



CAPI

THE CANADIAN AGRI-FOOD
POLICY INSTITUTE

2011~12

Annual Report

Mission

The Canadian Agri-Food Policy Institute (CAPI) is an independent, unbiased policy forum dedicated to the success of Canada's agriculture and agri-food sector. CAPI 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 is a catalyst.

Established as a not-for-profit corporation in 2004 by the federal government, CAPI is guided by a diverse Board of Directors and an Advisory Committee. Its offices are located in Ottawa. 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.

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

After over seven years at the helm of the Canadian Agri-Food Policy Institute, I will be stepping down from the Chairmanship in June 2012.

In 2003, I was invited to launch CAPI. Agriculture and Agri-Food Canada wanted an independent organization in place to create a third-party dialogue on the policies that would be important to help guide the future of the agri-food sector. With the help of Dr. Robert Church and Ken Knox, this Institute was incorporated in February 2004.

Among our initial steps, we focused on ensuring a sustainable source of funding. In 2007, the Honourable Chuck Strahl, then Minister for Agriculture and Agri-Food Canada, approved CAPI's funding to 2022, thus supporting our mandate and ensuring the Institute's financial sustainability and its independence. With the support of our Advisory Committee, we developed our initial research program, which was at first focused on the evolution of farm income. Since those early days, some 23 different studies have been published.

In February 2011, we reached a significant milestone by publishing *Canada's Agri-Food Destination: A New Strategic Approach*. This pivotal report was based on extensive stakeholder input and offered a broad view of the sector and the need for transformative change. It advocated a fundamental shift in the way we collaborate, innovate, regulate and manage risk. By outlining improvements on how to work together, the report offered a high-level road map for the entire sector. Indeed, given the significant role Canada can play in feeding a hungry world – a world whose population will reach nine billion people by 2050 – this report offers important guidance. Greater success can truly be achieved through better collaboration, not only among supply chain players but also between those players and a diverse array of non-traditional food players, such as researchers, governments and many other support players. This approach promotes the adoption of "a system approach." The Destination Report, most importantly, was advancing the need for significant behavioral change.

The Report outlined the need to set common objectives or targets as a way to focus common action. To get the discussion going, we offered objectives on how much food Canada should supply for its own domestic use, how to increase exports and how to deploy biotechnologies to create new profitable opportunities across the agri-food sector. We wanted to create a dialogue on "what is possible."

The Destination Report called for policy alignment to support this approach, such as having fully integrated food policies across agri-food and health domains. The cost of healthcare is being driven in part by diet-related chronic diseases and by the repercussions of an increasingly obese society; diabetes, cardio-vascular diseases and other chronic diseases contribute some 40% of the \$192 billion spent on health in Canada today. Our work urged governments and industry to reflect on steps that could be taken in the context of the renewal of the Growing Forward agreement and the Canada Health Accord.

Our food system concept has drawn a lot of interest from all across Canada. Sectoral organizations, national roundtables, municipal and provincial governments and others with mandates to support the agri-food sector are intrigued by the potential to leverage the food system approach. In this regard, CAPI initiated a major study in collaboration with the Alberta Livestock and Meat Agency to apply the food system concept to Canada's beef sector. We are hopeful that our Destination Report will provide some assistance in shaping the discussion on the strategy required to help position Canada for future success.

In closing, I would like to thank Yvan Jacques, the first full time manager of CAPI, for his efforts in setting up this organization, and to the present team: David McInnes, President and CEO, and Daniel Yeon, Manon Bougie and Kim Kelly for their relentless dedication and drive. I would also like to express my profound gratitude to Agriculture and Agri-Food Canada, whose leaders believed that an organization such as the Institute was – and remains – important, and to the Board of Directors of CAPI for their enduring guidance. I would also like to express my sincere thanks to our Advisory Committee which has offered input on our strategic direction and work plan. To our members, the Alberta Department of Agriculture and Rural Development, Farm Credit Canada and the Ontario Ministry of Agriculture, Food and Rural Affairs and the Quebec Ministry of Agriculture, Fisheries and Food, thank you for believing in the work we do. To my successor Ted Bilyea, I extend my appreciation for agreeing to lead CAPI at such a critical moment when the future role of the agri-food sector in the social and economic fabric of Canada will be determined. I will continue to follow with interest the future implementation of our mandate.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gaëtan Lussier', written in a cursive style.

Gaëtan Lussier
Chair

President's Report

The stakes for Canada – and the world – to get our food plan right are enormous. What we do, collectively, to prepare Canada for change will have a profound impact on our economic future and our society's well-being. As we are a major food exporter, this will also have major implications well beyond our borders. We remain firmly of the view that Canada's agri-food sector is a strategic asset. We must position the country to fulfill its tremendous potential.

The intent of our work is to create a dialogue on issues and strategy. We bring "systems thinking" to bear in our effort do so. That is, supply chain players and a diverse array of other stakeholders involved in food need to collaborate to create new opportunities and need to be part of the discussion. Change also requires bringing greater convergence of policies that intersect agriculture, bio-technology, environment, trade and innovation, among other sectors. Consumers here and abroad are expecting more from the food industry. Canada must be a leader in meeting those needs. As well, we must do all this while minimizing the environmental impact. Over the course of the year, we have been sharing these ideas with many diverse stakeholders in an effort to bring about a more successful agri-food sector. The Institute is also looking ahead; building on this foundation, it is now starting to develop its next three-year strategic plan.

Advancing our work has required a dedicated team at CAPI and a very supportive Board of Directors. I wish to thank particularly Gaëtan Lussier as Chair for his ongoing guidance and passionate commitment to CAPI. I also look forward to working closely with our new Chair, Ted Bilyea. There have been many stakeholders who have shared thoughtful ideas about how to advance our work. I express my thanks to each and every one of them.

Our work continues.

Sincerely,



David McInnes
President & Chief Executive Officer

The Year in Review

Activities during Fiscal Year 2011-2012

Follow-up from the release of the report:

Canada's Agri-Food Destination: A New Strategic Approach

This report was released in the previous fiscal year, February 2011. The report advanced the need for the agri-food sector to take a "systems" approach. The issues and solutions affecting agri-food are multi-sectoral in nature and increasingly complex, including those relating to reliable food production and supply, trade and market access, diet, nutrition and population health, and environmental sustainability and climate change adaptation. Positioning the country for future success depends on the wise management of these issues. Doing so requires changing the way we link broad food issues and connect the agri-food and other stakeholders. It's about adopting "food systems thinking." A "food system" is, in very simple terms, an operating environment for industry partners to profitably operate while meeting consumer demands and society's expectations, and do so by collaborating with a full range of non-food partners. Identifying objectives and measuring progress (metrics) is an important way to align supply chains. As well, government can assist food systems through supportive and integrated policies.

Update on the Destination Report

Much of the outreach that followed the Destination Report's publication in the winter of 2011 occurred in the current fiscal year. CAPI actively engaged stakeholders to solicit their feedback on the report. In June 2011, CAPI published an Update resulting from the feedback from stakeholders and from extensive communications activities in the first quarter of the year.

During the winter and spring of 2011, CAPI met with well-over 800 stakeholders across the agri-food sector from coast to coast, including producers and other supply chain segments, governments, academia, and NGOs. CAPI also sought feedback from partners involved in health, environment, transportation, financial services and economic development. This feedback was reflected in the Update which is available on CAPI's website. (Overall, in the fiscal year, CAPI met with or presented to some 1500 stakeholders from coast to coast.)

Stakeholder Dialogue and Interest

The Destination Report is creating a national discussion. Stakeholders were intrigued by its ideas and how they could be implemented, such as elaborating on the idea of "food systems." CAPI's work generated continuing interest throughout the year, including speaking invitations to stakeholder meetings and conferences and in discussions with provincial governments on how to apply food systems concepts.

One producer group, representing over 770 supply chain members from producers to retailers, the Canadian Produce Marketing Association, has embraced the food system concept. The CPMA is now considering how to apply the food system concept to help implement its strategic plan.

As well, others took an interest in CAPI's work, such as The Public Policy Forum which published an article in the August 2011 edition of its *Options* journal, entitled "A New Mindset for Canada's Agri-Food Sector." The article summarized the Destination Report and food systems concept.

A number of organizations have profiled CAPI's work in their newsletters. For example, Québec's Ministry of Health and Social Services profiled CAPI in its provincial bulletin, *Investing for the Future*. The Ministry coordinates the 2006-2012 Government Action Plan to Promote Healthy Lifestyle and Prevent Weight-related Problems. The Deans of the Canadian Faculties of Agriculture and Veterinary Medicine published a discussion paper, "Linking Agriculture, Food and Wellness for the Health of Canadians," recognizing and building upon the foundations laid out in CAPI's work.

CAPI also published two newsletters on its website. The autumn and spring editions profiled how stakeholders across the country are creating new opportunities by working together differently. The autumn newsletter focused on the collaboration and innovation in the barley industry. The spring newsletter portrayed the Ontario's Golden Horseshoe's food system strategy.

Beef Food System

The feedback heard from our outreach included the desire to see how the food system concept could be acted upon (*Update*, June 2011). In the early fall of 2011, CAPI initiated a major case study on how the beef sector in Canada – through a food systems approach – can become more competitive and profitable. This project received primary sponsorship from the Alberta Meat and Livestock Agency and supporting sponsorship from the Saskatchewan Department of Agriculture and RBC.

The project encompassed some 80 interviews and dozens of presentations to stakeholders in 2011-12, including three briefings at the Beef Value Chain Roundtable, a joint government-industry forum representing the leading associations and stakeholders in the beef sector. The case study report will be published in the fall of 2012. The report outlines a method to apply food system principles. This endeavour will be used (and has been used already) to create a dialogue among stakeholders on the need for a new strategy for the sector.

"We are in a unique place in history. The world remains a place of extreme differences in our capacity to feed ourselves, coupled with increasing health challenges of both over- and under-abundance. At the same time, we know we will need to find the capacity to feed many more people – the equivalent of Canada's population more every six months for the next 25-30 years – in new sustainable ways that use less water, less land, and less oil while adapting to a changing climate. These are major challenges that are part of the changing relationship between those who are stewards of the land and animals which produce our food, those who consume it, and everyone in between. CAPI's dialogue is a fresh approach to designing food systems that help connect all of us so that we can meet these challenges."

*— Dr. Leslie MacLaren,
Co-President, Nova Scotia Agricultural College*

Value Chain Analysis

As a complement to the Beef Case Study, CAPI invited the George Morris Centre to prepare an analysis on how value chains can be managed so that they perform at their best. The report, called *Characterizing the Determinants of Successful Value Chains*, highlights what drives value chains to succeed and it offers new strategies for improving the agri-food sector's performance. This report complements CAPI's work which is about encouraging highly collaborative value (or supply) chains. This paper was published in March 2012.

Municipal Food Systems and Strategies

Across the country, there are many municipal initiatives underway to develop or implement “food system strategies,” such as in Toronto, the Niagara Region, Montreal and Vancouver as well as in many smaller urban communities. These initiatives are revealing how food objectives are tied to achieving multiple opportunities, including supporting local agriculture and agri-food businesses, promoting population health, addressing environmental sustainability, and so on. As well, these efforts are linking the many and varied stakeholders involved in food, from those in the agri-food supply chains (producers to food service providers) to those in government, community health, education, tourism, transportation, academia, among many others. To better understand these developments, CAPI initiated a research project on municipal/regional food systems. A paper is being drafted, in collaboration with York University and municipal food partners in several provinces, for publication in the fall of 2012.

National Food Strategies

CAPI has also reached out to other national organizations with an interest in promoting national food strategies, such as the Canadian Federation of Agriculture, the Conference Board of Canada and the People’s Food Policy, as well as organizations such as the McConnell Foundation. CAPI will continue to nurture this dialogue. In CAPI’s view, the more dialogue the better in terms of raising awareness and building an understanding of the potential for strategy to link policy priorities and stakeholders. Indeed, as part of its Growing Forward 2 discussions, Agriculture and Agri-Food Canada’s Discussion Paper, Charting the Way Forward to 2020, has noted the “mounting interest” in food policy. The paper references the contribution of CAPI (and the Canadian Federation of Agriculture) to the development of “national food strategies.”

Inter-American Institute for Cooperation in Agriculture

CAPI’s food system efforts have received international attention. The Inter-American Institute for Cooperation in Agriculture (IICA) is an agency that promotes competitive and sustainable agriculture in the Americas. IICA and CAPI are partnering to apply food systems thinking to one of IICA’s member countries in the Caribbean. CAPI is acting largely in an advisory capacity on this project. If external funding is approved, this project is expected to commence in the 2012-13 fiscal year.

Awards Program

The third and final year of CAPI’s awards program, entitled Advancing a National Dialogue, is aimed at graduate students in 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 presented in mid-2012. 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. The CAPI Charter (refer to “Mission” at outset of this report) 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.

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

Two new Board members joined CAPI this year, Ted Bilyea, an agri-food consultant, and Paul Paquin, Professor at the Department of Food Sciences and Nutrition, Laval University. Leaving the Board was Dr. Robert Church, a founding Board member, whose term had ended.

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. Agriculture and Agri-Food Canada is an ex-officio member of the Advisory Committee.

This year Christian Lacasse, President of the L’Union des producteurs agricoles, was replaced by its incoming President Marcel Groleau. Also departing the Advisory Committee was Maria Smith, a young producer. Joining the Advisory Committee were Peter Brenders, President and CEO, BioteCanada, Diane J. Brisebois, President and CEO, the Retail Council of Canada and Garth Whyte, President and CEO of the Canadian Food Services and Restaurant Association.

CAPI’s membership did not change during the fiscal year. In 2011-2012, CAPI had three Voting Members as represented by Alberta Agriculture and Rural Development, Farm Credit Canada and the Ontario Ministry of Agriculture, Food and Rural Affairs. CAPI also has one Associate Member, Quebec’s Ministry of Agriculture, Fisheries and Food.

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 completed its first formal interim performance evaluation review on June 22, 2010 (as reported on in the 2010-2011 Annual Report). Further performance evaluation reports are to be completed in 2015, 2020 and 2022.

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. The following presents a summary of CAPI’s financial statements at March 31, 2012.

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, 2012 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, 2012. We expressed an unmodified audit opinion on those financial statements in our report dated June 13, 2012. 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

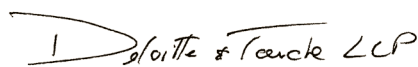
Management is responsible for the preparation of a summary of the audited financial statements. The summary balance sheet and the summary statement of revenue and expenses and changes in net assets are derived from the complete set of financial statements of the Institute. They meet the recognition and 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, 2012 are a fair summary of those financial statements, in accordance with the established criteria stipulating that the summary financial statements are derived from the complete set of financial statements of the Institute and that they meet the recognition and measurement principles of Canadian generally accepted accounting principles.



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

Finances

SUMMARY BALANCE SHEET as at March 31, 2012

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 312,963	\$ 489,951
Accounts receivable	301,431	92,989
Prepaid expenses	12,023	32,315
Capital assets	11,251	37,690
Long-term investments	12,159,483	12,742,581
	\$ 12,797,151	\$ 13,395,526
LIABILITIES		
Accounts payable and accrued liabilities	\$ 109,655	\$ 124,868
Deferred contributions	245,660	221,077
Long-term deferred contributions	12,159,483	12,742,581
Deferred contributions - capital assets	11,251	37,690
	12,526,049	13,126,216
NET ASSETS — UNRESTRICTED	271,102	269,310
	\$ 12,797,151	\$ 13,395,526

STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN NET ASSETS

year ended March 31, 2012

	2012	2011
REVENUE		
Contributions		
Grant contributions	\$ 1,200,386	\$ 1,500,000
Initial contributions	8,751	346,920
Other contributions	198,007	24,135
Membership income	-	20,000
Interest income	1,792	1,000
Amortization of deferred contributions - capital assets	28,497	31,253
	1,437,433	1,923,308
EXPENSES		
Administration	250,021	294,035
Research Activities		
Communication and Outreach	260,613	228,129
Projects	882,923	1,345,844
Program Activities		
CAPI projects	42,084	29,300
	1,435,641	1,897,308
EXCESS OF REVENUE OVER EXPENSES	1,792	26,000
NET ASSETS, BEGINNING OF YEAR	269,310	243,310
NET ASSETS, END OF YEAR	\$ 271,102	\$ 269,310



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