



CAPI

THE CANADIAN AGRI-FOOD
POLICY INSTITUTE

ANNUAL REPORT 2014-2015



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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, presents new possibilities and advances alternative solutions in consultation with stakeholders across the diverse agriculture and agri-food value chain, with the help of 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.

By taking a long-term perspective, CAPI fulfills its work according to its objectives and purpose. Its Articles of Continuance indicate 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 between industry stakeholders, the policy research community and the federal and provincial governments 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 information on this report, or on the work that CAPI is conducting, please contact:

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Message from the Chair

On behalf of the Board of Directors, I wish to express my appreciation to the CAPI team for a robust year in terms of research, outreach and encouraging dialogue. The completion of the processed food project — which contained over 20 individual reports and case studies — and our trade networking trip to China (and its report) made significant contributions to agri-food issues analysis. New ideas have been advanced and we have attracted many new stakeholders to CAPI's work. These reports and other initiatives were catalysts for very practical discussions with stakeholders on policy and strategy. This will serve us well in the next fiscal year; already, our ideas from the 2014-2015 year are taking root.



It is my view, and that of the Board, that CAPI has hit a new stride. We have become the only national, independent policy institute in the agri-food realm that is capable of providing a truly neutral platform for bringing stakeholders together. We will be building off this credible position in the years ahead, in order to continue to be the place to examine pertinent issues and create change. We anticipate building even greater support for CAPI's future initiatives.

Thank you to the Board of Directors, our many advisors, members and partners, for continually supporting our work, offering advice and generating thoughtful ideas to sharpen our focus. I would also like to thank Owen McAuley, one of CAPI's founding directors, Paul Paquin, and Margaret Rempel for their service on the Board and welcome four new Board members: Richard Gray, Claude Lafleur, David Rourke, and John F.T. Scott.

A handwritten signature in blue ink that reads "M. E. Bilyea". The signature is written in a cursive, flowing style.

Ted Bilyea
Chair

Message from the President & CEO

When presenting our work to industry, government and other stakeholders, I am continually struck by the apparent “formula” that fosters a productive dialogue. Insightful data define issues. Case examples portray concepts in practice. Key principles link different stakeholders to common ideas. Our research often brings these elements together. While there is more we can do to improve our knowledge and understandings of the changes facing the agri-food sector, our efforts to bring balanced perspectives forward, and our reliance on evidence, insights, and principles, are resulting in more and more stakeholders wanting to hear about our work and work cooperatively with us.



Our processed food research program established the necessary baseline for industry, governments and support sectors to consider their options in improving the competitiveness of this important segment of the agri-food sector. Our trade initiatives provided helpful ideas on how best to position the sector to compete in this unfolding trade world, such as suggesting new ways for food companies to increase their exports to China. On both fronts, our ideas are being adopted and are inspiring new dialogues.

I would like to thank our Chair, Ted Bilyea, and the Board of Directors, for their substantive guidance, which has enabled us to fulfill our ambitious plan. As well, we depend on our sponsors, members, advisors, partners, researchers and professionals to deliver quality research and outreach. My deepest thanks to the dedicated CAPI team; Daniel Yeon, Kim Kelly and Chelsea Berry ensure that we can meet the expectations placed on us and achieve all that we do.

A handwritten signature in blue ink, appearing to read 'D. McInnes', with a stylized flourish at the end.

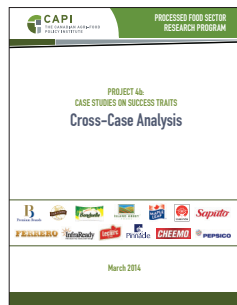
David McInnes
President & Chief Executive Officer

The Year in Review

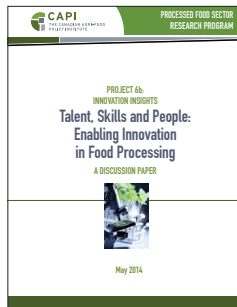
In the 2014-2015 fiscal year, the completion of a broad review of food processing and international trade dominated CAPI's work. We also witnessed continual pick-up of ideas from our earlier research.

Food Processing

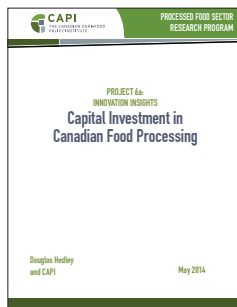
CAPI's multi-project research examined different factors, including competitiveness, affecting the country's food processing sector. In the fiscal year we published 13 case studies, a cross-case analysis and four reports on consumers and markets and one on innovation (see below). The final report, *Taking the Sector from Trade Deficits to a Competitive Resurgence*, was published in June 2014.



- **Examines:** why food companies succeed (13 case studies).
- **Conclusion:** growth depends on four traits:
 - clarity of purpose
 - layering of differentiating
 - relationships
 - enabling environment



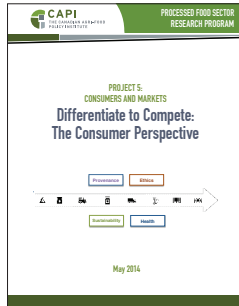
- **Examines:** attracting the talent and skills needed to help firms compete.
- **Conclusion:** food sector needs a proportionate share of public-sector support (including funding), given its size.



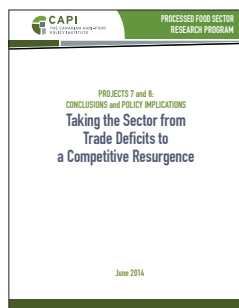
- **Examines:** investment patterns in food processing.
- **Conclusion:** better trade-balance performance coincides with positive net investment in machinery and equipment investment.



- **Examines:** innovation potential for small-scale processors to exploit off-grade food.
- **Conclusion:** there are demonstrated opportunities for this market channel but pursuing this option requires careful assessment.



- **Examines:** rising consumer/societal food expectations.
- **Conclusion:** delivering “trust” and “authenticity” presents market opportunities as such differentiation is the basis for competitive advantage.



- **Conclusion:** as a summary of our processed food work (based on 23 reports):
 - food manufacturing is an economic lynchpin as some 40% of the country’s agricultural output is processed in Canada.
 - adding value to ingredients is strategically important to the entire agri-food sector.
 - pathways to success vary by company type (e.g., multinational to start-up) as part of a new sector strategy:
 - government actions to support Canada’s No.1 manufacturing sector.
 - company actions to differentiate.

Over the fiscal year, CAPI’s work was picked up by various news media and trade publications and was the focus of many stakeholder dialogues and outreach initiatives. The work was also used or adapted in a wide variety of manners. For example:

- Our report *Talent, Skills and People: Enabling Innovation in Food Processing* inspired Mitacs, a federal-provincial skills and training organization, to broaden its reach in the food processing sector.
- CAPI signed an MOU with the Schulich Executive Education Centre to prepare a new course based on our processed food case studies (to be delivered by Schulich).
- CAPI partnered with FAST-INNOVATOR, an initiative of Université Laval’s Faculty of Agriculture and Food and the Institute of Nutrition and Functional Foods (INAF), as part of a new executive course on managing innovation in the processed food industry.
- CAPI supported joint board meetings of the Canadian Federation of Agriculture and Food Processors of Canada and their dialogues on common producer-processor issues.

- CAPI's case studies analysis attracted the interest of Colleges and Institutes Canada, which invited CAPI to present its findings to its Enabling Entrepreneurship symposium in Quebec City.
- CAPI's case studies were featured on Export Development Canada's website as part of its Youth Education Program.
- CAPI participated in the Advisory Committee of a project sponsored by Industry Canada to examine automation and robotics in the food processing industry in Canada, the EU and other global competitors. The project's concept was actually initiated by CAPI, as part of its research into this sector, and later assumed and expanded upon by the federal government.
- CAPI played a key role in the November 2014 Ontario Premier's Summit. CAPI presented the findings from its processed food project and engaged in a broad dialogue with the province's agri-food leaders about change and strategy. As well, CAPI presented its work to other key stakeholder audiences, such as the annual business strategy event of the Quebec-based processors' association, Conseil de la transformation du Québec (CTAQ).

“The success of Canadian agri-food businesses will be accomplished with the help of visionary leaders and their ability to collaborate globally through open innovation. With the benefit of the case studies from CAPI, we are now in a position to strategically focus our efforts in responding to the challenges of the industry and be more efficient at providing innovative solutions with world class partners through a global food innovation network.”

**— Jean-Claude Dufour,
Dean of the Faculty of Agriculture
and Food Science,
Université Laval**

Trade

Trade Dialogues

In partnership with the Quebec chapter of the Canada Chinese Business Council, CAPI held an event in Montreal to help Canadian food companies export to China. The August 2014 event profiled Mr. Andrew Wu from Louis Vuitton Moët Hennessy, China, and involved some 45 companies and organizations. This was a similar event to one held in Toronto in 2013.

CAPI Chair Ted Bilyea and President and CEO David McInnes delivered a presentation to the Senate Standing Committee on Agriculture and Forestry on the first day of its hearings on international market access priorities for Canada's agriculture and agri-food sector. Their presentation addressed the following question: "How can Canada's agri-food sector best position itself in a world of increasing globalization of food production and supply?"

Trade Agreements

Leveraging Trade Agreements to Succeed in Global Markets, co-authored by John Weekes (Bennett Jones), Al Mussell (formally of the George Morris Centre) and David McInnes, was published in early September. As part of other outreach efforts, CAPI held a dialogue in Calgary with agri-food sector representatives in Alberta. The event, which focused on observations arising from the paper, was sponsored by Alberta's Ministry of Agriculture and Rural Development.

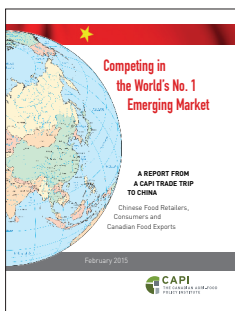


- **Examines:** the changing nature of trade agreements and positioning better access.
- **Conclusion:** global success requires excellence at trade access, trade facilitation and market readiness.

Trade Trip to China

In November 2014, CAPI organized an unprecedented trade mission to Shanghai and Beijing in order to introduce several Canadian food companies and organizations to Chinese grocers, e-commerce retailers, and government bodies. The trip provided CAPI with first-hand insights into export/import issues involving the world's No. 1 emerging market. CAPI identified constructive policy ideas that could facilitate stronger trade links between Canada and China. These insights were further developed in CAPI's report, *Competing in the World's No. 1 Emerging Market*, which was published in February 2015.

Following the publication of the report, the Ontario government issued a press release endorsing one of CAPI's suggestions. The Ontario Ministry of Agriculture, Food and Rural Affairs announced that it would adopt CAPI's recommendation to create a reference guide on exporting to China and improving market access. (Note: this occurred soon after the fiscal year concluded.)



- **Examines:** China's food retailer business and how Canadian foods are being largely outflanked by competitors.
- **Conclusion:** positioning Canada requires:
 - better regulatory and access support for value-added food exports.
 - better leverage of the Canada trade brand with physical/online Chinese retailers.

Fifth Annual Canadian Agri-Food Policy Conference

In January 2015, CAPI was a leading sponsor of a policy conference hosted by the Canadian Agricultural Economics Society in Ottawa. CAPI arranged a dedicated session on Canada-EU trade: Leveraging Access to the European Market through Innovation Collaboration. The session was organized in collaboration with the Embassy of the Kingdom of the Netherlands and featured four speakers (two from Canada and two from the Netherlands).

Furthering our Previous Work

Agriculture in the Classroom

CAPI's earlier work on food systems inspired the title of the publication *All About Food: Exploring Canada's Food System* (5th edition), produced mid-year by Ontario Agri-Food Education Inc. This student-friendly material was adapted for use by Agriculture in the Classroom, an initiative to provide a resource to educators and students across Canada. CAPI's food system concept was used to illustrate the roles of and connections among the many players responsible for ensuring the production and supply of food.

Innovation

In June 2014, the Senate Standing Committee on Agriculture and Forestry published its report *Innovation in Agriculture: The Key to Feeding a Growing Population*. CAPI appeared before the Committee in 2012 to discuss innovation in the agri-food sector. The report noted that "Some witnesses, such as Gordon Bacon, Chief Executive Officer of Pulse Canada, and David McInnes, President and Chief Executive Officer of the Canadian Agri-Food Policy Institute, believe that Canada should distinguish itself in terms of the quality, safety, and reputation of its products." CAPI is quoted on another occasion as well. CAPI was not directly attributed in the report's specific recommendations but CAPI's philosophy and approach to innovation are reflected in some of the report's proposals. For instance, Recommendation 17 urges Agriculture and Agri-Food Canada to strengthen its vertical and interdisciplinary collaboration by fostering communication with consumers, academia and federal departments and agencies. This is a key part of CAPI's food systems approach.

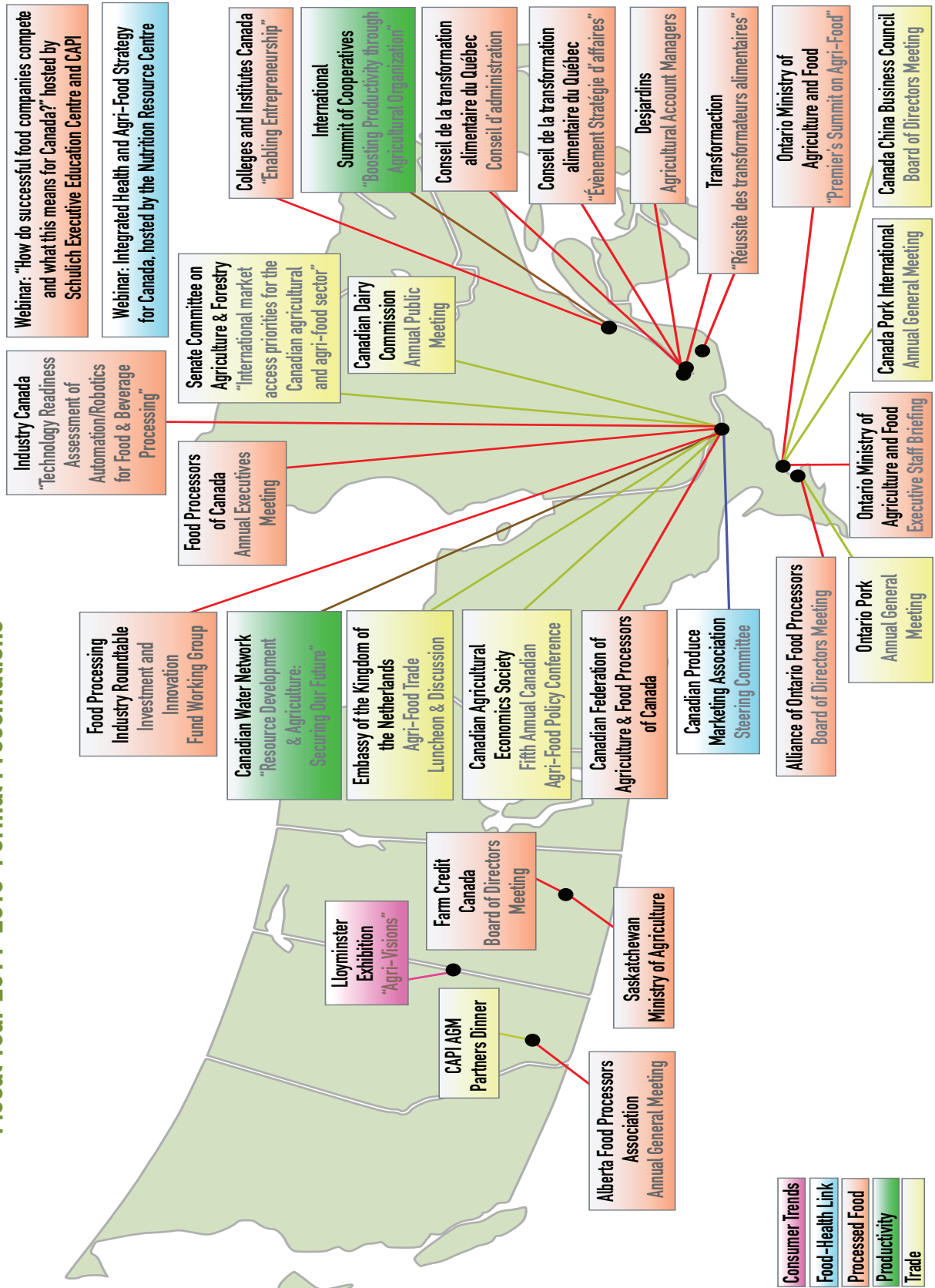
Water

CAPI participated in a panel discussion, "Resource Development and Agriculture: Securing our future," in Ottawa as part of the Canadian Water Network's "Connecting Water Resources 2015" conference.

Communications

CAPI is asked to share its results with many organizations across the country or actively reach out to stakeholders to hold various types of dialogues. A summary of many of those initiatives are represented on the following map.

Fiscal Year 2014-2015 Formal Presentations



Governance

CAPI adheres to the terms and conditions established at its founding. The CAPI Articles of Continuance (see page 3) define how the Institute conducts its activities and remains accountable. As a matter of good governance, CAPI continues to monitor and upgrade current internal policies to ensure the transparency, integrity and clarity of its operating practices. CAPI completed its process to fully comply with the new *Canada Not-for-profit Corporations Act*.

CAPI's work depends on the breadth of experience and expertise of those involved in its governance structure. CAPI's Board of Directors is drawn from all regions of the country and Directors represent the agriculture and agri-food sector, public policy and government, and research and business. The President reports to the Chair of the Board of Directors. In 2014-2015, CAPI welcomed to the Board Richard Gray, Professor in the Department of Bioresource Policy, Business and Economics at the University of Saskatchewan; Claude Lafleur, Director General of IFFCO Canada; David Rourke, producer; and John F.T. Scott, Chair of the Vineland Research and Innovation Centre. CAPI and the Board of Directors wish to thank three Directors who stepped down from the Board: Paul Paquin (Quebec), Owen McAuley (Manitoba) and Margaret Rempel (Manitoba). Owen McAuley was appointed an Honorary Member of CAPI.

CAPI's three Voting Members are represented by the Alberta Ministry of Agriculture and Rural Development, Farm Credit Canada and the Ontario Ministry of Agriculture and Food, and its Associate Member is Quebec's Ministry of Agriculture, Fisheries and Food. CAPI also has five Honorary Members: Dr. Robert Church, Kenneth Knox, Gaëtan Lussier, Owen McAuley and Chuck Strahl.

CAPI's Advisory Committee represents key stakeholders from across the food system and is completely independent from the Institute. It 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. Over the year, Perry Caicco, Managing Director of Equity Markets at CIBC World Markets, joined the Advisory Committee. CAPI and the Board of Directors wish to thank three Advisory Committee members who stepped down this past year: Diane Brisebois, Nancy Croitoru and Howard Wheeler.

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 the financial statements of CAPI as at March 31, 2015.

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, 2015, and the summary statement of revenue and expenses and changes 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, 2015. We expressed an unmodified audit opinion on those financial statements in our report dated June 4, 2015. 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 accounting standards for not-for-profit organizations applied in the preparation of the audited financial statements of the Institute. 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 balance sheet and summary statement of revenue and expenses and changes in net assets of the Institute for the year ended March 31, 2015, 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 accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

Deloitte S.E.N.C.R.L. / s.r.l.

June 4, 2015

SUMMARY STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN NET ASSETS

year ended March 31, 2015

	2015	2014
	\$	\$
REVENUE		
Contributions		
Long-term	1,152,381	1,261,351
Initial	59,099	-
Other contributions	128,895	155,819
Interest income	1,319	1,381
Other	-	10,000
Amortization of deferred contributions - capital assets	3,245	2,785
	1,344,939	1,431,336
EXPENSES		
Administration	272,700	212,360
Research Activities		
Communication and outreach	210,433	306,672
Projects	722,821	900,922
Program Activities – CAPI projects	135,385	-
	1,341,339	1,419,954
EXCESS OF REVENUE OVER EXPENSES	3,600	11,382
NET ASSETS, BEGINNING OF YEAR	284,782	273,400
NET ASSETS, END OF YEAR	288,382	284,782

SUMMARY BALANCE SHEET as at March 31, 2015

	March 31, 2015	March 31, 2014
	\$	\$
ASSETS		
Current assets		
Cash	341,422	482,948
Accounts receivable	206,126	125,906
Prepaid expenses	7,387	13,463
	554,935	622,317
Capital assets		
Long-term investments	7,758	6,455
	9,791,231	10,556,758
	10,353,924	11,185,530
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	120,626	132,509
Deferred contributions	145,927	205,026
	266,553	337,535
Long-term deferred contributions		
Deferred contribution - capital assets	9,791,231	10,556,758
	7,758	6,455
	10,065,542	10,900,748
NET ASSETS – UNRESTRICTED		
	288,382	284,782
	10,353,924	11,185,530

On behalf of the board

