



**CAPI**

THE CANADIAN AGRI-FOOD  
POLICY INSTITUTE

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2010~11

Annual Report

# Mission

The Canadian Agri-Food Policy Institute (CAPI) is an independent, unbiased policy forum that is dedicated to the success of Canada's agriculture and agri-food sector. CAPI is a catalyst. It identifies emerging issues, promotes dialogue and advances alternative solutions to issues with stakeholders across the diverse agriculture and agri-food value chain, and among academia, research institutes, governments and other sectors in Canada.

CAPI fulfills its work, according to its objectives and purpose. Its Charter indicates that CAPI will:

- Provide independent, unbiased and credible input to the Canadian agricultural policy debate and policy development process.
- Function as an agricultural policy forum focused on promoting dialogue by:
  - a. gathering intelligence and sharing results;
  - b. identifying emerging issues in the agricultural sector that should be coordinated and addressed on a national basis;
  - c. bringing together a wide range of expertise and new voices to examine existing and emerging issues in the agricultural sector;
  - d. discussing alternative solutions to issues before they become polarized;
  - e. providing balance when polarization within the agricultural sector is unavoidable; and
  - f. providing advice and a third-party perspective when agricultural policy decisions are made.

# Governance

Based in Ottawa, CAPI was established as a non-profit corporation in 2004 by the federal government and is guided by a diverse Board of Directors and an Advisory Committee.

CAPI's Directors have a broad background of expertise and experience from across the agriculture and agri-food sector, as well as in public policy and government, and from research and business. The President reports to the Chair of the Board of Directors.

CAPI's Advisory Committee, representing the diverse agri-food value chain, is completely independent from the Institute and provides expert advice to the Board of Directors and the President on the policy research agenda and emerging future policy issues. The Advisory Committee has eleven members, including Agriculture and Agri-Food Canada as an ex-officio member.

In 2010-2011, CAPI had three Voting Members as represented by Alberta Agriculture and Rural Development, the Ontario Ministry of Agriculture, Food and Rural Affairs, Farm Credit Canada and one Associate Member, le ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec.

## Contacting CAPI

For any inquiry on this report, or on the work that CAPI is conducting, please contact:

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# Chair's Report

The year 2010-2011 was marked by the release of our report on the future of the Canadian agri-food sector, *Canada's Agri-Food Destination: A New Strategic Approach*. The Canadian Agri-Food Policy Institute (CAPI) was established as a catalyst and this report created a fulsome national dialogue on many pertinent issues. It calls for a mindset shift in order to enhance the future prospects of the country's agri-food sector — what we regard as a national strategic asset.

This landmark report, I am proud to say, was the culmination of a significant effort of a diverse group of stakeholders. The group included our partners, Advisory Committee members and Directors. Over 50 people representing governments, NGOs, researchers, the vast agri-food sector and adjacent sectors devoted a good portion of the year to considering tough issues and working together to advance bold and constructive ideas.

On behalf of CAPI, I wish to thank all of these organizations and individuals for their commitment to our process and their thoughtful, forward-thinking suggestions. CAPI's staff must also be sincerely thanked for guiding this process over the year and delivering on our commitment to present a novel policy framework to the country.

This "Destination Report" has garnered broad media attention and considerable stakeholder interest. CAPI has continued to reach out to stakeholders to get their feedback. We now have an opportunity to seize upon its ideas, present alternatives, and engage in a dialogue on the conditions that could see the agri-food sector reach its national potential.

CAPI is also pleased to have conducted its first interim performance evaluation review in June 2010, a requirement of our funding agreement. Conducted by an independent firm, the review looked at CAPI during 2007-2009 and found that CAPI is now beginning to establish its reputation as a policy catalyst and develop a brand among current and potential stakeholders. The review also found that CAPI's activities are aligned with its Funding Agreement and Charter; it also offered some constructive ideas to enhance its organizational performance, as would be typical for a start-up organization of this sort.

I would like to thank one of our Directors, whose term has been fulfilled at the close of the year. Dr. Robert Church, a founding Board member, served on the Board of Directors since February 2004. To all Directors, thank you for your sound advice and involvement over this important year. As well, I would like to thank our CEO and staff for their dedication and involvement in helping the Board fulfill its mandate.

Sincerely,



Gaëtan Lussier  
Chair

# President's Report

In February 2011, the Canadian Agri-Food Policy Institute published a pivotal report on a new strategic approach for the country's agri-food sector. It called for the need to establish a "destination" — an objective that is based on having successful food systems; it outlined performance targets as catalysts for change and presented a series of policy ideas to enable these shifts.

*Canada's Agri-Food Destination: A New Strategic Approach* presented a high-level framework. It has generated a range of interest from across the country. For some, there is enthusiastic support for the report; for others, there is a strong interest in further developing and understanding its core concepts; and, for others, there has been criticism of its approach and a dismissal of its ideas. The report has created a dialogue.

We set out on a plan to engage stakeholders on new ideas, focus the key issues, and spur a discussion on our agri-food future. I am grateful to the many people who participated on our Leadership Panels, and who were involved in our outreach efforts and in our research. Collectively, your ideas were insightful and essential to our work. Your passion for wanting to see Canada reach its potential helped to push our thinking.

The CAPI Board of Directors devoted considerable time and actively participated in our work. Thank you for meaningfully contributing to our process. The small but highly dedicated team at CAPI enabled us to undertake our work so efficiently; thank you.

Food matters to us all. A vibrant agri-food sector, a healthy population and healthy ecosystems are vital to our country's future. Our work will proceed as we continue to listen to stakeholders' views and present new, more refined ideas.

Sincerely,



David McInnes  
President & Chief Executive Officer

# The Year in Review

## Activities during Fiscal Year 2010-2011

The policy research activities undertaken by CAPI in 2010-2011 were based on a strategy presented by management and approved by the Board of Directors in July 2009. To move forward on its work, CAPI established three Leadership Panels in the fall of 2009. Representing diverse stakeholders, the panels focused on “food and wellness connection,” “sustainability” and “viability.” In May 2010, CAPI published a Synthesis Report, which provided an update on the work of the panels and our direction. The work of the three Leadership Panels culminated in the production and publication of the report *Canada’s Agri-Food Destination: A New Strategic Approach*, which was released on February 7, 2011. Since its release, CAPI has been actively reaching out to stakeholders to solicit their feedback on the report. As well, in the closing months of the fiscal year, CAPI has used this feedback to help shape the parameters of its future work plan.

Over the course of the fiscal year, the direction and operational details of our work were reviewed by our Advisory Committee at its two scheduled meetings; as well, the Advisory Committee participated in a special “Convergence Meeting” of the three Leadership Panels in November 2010. This event was arranged to consider the three panel reports and bring “convergence” to that work in order to formulate the basis for the Destination Report. The Board of Directors played an active and ongoing part of our process to frame and develop the ideas found in this report.

By embarking on this comprehensive approach to developing the Destination Report, the Institute was able to fulfill its mandate (Charter). Over the course of our work, CAPI managed to keep all participating stakeholders engaged and on-board. We were not seeking consensus, but rather were striving to publish a report that allowed every player to see their place in our work — the “destination” that was created.

As an independent policy forum, CAPI’s work is focused on being relevant to the unfolding policy process leading up to — and beyond — the renewal of *Growing Forward* in 2013. The Destination Report was released with this in mind. Prior to its release, CAPI also reached out to a number of stakeholders in the agri-food sector (including government) and others to inform them of our process, receive feedback and engage them in the policy dialogue.

Upon the finalization of our report, a part-time secondment from Manitoba Agriculture, Food and Rural Initiatives concluded. This individual supported the work of the Leadership Panel on Sustainability. CAPI very much appreciates this support.

Please find below a description of CAPI’s agricultural policy research activities for this fiscal year.

## RESEARCH AND SUPPORTING WORK

Most of the work undertaken by CAPI in 2010-2011 involved supporting the dialogue and research requirements of the three Leadership Panels and our Destination project, as highlighted below.

### Leadership Panels

CAPI's three Leadership Panels, made up of a diverse set of stakeholders to guide our work, met over 25 times in person or via teleconference meetings over the course of the fiscal year. This dedication reflected the intensity and productivity of the discussions, and the commitment of external partners to formulating new ideas about the future of the agri-food sector in Canada.

### Synthesis Report

In May 2010, CAPI published a Synthesis Report, entitled *Challenging Our Past: Preparing for the Future; Ideas and Questions for Agriculture and Agri-Food Policies*. This report provided a snapshot of CAPI's work program. It identified emerging policy themes and linkages across CAPI's thematic areas, and described the work of the Leadership Panels on food and wellness connection, sustainability and viability.

### Research Papers

CAPI commissioned the development of a series of research papers (outlined below) to obtain an independent perspective on the viability of farms in Canada and the critical policy issues facing the agri-food sector in Canada. Initially, the documents served as background material for the Leadership Panel on Viability, in terms of identifying ideas and principles for the Destination project.

#### Series I: Understanding the Structure of Canadian Farm Incomes

The George Morris Centre prepared a series of 10 papers on Canadian farm incomes and related issues for CAPI. The papers drew from the knowledge base of existing research, in order to gather observations on relevant issues and help frame the context for CAPI's future farm viability research. The papers were published in February 2011 in a single document entitled *Advancing a Policy Dialogue*. The individual papers were titled as follows:

1. *Total Farm Family Income: The Big Picture*
2. *Canadian Farm Income Data: What Do They Tell Us?*
3. *Farm Incomes and Farm Wealth*
4. *Income and Wealth in Canada: Farm and Non-farm Households*
5. *Low-Income Farms: Are Stabilization Policies Geared to Their Needs?*
6. *Understanding Farm Debt in Canada*
7. *The Purpose of Farm Policy*
8. *Return on Assets on Farms in Canada*
9. *Supply Management: Advantage vs. Challenge*
10. *Canadian Agricultural Policy in International Context*

## **Series II: Addressing Issues and Perspectives on Policy Options**

This series of seven research papers examined current policy issues and opportunities within Canada and other countries. The papers addressed the policy rationale for goals and objectives and the impact of intervention. They provided an analysis of competitive advantages and disadvantages facing the agri-food industry. The following papers were also published in February 2011:

1. *Policy Context and Rationale for Intervention in the Agri-Food Sector*
2. *An Overview of Policy Goals, Objectives and Instruments in the Agri-Food Sector*
3. *Policy Goals, Objectives and Instruments in Other Jurisdictions*
4. *Benefits and Distribution of Government Spending in the Agri-Food Sector*
5. *Competitiveness of the Canadian Agri-Food Sector*
6. *Regulations helping Canadian Agri-food Competitiveness: A Summary*
7. *Analysis of Returns to Program Spending in the Agri-Food Sector*

## **Ecological Goods & Services**

CAPi engaged researchers to undertake an *Analysis of EG&S Policy Options Fostering Adaptation of Canadian Farmers to Climate Change and Development of a Decision-making Tool*. Manitoba Agriculture, Food and Rural Initiatives specifically supported this project as well as Agriculture and Agri-Food Canada. Aspects of this paper were referenced in the Destination Report. The paper was prepared in the 2010-2011 and was published early in the 2011-2012 fiscal year.

## **Health Claims for Foods**

In another initiative to support the Destination report, CAPi commissioned a short paper on the status of the regulatory framework for health claims for foods, entitled *Regulating Health Claims in Canada – Current Status*. The findings of this paper were profiled in the Destination report, and the paper will be published early in the next fiscal year.

## **EVENTS**

In addition to many Leadership Panel meetings held over the course of the year, the following events were held:

### **Report from Climate Change Symposia**

In March 2010, CAPi partnered with U.S. and Canadian organizations, universities and governments to hold two symposia on climate change and agriculture. While these events occurred in the previous fiscal year, the notes from those meetings (*Adapting Agriculture to Climate Variability*) were published in the 2010-2011 fiscal year.

### **Farm Foundation Roundtable**

CAPi partnered with the U.S.-based Farm Foundation to hold a Roundtable meeting in Winnipeg, MB, in June 2010. This event enabled the two like-minded organizations to share ideas and learn about cross-border developments relating to sustainability in agriculture.

## Convergence Meeting

Held in Toronto in November 2010, this event brought together CAPI's Leadership Panels, partners, Advisory Committee members and Directors to discuss the findings and ideas of the three panels. This event proved to be a significant catalyst for the creation of the Destination Report (later released in February 2011). From an internal assessment of the feedback from that meeting, over 90% of stakeholders at the Convergence Meeting agreed that the event identified the key areas of agri-food policy for sector success. Moreover, over 75% of stakeholders at the Convergence Meeting agreed that the destination plan at that time was setting us on the right track, and over 80% felt that there was a fair and balanced discussion of the options and direction.

## Destination Report Outreach

Following the release of the Destination Report in February 2011, CAPI embarked upon a national outreach effort to foster a discussion on its core ideas, including:

- Shift from short-term policy-planning to longer-term planning.
- Shift language from general "vision statements" to a "destination" based on supporting "food systems" aimed at a specific outcome.
- Promote metrics around policy targets (goals).
- Identify core principles for change.
- Promote five enablers or pillars for change.

CAPI met with farm organizations, others in the agri-food sector, governments, health representatives, research and innovation organizations, NGOs, the media, and others. In addition to many one-on-one communications, CAPI presented at some 50 conferences or stakeholder meetings from mid-January to the end of March, 2011. (This outreach is continuing into the next fiscal year.) The report generated significant interest in CAPI; the Institute's website experienced a doubling of traffic (mostly thanks to many first-time visitors) from January to the end of March, 2011, and reached a high of four times the typical average volume.

## OTHER INITIATIVES

### Awards Program

CAPI's awards program, entitled Advancing a National Dialogue, is aimed at graduated students of agricultural science, food nutrition and environmental science faculties. CAPI invited students to submit a position paper on ways Canada can meet the emerging challenges and opportunities faced by the agri-food sector, in relation to issues of food and wellness, sustainability and/or viability. The awards will be made in mid-2011. This initiative was supported by Farm Credit Canada and administered by the Association of Colleges and Universities of Canada.

## GOVERNANCE

CAPI adheres to the terms and conditions established at its founding. As noted at the outset of this report, the CAPI Charter defines how the Institute will conduct its activities and remain accountable. As a matter of good governance, CAPI continues to monitor and upgrade current policies to ensure the transparency, integrity and clarity of its operating practices.

In compliance with the Funding Agreement between Her Majesty the Queen in Right of Canada represented by the Minister of Agriculture and Agri-Food (Minister) and the Canadian Agri-Food Policy Institute (CAPI), CAPI completed its first formal interim performance evaluation review on June 22, 2010. As required, it was undertaken by an independent, third party evaluator. Deloitte was selected by the Board of Directors to conduct this review. Its Interim Performance Evaluation was submitted to the Minister of Agriculture and Agri-Food by June 30, 2010, also in compliance with our Funding Agreement. (Note that further performance evaluation reports are to be completed in 2015, 2020 and 2022.)

The period evaluated in this review was bounded from the receipt of CAPI's funding in April 2007 up to and including all activities on December 31, 2009. Agriculture and Agri-Food Canada reviewed and approved the evaluation objectives in December 2009. Deloitte also contributed additional evaluation objectives which formed the basis of the review. The evaluation framework was guided by the following questions:

- a. Did CAPI implement/undertake what it had planned?
- b. Is CAPI on the right course to deliver the current strategic plan?
- c. Are CAPI's activities within the purpose of the Funding Agreement and scope of its Charter?
- d. How effective is CAPI in achieving its planned outcomes?
- e. What are stakeholders' perspectives on the efficiency of CAPI?

While the evaluation time-period (i.e., 2007-2009) precedes the reporting timeline of this annual report (2010-2011), the actual review work and completion of the report took place in the first half of 2010.

The Deloitte report concluded that for the period of review in question (2007-2009): "CAPI has successfully established its foundation as an independent, non-partisan, not-for-profit organization aiming to provide a neutral venue for policy dialogue and influence policy development in the agriculture and agri-food domain." It went on to say that: "CAPI is now beginning to establish its reputation as a policy catalyst and develop a brand among current and potential stakeholders." The evaluation report summarized its findings, as highlighted below:

- CAPI had moderate success undertaking what it had planned during the time period evaluated.
- CAPI is on the right course to deliver the current strategic plan.

- CAPI's activities are aligned with the Funding Agreement and scope of the Charter.
- CAPI has had limited success in becoming relevant to its stakeholders over its first few years.
- CAPI has been somewhat effective during the evaluation timeframe.
- CAPI is quite efficient given the amount of resources that it has available.

CAPI must regularly inform the Minister of Agriculture and Agri-Food Canada of its activities. In response to the interim performance review, a letter was received from the Minister of Agriculture and Agri-Food Canada in July 2010 acknowledging that it was satisfied that CAPI complied with its Funding Agreement requirements. It acknowledged CAPI's efforts to promote a broad integrated food industry policy framework that involves a total industry and government response to address long-term strategic issues facing the agri-food sector, such as health and wellness, sustainability and viability. It suggested that the next performance evaluation (2015) could include a survey of a broader group of stakeholders. It also suggested that CAPI could focus more on engagement as greater public dialogue on the issues would be of benefit to the country. CAPI agrees with these suggestions.

CAPI has since used the evaluation report to make certain adjustments to its practices, notably to improve how it can demonstrate the organization's work.

## **FINANCIAL REVIEW**

The Funding Agreement between Her Majesty the Queen in Right of Canada represented by the Minister of Agriculture and Agri-Food (Minister) and the Canadian Agri-Food Policy Institute (CAPI) represents the major source of contribution to CAPI's activities.

In 2007, CAPI entered into a long-term financing agreement with the Government of Canada, for which CAPI received an amount of \$15 million. As defined in the agreement, the total maximum financial support that may be drawn down for the eligible administrative costs and the eligible policy research costs of CAPI in any fiscal year shall not exceed \$1 million of the original \$15 million paid to CAPI by the Government plus any accumulated interest or income from the investment of the grant that may be available for draw down at any time.

While the financing agreement represents the major source of contribution to CAPI's activities, the Board of Directors approved an additional contribution of \$500,000 from the accumulated investment income of the grant and \$346,920 from previous funding sources. Following are the summarized financial statements of CAPI as at March 31, 2011:

# Report of the Independent Auditor on the Summary Financial Statements

To the Directors of the  
Canadian Agri-Food Policy Institute

The accompanying summary financial statements, which comprise the summary balance sheet as at March 31, 2011 and the summary statement of revenue and expenses and change in net assets for the year then ended are derived from the audited financial statements of the Canadian Agri-Food Policy Institute for the year ended March 31, 2011. We expressed an unmodified audit opinion on those financial statements in our report dated June 22, 2011. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Institute.

## *Management's Responsibility for the Summary Financial Statements*

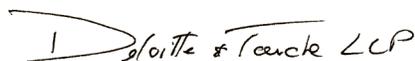
Management is responsible for the preparation of a summary of the audited financial statements in accordance with the recognition and measurement principles of Canadian generally accepted accounting principles.

## *Auditor's Responsibility*

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, "Engagements to Report on Summary Financial Statements".

## *Opinion*

In our opinion, the summary financial statements derived from the audited financial statements of the Institute for the year ended March 31, 2011 are a fair summary of those financial statements, in accordance with the recognition and measurement principles of Canadian generally accepted accounting principles.



Deloitte & Touche  
Chartered Accountants  
Licensed Public Accountants  
June 22, 2011

# Finances

## **BALANCE SHEET** at March 31, 2011

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 489,951	\$ 821,564
Accounts receivable	92,989	138,700
Prepaid expenses	32,315	18,102
Capital assets	37,690	68,943
Long-term investments	12,742,581	13,851,653
	<b>\$ 13,395,526</b>	<b>\$ 14,898,944</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 124,868	\$ 167,059
Deferred contributions	221,077	567,997
Long-term deferred contributions	12,742,581	13,851,635
Deferred contributions - capital assets	37,690	68,943
	<b>13,126,216</b>	<b>14,655,634</b>
<b>NET ASSETS</b>	<b>268,310</b>	<b>243,310</b>
	<b>\$ 13,394,526</b>	<b>\$ 14,898,944</b>

## STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN NET ASSETS

year ended March 31, 2011

	2010	2009
<b>REVENUE</b>		
Contributions		
Grant contributions	\$ 1,500,000	\$ 1,175,517
Initial contributions	346,920	4,115
Other contributions	24,135	115,197
Membership income	20,000	-
Interest income	1,000	690
Amortization of deferred contributions - capital assets	31,253	22,690
	1,923,308	1,318,209
<b>EXPENSES</b>		
Administration	294,035	266,077
Research Activities		
Communication and Outreach	228,129	176,810
Projects	1,345,844	860,435
Program activities		
CAPI projects	29,300	14,197
	1,897,308	1,317,519
<b>EXCESS OF REVENUE OVER EXPENSES</b>	26,000	690
<b>NET ASSETS, BEGINNING OF YEAR</b>	243,310	242,620
<b>NET ASSETS, END OF YEAR</b>	\$ 269,310	\$ 243,310



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