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*The Canadian Agri-Food
Policy Institute*



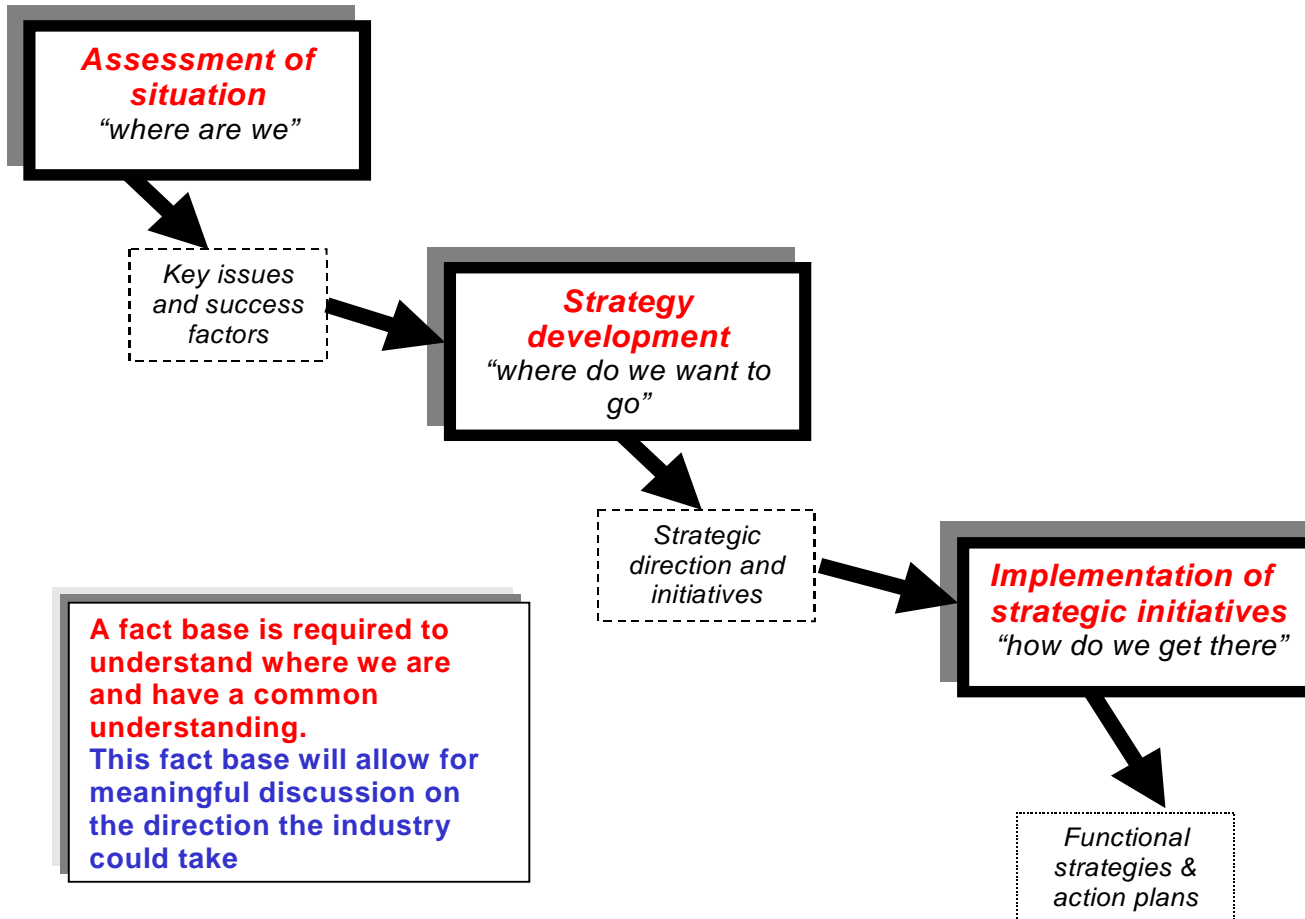
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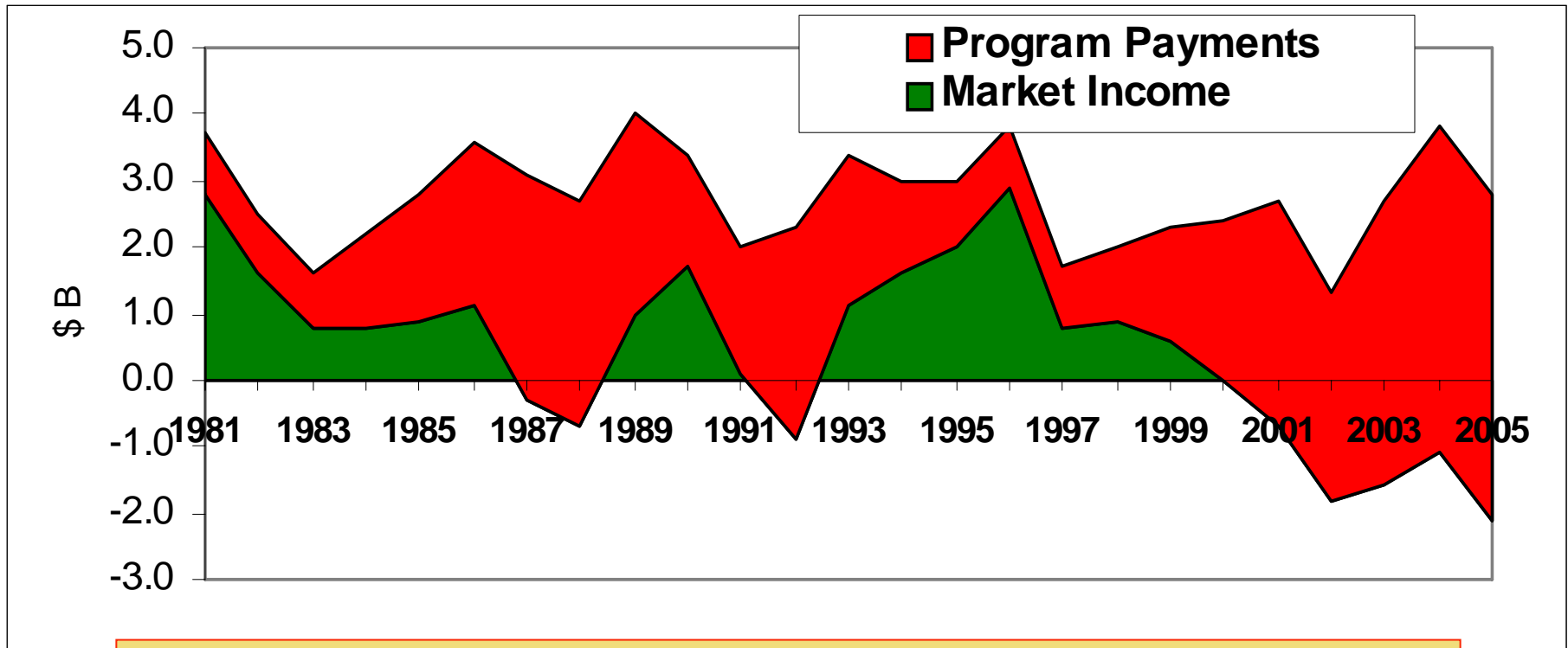
Working Towards a New Direction for the Agri-food Sector: Part I

John Groenewegen

The CAPI Farm Income Project, from situational analysis to strategy development to action



Net Income and Program Payments



From 2001 to 2005, program payments offset negative aggregate farm income – signals a possible need for repositioning

Key Issues Affecting Farm Income – Theme # 1

Farm incomes in Canada are shaped by global forces, particularly prices for commodities that are determined in the global market place and are reflective of exportable supplies of low-cost exporters; these long-run market forces are beyond the control of farmers and government policy;

Canada is a price taker – low cost suppliers affect this price

Key Issues Affecting Farm Income – Theme # 2

The farm sector has commercial business focused farms and many non-business focused entities; business management capability is necessary for business success; government policy has tended to take a one-size fits all approach versus recognition of the large number of smaller non-business focused farm operations;

The commercial business focused farmer should be the thrust of agricultural policy

Key Issues Affecting Farm Income – Theme # 3

Government policy has focused on supporting incomes versus policies that support the business of farming; levels of government support and spending on R&D, innovation, and marketing and promotion, and regulations that affect the availability of essential inputs are not conducive to a business focused commercial agriculture.

**Regulatory reform is critical, as well as
government support for R&D and innovation**

Policy Implications

CAPI is now identifying the policy implications of the issues identified.

These are summarized under the categories of:

- Focus of government policy,
- Access to markets,
- Policy, farm income and support,
- Innovation, and
- Regulations

These policy implications are listed in your folders

Focus of Government Policy

Examples:

- Government expenditures on the agri-food sector need to be rebalanced.
 - More emphasis is required in those areas that provide for long-run competitiveness and sustainability in areas such as application of R&D to improve crop health and animal health.
 - With rebalancing some form of programs may be required to assist in the transition process;
- Government policy and regulations should be supportive of innovation (adaptation of existing technologies and discovery through science) throughout the agri-food supply chain;
- Government policy makers should consider separating farm policy from rural social policy, and from broader economic and environmental policy

These policy implications are listed in your folders

Access to Markets

Examples:

- Domestic market opportunities include processed foods that are imported and not manufactured in Canada;
- The regulatory system should facilitate development of new markets, and not restrict access to products and markets (e.g., through restriction on varieties and genetics, pesticide regulations, and un-harmonized regulations);
- Government consider placing more emphasis on bilateral trade arrangements as a means of opening up markets to Canadian agri-food exporters

These policy implications are listed in your folders

Policy, Farm Incomes and Support

Examples:

- Farm income prospects depend on a healthy Canadian food processing and manufacturing sector;
- Alternative measures to aggregate farm income should be considered when formulating policy;
- Countervailing market power of farmers within the supply chain can increase through being part of integrated value chains which respond to end-user requirements, and through global farmer initiatives;

These policy implications are listed in your folders

Innovation

Examples:

- Innovation can result in improved farm incomes when the innovation can not be rapidly duplicated in other countries and when an innovation delivers benefits through the value chain to consumers;
- Government expenditures on research and development have not kept pace with need, or with past expenditures levels. This trend must reverse to provide the needed substantial investment on behalf of the agri-food sector;
- **Post farm gate innovation is extremely important for the overall agri-food sector**

These policy implications are listed in your folders

Regulations

Examples:

- Current and impending regulations prevent farmers from developing new crops and other innovations to supply market requirements;
- Some regulations are damaging the processing sector and removing value from the agri-food supply chain, while other regulations add value by helping the sector differentiate food products;
- Regulatory issues are critical and must be urgently addressed in a manner than is consistent with “smart regulations” and that does not destroy (reduce) farm income;

These policy implications are listed in your folders

The CAPI Farm Income Project, from situational analysis to strategy development to action

Assessment of situation

"where are we"

*Key issues
and success
factors*

Strategy development

*"where do we want to
go"*

*Strategic
direction and
initiatives*

Implementation of strategic initiatives

"how do we get there"

*Functional
strategies &
action plans*

A fact base is required to understand where we are and have a common understanding.
This fact base will allow for meaningful discussion on the direction the industry could take

Over the next 24 hours, we will be moving from some (1) situational analysis through to (2) a discussion of policy implications (3) feedback on vision and strategies, and (4) input follow-on actions for CAPI and the sector

Moving from Vision to Action

By to-morrow at noon, we want your input on:

- Policy implications of what we learned;
- Elements of a vision for the agri-food sector;
- Strategies to (implement the vision);
- Specific policies, follow-on actions, and/or pilot projects
 - (to test and/or implement elements of the vision)

Your input and participation will help facilitate a repositioning of the agri-food sector that will allow the agri-food sector to be a solutions provider for Canadians



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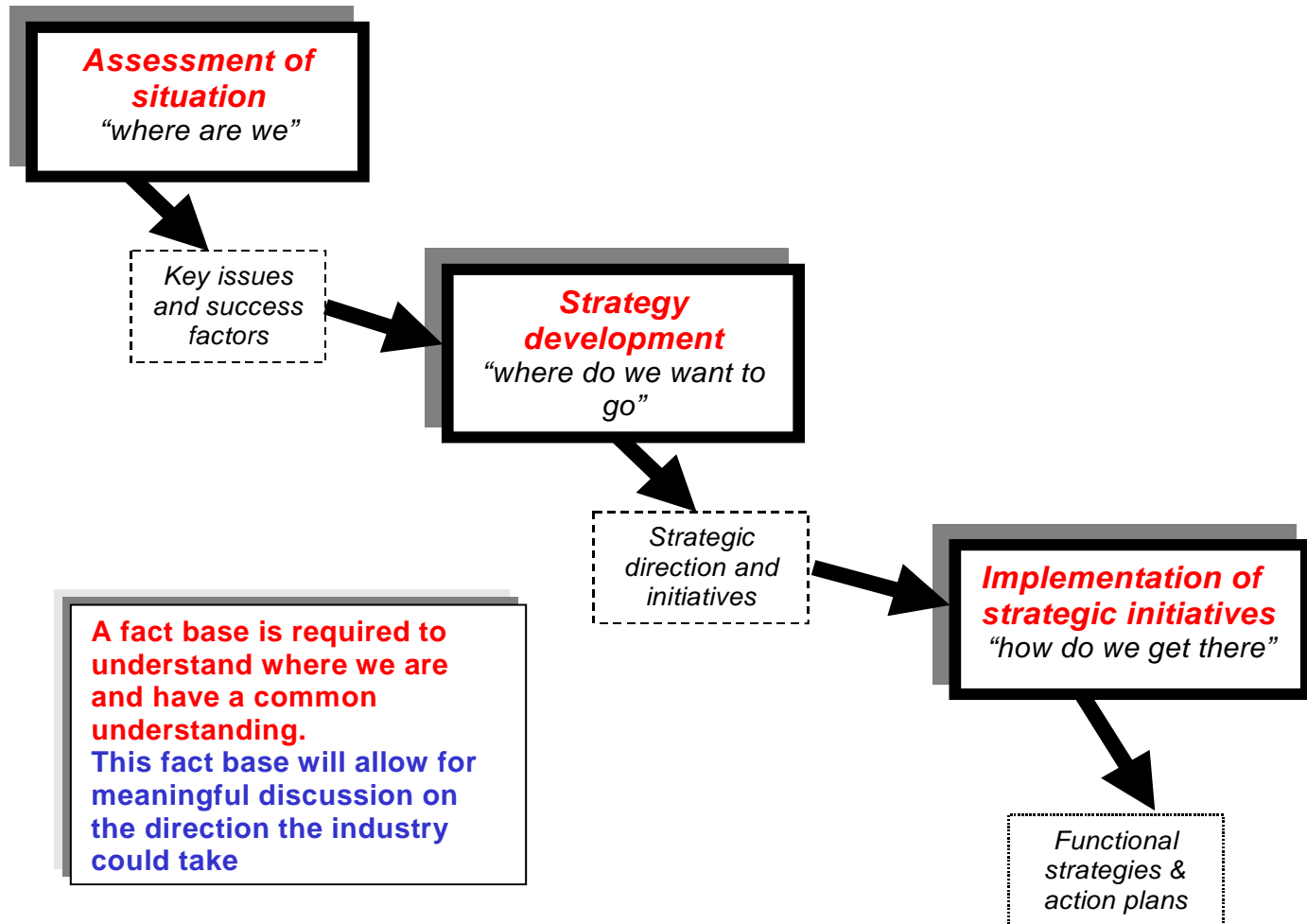
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Working Towards a New Direction for the Agri-food Sector: Part II

John Groenewegen

The CAPI Farm Income Project, from situational analysis to strategy development to action



From Vision to Action

- **Why a Vision**
 - Provides direction and clarity
- **Vision– where do we want to go**
- **Elements of a vision**
- **Achieving vision through strategies**
- **Follow-on actions, policies, and/or pilot projects**
 - For implementation and/or testing elements of the vision

Any strategy is only as good as its execution!

From Vision to Action

- **Vision– where do we want to go**
 - **Must relate to key issues facing the agri-food sector**
 - **Build on strengths and opportunities**
 - **Account for the important policy implications**
 - **Brief and memorable**

Any strategy is only as good as its execution!

Example of a Vision

“Producing and providing food, feed, fibre, renewable energy, and solutions... for the health and well-being of Canadians and global value added markets; in a profitable and sustainable manner through developed and natural advantages”.

Any strategy is only as good as its execution!

Some Supporting Strategies

- 1. Create a business, regulatory, and innovation climate that makes Canada an attractive place to invest in the processing and manufacturing of value added products which are based on agriculture products, and which increases the share of food products manufactured in Canada;**
- 2. Create a business and regulatory environment that allows the commercial farm sector to profitably respond to market opportunities;**
- 3. Build value chains and integrated supply chains that connect end-users with producers, and provide specified product attributes to end-users and consumers;**
- 4. Differentiate Canadian food products through new product development, innovation, assurance systems, and unique contribution to health and well-being;**
- 5. Align research and development activities, innovation, and adaptation of existing technologies with value chains needs in areas that will build a Canadian advantage and reinforce natural advantages;**

Some Supporting Strategies

- 6. *Develop government sponsored and supported innovation initiatives which that provides the necessary expertise for scientific discovery and adaptation and capital for the application of new and adapted technologies and processes by companies transforming agricultural products to meet the health and well-being needs of Canadians;***
- 7. *Facilitate development of Canadian markets for farm products, which reduces the dependency of the farm sector on commodity exports;***
- 8. *Provide for 10% of Canada's energy needs through wind and bio-mass;***
- 9. *Develop sustainable advantage in a number of farm products (crop and livestock) through Canada's natural advantages (climate, density of production, segregation of production, location relative to population density, etc).***
- 10. *Establish new world standards for crop health, animal health, employee conditions, supply assurance systems, and the environmental footprint which creates an advantage for Canada and higher cost production for many exporters,***

From Vision to Action - with David Lindsay

Working Towards a New Direction for the Sector:

- Policy implications of what we learned;
- Elements of a vision for the agri-food sector;
- Strategies to (implement the vision);
- Specific policies, follow-on actions, and/or pilot projects (to test and/or implement elements of the vision)

Your input and participation will help facilitate a repositioning of the agri-food sector that will allow the agri-food sector to be a solutions provider for Canadians