Farm transfers are complex ◆ Difficult for young people who do not have access to family farm assets to enter the sector ◆ Young farmers have higher debt level and tend to make more use of private risk management tools (e.g. futures and options) ■ Nevertheless, young farmers thrive in a diversity of business models and tend to be on farms with higher performance / returns	■ Succession plans are successfully implemented for the transfer of farms to the next generation ■ New generation of educated, skilled and entrepreneurial farmers who are successfully managing their farm business

Knowledge Creation

Where we are	Where we want to be
■ Canadian agricultural research is predominantly funded and delivered by public institutions	■ Engagement of the sector in developing and delivering research agendas coordinated with long term innovation strategies
■ Focus on applied supply-side innovation where opportunities also lie in demand-driven innovation	■ Open innovation systems balance research to address shorter term, specific issues with longer-term discovery-driven research ('push-pull')
■ Opportunity to expand on existing international research partnerships	■ Mechanisms are in place to support early adoption of knowledge from international partners
■ Perception of limited return on private sector research investments in particular commodities	■ Agriculture is viewed as providing a return on long-term investment

Application of Knowledge to Drive Change

Where we are	Where we want to be
■ New knowledge faces barriers to application into commercial products	■ Industry/Government/Academia provide an enabling environment for the application of knowledge
■ Experimentation is viewed as high risk and a challenge for some business (e.g., time and resources)	■ Increased sector capacity to identify and explore opportunities
	■ Increased sector capacity to explore and experiment with new products, technologies, processes and practices
■ IP rights can interfere with sharing/using knowledge	■ A move towards open innovation where IP rights exist and reward investment but do not hinder the creation of new knowledge

Diffusion of Innovation

Where we are	Where we want to be
■ Access and capacity to absorb innovation-related information by users is uneven	■ Sector awareness of and access to innovative products, processes, practices, business models
	■ Increased sector leadership to build capacity to explore and adopt new products, technologies, processes and practices
■ Sector capacity for technical transfer varies	■ Increased sector capacity for technical transfer

Adoption/Commercialization of Innovation

Where we are	Where we want to be
■ Capacity to adopt innovation and bring to market new products/ processes varies ■ Agriculture is seen as providing limited returns on investment as compared to other sectors ■ Good regulatory framework, but unclear regulatory pathways limit adoption and/or commercialization of new bioproducts ■ Some government programs reduce the pressure to innovate	■ Producers and processors have the capacity and tools to adopt new technologies/practices and invest in innovation as a business strategy ■ More coordinated and simpler assistance programming by governments and industry to build capacity ■ Innovation in the sector is seen as a viable area of investment ■ Various type of public and private investment funds available to the sector ■ Transparent and predictable regulatory pathways ■ Government programs do not mask market incentives for innovation

Infrastructure in Primary Agriculture

Where we are	Where we want to be
■ Canada has a strong regulatory framework that supports food safety and quality, plant and animal health and the environment; however, some regulations are not aligned with competitive context: ◆ restricted access to lower cost and/or more effective imported pesticides ◆ limited international harmonization	■ Regulatory and legislative framework that is effective, timely and transparent ■ Comparable requirements with major trading partners ■ Internationally recognized standards for attributes
■ Current intellectual property (IP) rules may inhibit innovation (e.g., plant breeders' rights)	■ IP rules that balance incentive for innovation without increasing costs to producers
■ Inadequate infrastructure to ensure accurate capturing of market conditions and trends, including standards	■ Accurate, real-time, consistently available consumer trend information
■ Complex arrangements with industry organizations creates difficulty in resolving cross-cutting issues such as R&D and strategic long-term planning	■ Coordinated industry organizational arrangements to agree on cross-cutting issues
■ Inadequate service/lack of timeliness of rail transportation ■ High transportation costs; long distances from ports, processors and food distribution hubs	■ Efficient and cost-effective transportation and food distribution capacity
■ Well established bulk transportation, but difficulty of Identity Preservation (IP) to allow end-use specific attribute	■ Transportation capacity to service bulk and products with specific attributes (e.g. containers) for IP
■ Insufficient infrastructure for information sharing	■ Effective and inexpensive information and telecommunications infrastructure, e.g. broadband in rural areas
■ Water management is a concern in some regions	■ Adequate and sustainable water infrastructure

Infrastructure in Processing

Where we are	Where we want to be
■ Lack of R&D focus on innovation in products with specialty attributes for processing	■ Companies have capacity to modernize and have access to leading process and production technologies in off-shore markets
■ Difficulties attracting and retaining workers	■ Responsive labour regulations
■ Canadian regulatory environment around health claims and novel products is more rigid to that of the US	■ A modern regulatory and legislative framework that supports industry in the global marketplace to encourage innovation and products with health attributes
■ High level of retail concentration creates obstacles for SMEs	■ Industry-led responses to retail demands
■ "Thickening of US border" increases costs for Canadian operations and tariffs and non-tariff barriers in off-shore markets	■ Regulatory requirements that allow increased access to new markets, specifically off-shore
■ Lack of organizational capacity for information sharing with primary processors	■ Firms have access to market intelligence and capacity to reformulate Canadian products to meet off-shore demands and tastes
■ Distribution systems in many off-shore markets (e.g., cold chain management) are not well developed to accommodate consumer ready products	■ To be able to market Canadian attribute products in international markets
■ Current certification systems are primarily paper-based; where technology exists, systems are outdated and not integrated	■ A modern electronic certification system to support and facilitate all agrifood, plant and animal health imports and exports

ANNEX B

Past frameworks have emphasized actions and outcomes

Agricultural Policy Framework: 5 Pillars

- Food Safety and Quality
- Environment
- Renewal
- Science and Innovation
- Business Risk Management

Growing Forward: 3 Policy Outcomes

Each framework has introduced substantial changes in policy and programming

	APF	Growing Forward
Policy Objective and Intent	• To secure the long-term prosperity, profitability and success of the sector • To position Canada as the world leader for food safety, innovation and environmentally responsible production	• To achieve a profitable, innovative, competitive, market-oriented agriculture, agri-food and agri-based products industry
Major changes introduced	• Activities-based approach covering both income support (BRM) and sector development • Common cost-shared BRM program suite • Elimination of cost-shared province-specific safety-net programs (companion programs) • New federal programming in innovation, environmental stewardship, food safety, renewal • Province-specific federal programming matched with provincial programming commitments	• Outcome-based approach with defined pan-Canadian objectives • Replaced “smorgasbord” of APF national and PT programming • Non-BRM largely cost-shared, with programs provincially designed and delivered • Increased effectiveness of programs through better program delivery (e.g., single-window approach) • Specific focus on measures to improve profitability and competitiveness in the sector
Risk Programs (BRM)	• Program objective was to move to nationally consistent, demand-driven income stabilization programming • Single, national safety net program set: Canadian Agricultural Income Stabilization program (CAIS), Production Insurance, ad-hoc programming including disaster assistance • NISA terminated	• AgriInvest—modest Net income Stabilization Account (NISA) savings program re-introduced • AgriStability—slightly modified Canadian Agricultural Income Stabilization (CAIS) program • AgriInsurance—continuation of Production Insurance • AgriRecovery—to help producers re-establish themselves after natural disasters
Environment	• Funding injection for agri-environmental projects • Substantial funding for development of environmental indicators • Environmental Farms Plans (EFP) and Beneficial Management Practices (BMP)	• Focus on water and climate change • Implemented 5D model (discover, develop, deliver, determine, direct) • PT delivery of EFP/BMPs and greater flexibility in funding of environmental objectives
Renewal / Business Development	• Initiatives to improve farm business management, providing skills and knowledge, assessment and planning • On and off farm skills development to increase income and broaden choices in labour market for farm families • Federal delivery	• Policy focus narrowed to business priorities - developing skills and knowledge for farm business management, assessment and planning • Programming intended to strengthen ability of businesses in sector to manage transformation, respond to change and adopt innovations • Provincial design and delivery of initiatives

Each framework has introduced substantial changes in policy and programming

	APF	Growing Forward
Food Safety	• Broad objective was to reposition Canada so as to create new market opportunities in safe, high-quality food • On-farm food-safety systems to enhance Canada's reputation for safe, high quality food, and to increase industry's ability to extract premiums from the market • Investment of approx. $5 million for proactive risk mitigation on-farm	• Support for voluntary on-farm uptake of generic food safety control systems recognized by CFIA begun under APF • $250 million investment for bio-security and traceability—a significant increase
Innovation	• Innovation promoted as a policy pillar • Broker Program to enable collaborations on developing new business strategies and market opportunities • Agri-Innovation Program providing financial assistance to advance the opportunities identified in the Broker Program • $44.7 million in federal funding	• Increased investment, largely federal, in promotion of innovation • Approach to fill gaps along innovation continuum to accelerate the pace of innovation • Recognized need to improve downstream support along innovation continuum beyond basic research • Federal funding increased to $157.3 million
Markets and Trade	• Effort to move sector towards greater emphasis on value-added and quality • Significant Government role in the direct delivery of activities promoting Canadian agriculture and agri-food • Main programs: Canadian Agriculture and Food International (CAFI), Canada Brand Strategy, Value Chain Round Tables (VCRTs) launched • Focus on branding Canada	• Government role shifted to enabling industry-led decision-making and execution in developing markets for the sector • Major programs continued with increased emphasis on Canada Brand and the provision of market information and intelligence
Regulations	• Assistance to help Health Canada to eliminate backlog in Minor Use Pesticides approvals—$54.6 million	• Introduced *Agricultural Regulatory Action Plan* aimed at addressing regulatory pressures affecting innovation and competitiveness in the sector • $104.3 million in federal funding allocated to address specific challenges: minor-use pesticides, veterinary drugs, health claims, food fortification • Enable new products to move through the system and develop progressive regulatory policies and processes that respond to new technologies while maintaining health and safety standards