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Vision and Strategic Direction Options For the Canadian Agricultural Sector

Prepared for the Canadian Agrifood Policy Institute

Ed Tyrchniewicz, Asper School of Business, University of Manitoba
and
Allen Tyrchniewicz, Tyrchniewicz Consulting Ltd.

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Introduction

Canadian farm incomes have been decreasing in real terms, whether measured since 1970, 1960, or 1950, or measured as net cash income or as net realized income after accounting for depreciation of assets. At the same time, at the farm level, some farm operations are growing with increasing farm level profitability.

A range of public policy approaches have attempted to address the farm income issue, but for the most part they have had little long-term success. Various analysts and farm organizations have also offered solutions to the farm income issue. There has also been a range of "visions" and goals for the agriculture and food sector with the most recent one being the Agricultural Policy Framework. Most recently, there has been a dialogue on farm income prospects across Canada under the leadership of Wayne Easter, Parliamentary Secretary to the Minister of Agriculture and Agrifood. The Canadian Agrifood Policy Institute (CAPI) prepared a background document that served as the basis for these public consultations.

CAPI has also been commissioned to undertake a project entitled "Understanding Factors Affecting Current and Future Farm Income Prospects". The objective is to provide a fact-based analysis that will significantly contribute to the policy dialogue and stimulate discussion on the key issues affecting farm income prospects for the sector. Project activities include the commissioning of a series of 20 analytical papers, a synthesis of these papers, a round table with industry leaders in mid June, and a presentation of high-level findings to Ministers of Agriculture in July 2005.

Objective and Outline of Paper

CAPI commissioned this paper with the objective being to review visions and strategies for the Canadian agriculture sector and their results, as well as develop possible strategic direction options for the Canadian agriculture sector. This paper is designed to place some structure around ideas and concepts that have been advanced, and introduce other strategic directions and choices. Hopefully, this will aid CAPI in its process of outlining some possible strategic options (or visions of the future) and associated directions for consideration by Ministers.

The paper will consist of the following sections:

1. Brief overview of current Canadian farm income issues and drivers
2. Brief history of previous visions and strategic approaches to farm income issues and an assessment of their success
3. Framework for evaluating strategic directions for farm income policy in Canada and complicating considerations
4. The Agricultural Policy Framework

5. Analysis and implications of current and alternative strategic directions for farm income policy in Canada
6. Future Strategic Direction for the Canadian Agricultural Sector
7. Concluding Observations

Current Canadian Farm Income Issues and Drivers

The focus of this section of the paper is to provide a high level summary of farm income issues and associated drivers. It does not dwell on specific farm income numbers or the methodology underpinning them. The issues and drivers identified here are drawn from recent documents and meetings, as well as the authors' own views. Freshwater and Hedley (2004)[1] provide a good conceptual treatment of farm income issues and associated Canadian policy. The CAPI Farm Income presentation to the Farm Income meetings in January 2005[2] identified a number of key trends. The CAPI Workshop in Toronto on June 13-14 2005[3] focused on analytical papers that examined many dimensions of the farm income issues.

Farm income issues and drivers

Farm income issues and drivers include:

1. Nominal aggregate net cash income has been increasing over the last four decades, but in real terms it has declined.

2. At the same time, the portion of farm income coming from the market has declined while the portion coming from program payments has increased.

3. Aggregate net worth has been increasing over time whether viewed in nominal or real dollars.

4. Declining real farm prices have led to fewer but larger farms that are producing more on each farm. Increased efficiencies at the farm level have generally been captured by other parts of the agricultural chain and consumers rather than by the primary producer.

5. The long-term trend of decreasing real farm product prices is driven by global subsidized export supply increasing faster than demand.

[1] David Freshwater and Douglas Hedley, *Canadian Support for Agriculture: The Evolution of Income Stabilization as a Basis for Policy,* Prepared as a background report for the OECD Workshop on the Political Economy of Agricultural Policy Reform, Paris, November 2004
[2] CAPI, *Dialogue on Farm Income Prospects: Setting the Scene* ,January 2005
[3] CAPI, *Summaries of Commissioned Papers*, Farm Income Workshop, Toronto, June 2005

6. Rising oil prices driven by increasing demand, in particular China's demand for oil, is increasing Canadian production costs as well as international freight costs. It should be noted that other countries face the same rising fuel costs, perhaps even more severely than Canadian farmers.

7. A variety of trade disputes have arisen as a result of the US government availing themselves of their trade rights more aggressively in their agricultural trade with Canada. As well, American commodity organizations are becoming more forceful in their activities to protect their own markets.

8. Canada has a high export dependency with over 50% of red meats, grains and oilseeds exported. This is in sharp contrast to the US and EU where the bulk of farm production is consumed domestically. The increasing levels of US and EU farm subsidies have created challenges for Canadian exports of competing products. The rising value of the Canadian dollar, relative to the US dollar, is making Canadian exports more expensive.

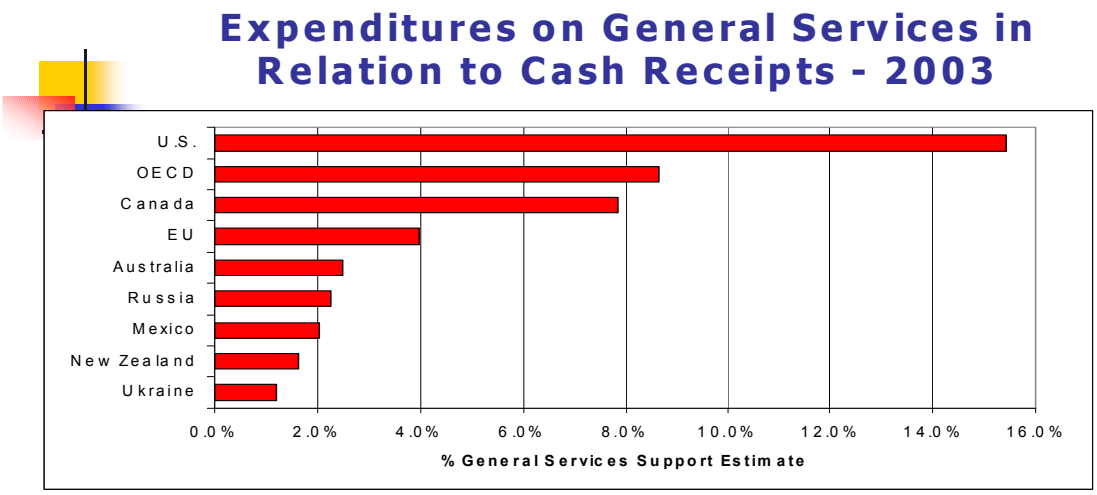
9. Over time Canada has become more export oriented in some commodities, almost all of which are prone to farm income troubles. At the same time, farmers have become specialized, increasing the risk of farm income fluctuations.

10. Traditional exporters, such as Canada, have to compete with new lower cost suppliers, such as China, India, Brazil, Malaysia, and Turkey. Even traditional exporters of wheat (Canada, US, EU and Australia) are losing market share to China, Russia, Argentina, and Ukraine. Much attention is being focused on Brazil which has grown to become the largest exporter of beef (25%) and chicken (40%), the second largest in soybeans (35%) and soybean oil (32%), and the fourth largest in pork (14%). There is considerable debate as to how much of the growth in competitors' market share has come at the expense of less stringent environment and food safety standards, and how long these competitors can maintain their low cost advantages.

11. A significant (and increasing) proportion of the Canadian population has little knowledge of, or interest in, agricultural issues. They are, however, very interested in the quality and safety of their food and environmental protection and stewardship.

12. The make up of program support in terms of general support services to agriculture (GSSE) in different countries varies widely. These services include expenditures on research, agricultural schools, marketing and promotion and infrastructure. Figure 1 illustrates this based on OECD data for 2003. Expenditures on general support services were 15.4% of cash receipts in the U.S., 7.9% in Canada, 4% for the EU, and less than 2% for New Zealand. It is interesting to note that Canada doesn't take advantage of some of the GSSE options permitted under the WTO. For example, a wide range of service fees are applied to producers in the grain sector; these would be viewed as permissible government services under WTO rules. Government expenditures on agricultural research are also WTO acceptable.

Figure 1



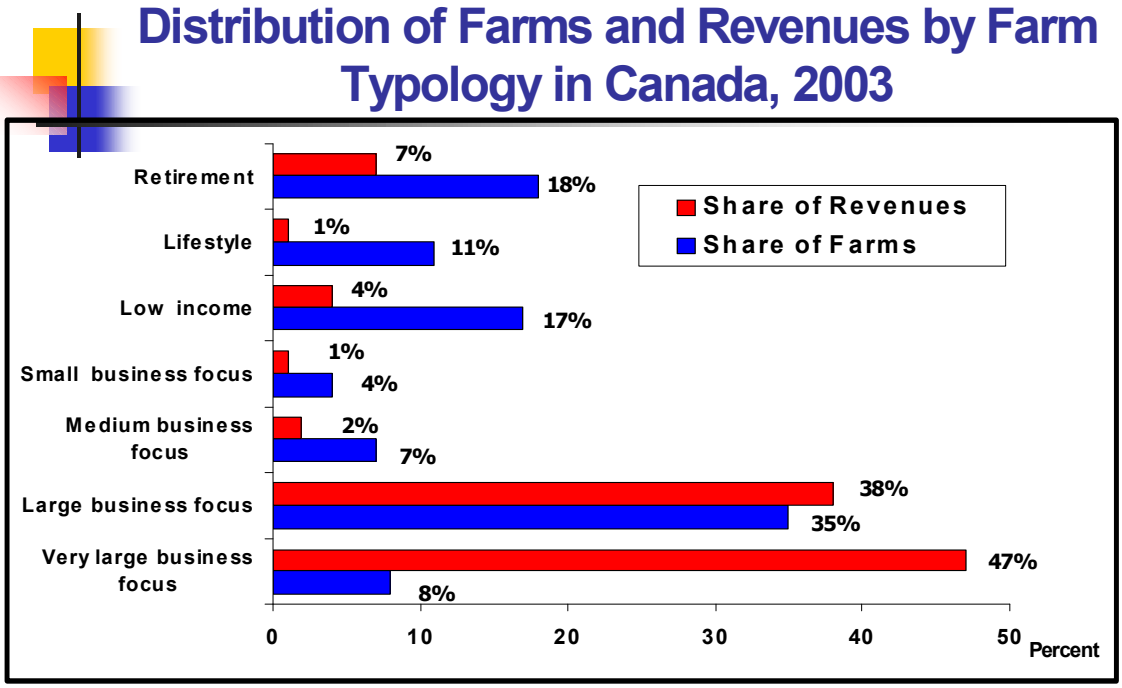
Farm typology analysis

There are significant variations in farm incomes that are masked by the use of averages. Farm typology analysis provides some useful insights[4]. The farm typology classification was developed by AAFC in 1998 to better understand the diversity of Canada's farm sector. Farms are categorized into distinct groups using factors such as age of the farm operator, financial situation, and size. For a detailed definition of the categories used in farm typology analysis and some relevant data, see Appendix A.

The distribution of farms and revenues by farm typology in 2003 is shown in Figure 2. The very largest farms with sales over $500,000, accounted for 8% of farm numbers, 47% of farm revenues and 31% of direct government payments in 2003. If we include farms with sales of more than $100,000, they account for 43% of farms, 85% of revenues, and 76 % of direct government payments. Small and medium business farms made up 11% of the farms, 3% of the farm revenue and 5% of direct government payments. At the other end of the spectrum, lifestyle and low income farms accounted for 28% of the farms, 5% of farm revenues and 8% of direct government payments. Retirement farms (those where the farm operator was at least 60 years of age and receiving some pension income, and no children were involved in the operation) represented 18% of the farms, 7% of farm revenue and 10% of direct government payments.

[4] The farm typology classification system was developed by AAFC in 1998 to better understand the diversity of Canada's farm sector Farms are categorized into distinct groups using factors such as age of the operator, financial situation, and size. For a definition of the categories, see AAFC, *Farm Income Issues Data Source Book,* February 2005

Figure 2

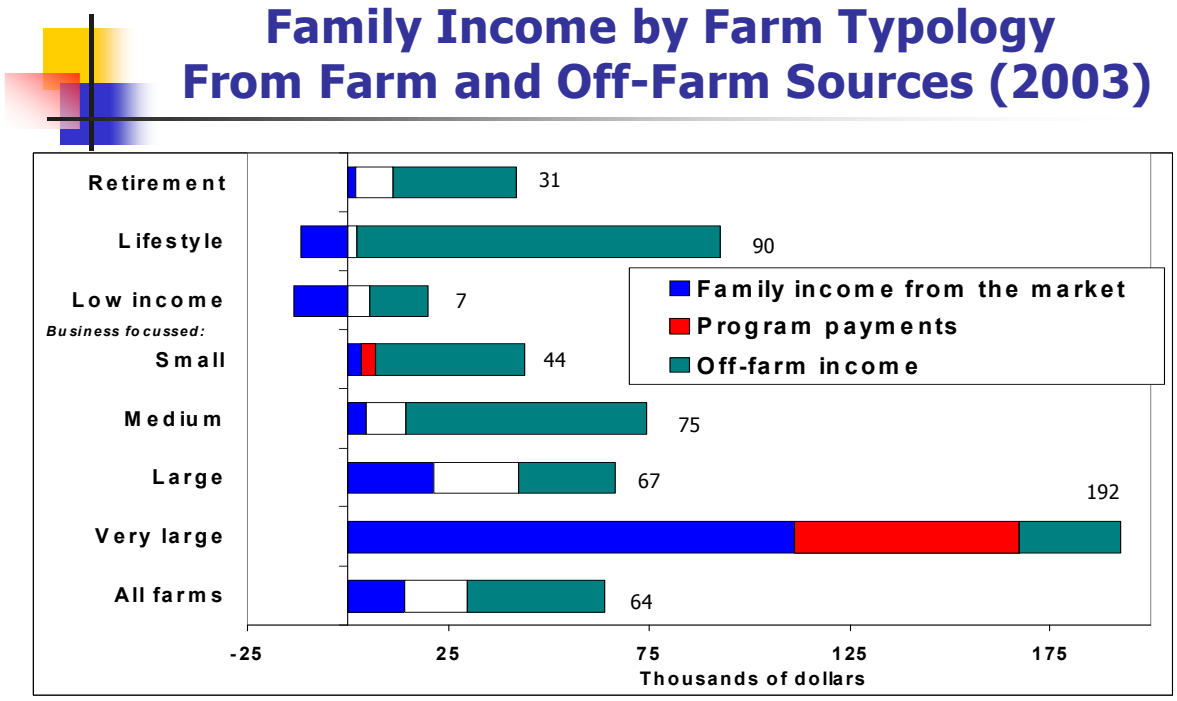


When we look at the source of farm family income, it is notable that 53% of farm family income came from off-farm sources with all farm categories having a significant portion of family income from off-farm sources. Figure 3 indicates that lifestyle and low income farms had negative income from farm operations, with off-farm income and government payments being used to offset farm operation losses. Retirement farms and smaller farm operations generally are heavily reliant on off-farm income and less reliant on income from the market and government program payments. Large and very large farms generate considerably more income from farm operations, yet they are more dependent on government program payments.

The structure of assets and liabilities also varies across farm typologies. The average very large business held assets of more than 3 times the average farm and liabilities of almost 5 times the average of all farms. At the other end of the spectrum, lifestyle and retirement farms had about 2/3 of the assets, and only 1/5 of the liabilities compared to the average of all farms. As a result the debt equity ratio ranged from a high of 29% for very large farms to a low of 7% for retirement farms with the average farm being 21%.

Many other observations and conclusions can be drawn from this data, but these are sufficient to illustrate that the characteristics and needs of farms and farm households vary widely across typologies. To suggest that there is only one vision or strategic direction for Canadian agriculture would be unrealistic and of limited value. Farm typology analysis should be an important part of developing a vision for the agricultural sector and subsequent agricultural policy development.

Figure 3



History of Previous Visions and Strategic Approaches to Farm Income Issues and an Assessment of Their Success[5]

Some agricultural policies in Canada have been developed on the basis of a systematic integration of clearly articulated objectives with well-defined means within a logical decision-making framework. Other policies are simply the result of an ad hoc response to particular events or circumstances. Still other policies have been initiated as a matter of political expediency. For the most part, agricultural policy developments in Canada have been the result of a series of pragmatic responses to particular problems and issues within the

[5] These observations draw on many sources and experiences, but especially the writings of, and conversations with, the late Dr. Clay Gilson.

agricultural industry. Until the recent introduction of the Agricultural Policy Framework, there has not been an overall plan or comprehensive policy framework for agricultural policy in Canada. At this point, it is too early to tell whether the APF will indeed become such a master plan.

A detailed analysis of historical agricultural policies is beyond the scope of this paper. However, we can identify a number of threads that persist to the present day. These include:

1. Before Confederation, agriculture was not export oriented. The new territories exported fish, timber and furs, but not agricultural products. In fact, Canada was a food deficit region; England and France wanted the territories to move towards food self-sufficiency.

2. Following confederation, agriculture was seen as an instrument of national development essentially as a provider of cheap food to the population and a market for manufacturing industries. For the most part, farmers were left to work out their problems in a largely open market environment. This did give rise to the cooperative movement, especially in Prairie Canada, where farmers felt that they were at the mercy of more powerful grain companies and railways.

3. The economic hardships of the great depression caused many to challenge the suitability of free markets and the implications for farm income. This period spawned the notion that public policy had a responsibility for farm incomes and stability as well as expansion and productivity. A number of emergency relief measures were introduced that still exist today, e.g., pooled marketing of wheat through the Canadian Wheat Board and conservation measures through PFRA.

4. During World War II agriculture was used to serve the demands of the war effort. This period saw the introduction of policy instruments, other than price incentives, to influence agricultural production decisions, e.g., controls on wheat acreage and feed freight assistance to encourage livestock production in feed deficit regions. Many of these “emergency war time” measures persisted for decades.

5. Post war agricultural policy has been characterized by a tangle of the threads from the past, constrained by structural and regulatory rigidities, and often driven by the philosophical leanings of the Minister of Agriculture at the time. Farm policy debates became bitter and divisive as policies and programs were seen as being ineffective in dealing with the fundamental problems of low and unstable incomes in agriculture.

In September 1967 the Government of Canada established the Task Force on Agriculture which was given the mandate of assessing agricultural goals and policies in Canada. The Task Force consulted widely and submitted its report in December 1969 with more than 180 recommendations on almost every aspect of the agricultural industry. Some of the major recommendations, particularly those relating to the grain industry, formed the basis for far-reaching policy changes. However, many other recommendations were ignored in spite of continuing problems.

The recommendation to broaden the mandate of the Federal Department of Agriculture to reflect agribusiness and food system developments never occurred, primarily because of the farm politics and bureaucratic rigidities associated with the traditional system. It is interesting to note that many recommendations which appeared to be justified on purely economic grounds were not implemented, primarily because agricultural policy includes many other considerations, namely constitutional, political and social factors.

A series of events and circumstances during the 1970s and 80s exacerbated the situation. Some of these included:

1. Widespread financial distress on Canadian farms as a result of greatly inflated land values from the 1970s, the highly debt-leveraged position of many farmers, a tight monetary policy that led to unprecedented high interest rates, falling grain prices and several major droughts on the Prairies.

2. An accelerating agricultural trade subsidy battle between the US and the European Union, particularly following the US introduction of its Export Enhancement Program.

3. A government preoccupied with the need to reduce a substantial and growing budget deficit targeted major federal government ad hoc payments during the latter part of the 80s.It was during this time that the export grain transportation subsidy (the “Crow rate”) came under increasing pressure from a variety of sources.

4. With the launch of the GATT Uruguay round, Canada increased the exposure of it’s supply management programs to global trade negotiations, as well as conflicts among provinces over the allocation of national production quotas.

These events and circumstances revealed serious shortcomings and weaknesses in existing agricultural policies and programs. In spite of large ad hoc expenditures on agriculture, farmers were not happy that a growing portion of their income came from ad hoc government payments. At the same time, both federal and provincial governments were not happy to be faced with unplanned expenditures in the midst of growing budget deficits. Worse still, the ad hoc programs were costly, inefficient, cumbersome, complex and replete with political controversy. With budgetary constraints at both the federal and provincial levels, it was not possible to “buy out” the problems of agriculture. Solutions would have to be found within greatly constrained financial resources.

These events and circumstances led to the establishment of the 1989/90 National Agricultural Policy Review which started with the release of a major discussion paper entitled “Growing Together – A Vision for Canada’s Agrifood Industry”. After broad ranging consultations and many task forces, the essence of the policy emphasis was essentially the following: reducing production costs, getting rid of regulatory burdens, removing interprovincial trade barriers, and trying to reduce a patchwork of provincial stabilization programs.

A number of lessons were learned during the policy reviews in the late 80s and early 90s. These included:

1. Domestic agricultural policy issues cannot be dealt with in isolation from international agricultural trade policies.

2. It is not possible to deal with farm policy issues in isolation from macroeconomic policies such as monetary policy, interest rates and foreign exchange rates.

3. The constituency for farm policies has changed drastically over the last several decades. Farm organizations have become more commodity and region specific, thus making it more difficult to develop consensus across commodities at the national level. Other interest groups including consumers, lenders, processors, input suppliers, transporters and environmentalists wanted to be part of the process of policy development.

4. Concentration of production and processing was altering the structure of the agricultural sector. For example, in the grain sector, 20% of the producers grew 80% of the crop commodities, and the handling of grain was consolidated in the hands of fewer grain companies with many of them being multinationals rather than the original farmer owned cooperatives.

With the implementation of the Uruguay Round Agreement on Agriculture in 1995, Canadian agricultural policy has moved in the direction of reduced levels of support and increased market orientation. This has been reflected in a number of key changes, which include:

1. A shift from commodity price support to whole farm income stabilization,
2. Decreased use of subsidies for inputs and services,
3. Enhanced support for farm investment and diversification,
4. The demise of export grain transportation subsidies (the “Crow rate”) and
5. New emphasis on cost sharing measures among governments and producers.

Throughout the 90s federal and provincial Ministers of Agriculture sought to achieve a program set that would lead to more stable and predictable expenditures and protection against continuous ad hoc demands. A weakness of the current whole farm programs that are designed to be responsive to all risks in income variability is that they cannot respond to the level of income issue.[6] The question must be asked, however: should they be expected to deal with the level of income issue?

The first decade of the 21st century found Canadian agriculture, especially primary producers, facing predicaments similar to those that have plagued the sector for much of the post World War II period. The Agricultural Policy framework is the latest attempt at dealing with these predicaments.

[6] Freshwater and Hedley

Framework for Evaluating Strategic Directions for Farm Income Policy in Canada and Complicating Considerations

In an ideal situation one would develop a framework with criteria and benchmarks to assess current and potential policies and strategies to deal with farm income issues. Time and human resource constraints preclude this, but we outline some of the considerations that would be appropriate for such an analysis. These include: farm income components, a sustainability framework, a market or life cycle framework, and conflicts in articulating a vision or strategy for agriculture.

Farm Income Components

To categorize the variety of visions and strategies to support farm income that have been developed, as well as make suggestions for the future, it is useful to have a framework capable of recognizing the different components of farm income and their sustainability. Such a framework should assess each strategy's ability to support farm income from four key income components:

1. Primary commodity products,
2. "Value added" processed food and other agricultural non-commodity product production,
3. Products of the knowledge-based bio-economy and
4. Ecological goods and services.

Farm income from primary commodity products is straight forward, representing the income from the market and government payments for the production of farm commodities. "Value added" processed food and other agricultural non-commodity product production refers to the farm income received for processing the primary commodities to a value added food or other agricultural product. In many cases the food product is semi-processed, requiring further processing before reaching consumers. The knowledge-based bio-economy entails processing raw agricultural commodities or by-products into non-food products, such as bio-fuels, fibre for clothing and construction, pharmaceuticals, nutraceuticals, etc. These are often referred to as bioproducts. Ecological goods and services represent the benefits society derives from ecosystem functions, such as wildlife habitat, groundwater recharge, flood and erosion control, carbon sequestration, biodiversity, air and water purification and attractive rural landscapes.

Sustainability Framework

One approach that should be used in assessing each strategy is based on **sustainability** in each of the farm income components, using sustainability criteria. The sustainability criteria concentrate specifically on the economic viability, environmental stewardship and social benefits of the strategy. **Economic viability** includes the farmer's ability to continue production at acceptable income levels as well as the country's or region's ability to provide

basic income support on a long-term basis when required. **Environmental stewardship** refers to the ability of the landscape to support the farm practices associated with the agriculture policy, as well as ensuring that the natural resources are in as good or better condition than before their use. **Social benefits** refer to society's willingness to support the agriculture policy and the subsequent farm practices associated with the policies. Agricultural activity should minimize social costs and maximize social benefits; it should also not detract from human health. In agriculture a balance must be struck between the size of farm units consistent with technology and a rural social structure that is acceptable to all stakeholders. For more details on such a framework and related criteria, see Appendix B.

Market Or Sector Life Cycle Framework

In addition to the sustainability framework discussed above, an additional useful concept in looking at future strategic directions for agriculture is the notion of a market or sector life cycle (Figure 4)[7]. This schematic illustrates that each market or sector moves through a life cycle that includes the following stages:. It should be noted that the movement through a life cycle is rarely as smooth as the schematic implies.

1. Market development *stage* – identify and access new technology and exploit new market opportunities
2. Market growth stage – build market position
3. Market shake-out stage – differentiate to survive
4. Market maturity stage – re-establish critical mass and achieve cost leadership
5. Market decline stage – withdraw from market and start a new cycle based on new technology and/or new market opportunities

Although it is risky to make a blanket generalization that Canadian agriculture is in the mature or declining stage, it would appear that some parts of agriculture, particularly traditional export commodities, clearly are. The fact that Canadian farm incomes have been decreasing in real terms, whether measured since 1970, 1960, or 1950, or measured as net cash income or as net realized income after accounting for deprecation of assets, suggests that maturity or even decline is happening in some parts of Canadian agriculture.

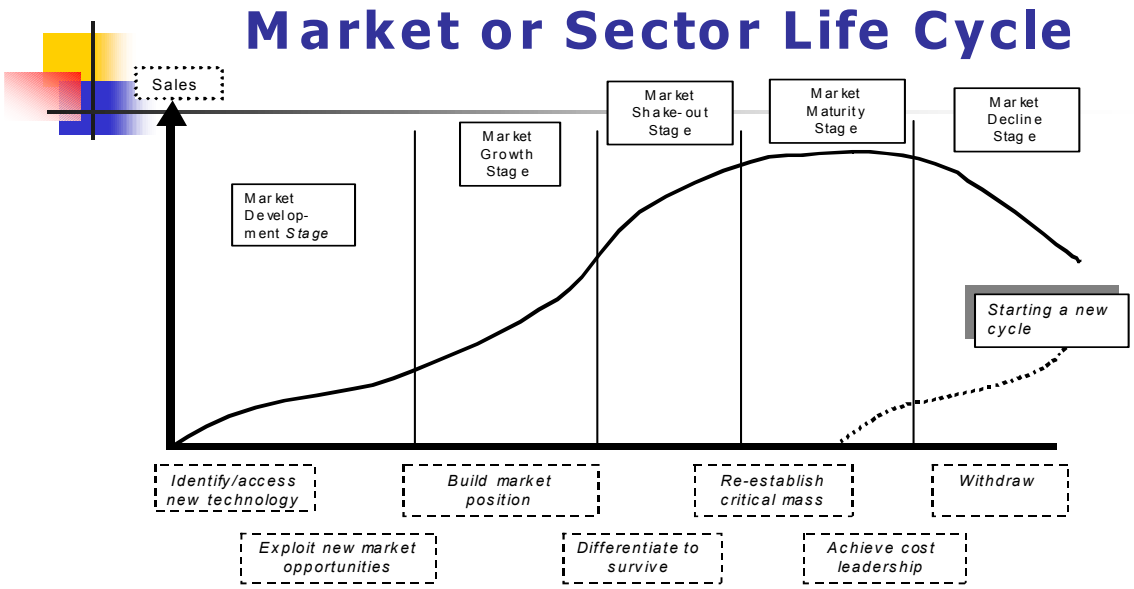
At the same time, some farm operations are growing with increasing farm level profitability suggesting that some sectors or producers are starting a new cycle. In a study prepared for the CAPI Farm Income project, Betker[8] concluded that *management* is the primary factor that differentiates one farm from another in terms of profitability. Profitable farm managers typically have proactive management mindsets, meaning that they understand the importance of management and its application in their business but in an expanded capacity that differentiates them from the less profitable operations. A second conclusion is that profitable farm managers differ from one another in terms of their relative management

[7] John Groenewegen, *Presentation to APF Review Panel*, June 17 2005, Winnipeg
[8] Terry Betker, *Case Studies of Profitable Farm Operations*, Paper prepared for CAPI Farm Income project, June 2005

strengths and weaknesses. What in turn differentiates these profitable farms from less profitable operations is how they address these strengths and weaknesses.

The task of this paper is to address strategic direction at a more macro level, but we should not lose sight of the fact that long term profitability has to happen at the individual producer level. Even at the macro level, different strategies need to be employed depending on where the sector, or sub sector, is in the market or sector life cycle.

Figure 4



Conflicts in Articulating a Vision or Strategy for Agriculture

Any attempt to articulate a vision or strategic direction for agricultural policy is fraught with conflict – conflicting goals for agriculture, a range of stakeholders, and differences in values and weights placed by stakeholders on goals.

Goals for agriculture cover the gamut of economic, social/psychological, environmental, nutritional, and political as well as individual goals. The range of economic goals includes income (level, stability and distribution), prices (level and stability), efficiency, employment, market expansion, and low cost food. Social and psychological goals can include control over financial, human and physical resources (e.g., "being one's own boss"), keeping the farm in the family, attitude to risk taking, life style, and community involvement.

Environmental goals cover conservation of soil and water, animal welfare, air quality and preservation of wildlife habitat. A nutritional goal would be an adequate, safe and nutritious food supply. Political goals can cover contribution to a positive balance of payments, national unity considerations, self-sufficiency in food production, cheap food, a voice in policymaking and re-election.

Stakeholders in agriculture include producers, other participants in the agrifood value chain, other land owners and users, environmentalists, consumers, governments, politicians, taxpayers, and media. Each of these categories can be further subdivided. For example, producers include commercial producers (individual proprietors and corporations), transitional producers (beginning and exiting), and part-time producers (voluntary and involuntary). Governments, for example, include the federal and provincial governments, and increasingly local municipal and county governments. Media include agriculturally based ones who are generally empathetic to agriculture, as well as urban based ones who often portray agriculture as a "basket" case or a polluter of the environment.

Not surprisingly, different stakeholders place different values and weights on the range of goals. These weights and values are also changing over time as the structure of agriculture changes and the relative influence of stakeholders shifts away from producers. A significant driver of this shift away from producer influence has been the trend towards urbanization and the resulting declining familiarity with what is happening on farms and rural areas generally. It should also be noted that Canadian consumers are not inclined to be focused on self-sufficiency in food, nor are they particularly concerned about the country of origin of their food.

Process issues (e.g., what is negotiable and who is involved in the negotiations) are a further complication. Furtan[9] has argued that a key characteristic of Canadian agricultural policy is that it tends to be written by civil servants with some input from politicians and producers, while in the US politicians play a much more significant role in writing the Farm Bill and consequently producers as voters have considerably more influence. He further suggests that this results in more concern for broader issues, such as the WTO, in Canada, while in the US the focus is much more on the needs of constituents.

The Current Approach - The Agricultural Policy Framework

An appropriate starting point for looking at future strategic directions for agricultural policy in Canada is the current Agricultural Policy Framework (APF). In June 2001, federal, provincial and territorial ministers of agriculture, in consultation with industry representatives, articulated a vision for Canadian agriculture which was **to secure the long-term profitability of the sector by making Canada the world leader in food safety, innovation and environmentally responsible agricultural production.** This is generally referred to as the Whitehorse accord.

[9] W.H. Furtan, *Agricultural Policy: Problems and Solutions*, Presentation to APF Review Panel, Winnipeg, June 16 2005

This was to be achieved through an action plan, the APF, which was announced in June 2002, and which had the following objectives[10]:

1. Develop infrastructure to help farmers manage risk
2. Accelerate environmental actions to enhance the sector's environmental performance
3. Strengthen on-farm food safety systems and ensure international recognition
4. Initiate programs to help farm families adapt to changing circumstances
5. Facilitate the use of science to create new opportunities/innovation for farmers

These objectives were to be based on the following principles shared with provinces and territories:

1. Focus on profitability and growth through serving market needs
2. Long-term stable funding shared by governments (60% federal and 40% provincial)
3. National policy and programs for producers and/or value chains
4. Consistent treatment of clients in different parts of the country
5. Regular and consistent reporting to citizens to help ensure we meet consumer demands and expectations

Operationally, the APF has five elements or chapters: business risk management, food safety and quality, environment, science and innovation, and renewal. Goals were agreed upon for each of these elements. See Appendix C for more detail on the goals and programs of each of the elements.

By December 2003, all provinces and territories had entered into implementation agreements with the federal government. At this point, there is a wide range of initiatives that have been launched; however, most of the attention and funding has been directed towards the business risk management element.

In April 2005, Ministers of Agriculture established the APF Review Panel with a mandate to review the APF and make recommendations by March 31 2006. The expectation is that such a review will happen on an annual basis.

Analysis and Implications of Current and Alternative Strategic Directions for Farm Income Policy in Canada

This analysis of strategic directions for Canadian agriculture, and especially farm income policy, is based on our observations about the effectiveness of strategies to support farm income in the four key income components: raw unprocessed farm commodities, "value added" processed food and other agricultural product production, products of the knowledge based bio-economy, and ecological goods and services.

[10] Mary Komarynsky, Presentation to APF Review Panel, June 16 2005, Winnipeg

Farm Income Components

Strategies that support farm income through focus on **primary commodity products** are generally ineffective in the long run.[11] They tend to be expensive to the national treasury, and discourage adjustment in the short term. Also, ad hoc relief measures become institutionalized in response to political pressure from the producer constituency. These measures are also vulnerable to allegations of trade distortion. Most importantly, they don't seem to work in that aggregate farm incomes in Canada, regardless of how measured, are neither increasing nor stable. Given the reactive nature of Canadian agricultural policy, and a seeming unwillingness to commit significant long-term funds to farm income support, we do not see subsidizing prices of farm level commodities as a viable long-term strategy for Canadian agriculture.

However, we do believe that an effective strategy for disaster relief is necessary, though it need not be focused on stabilizing farm level prices. A weakness of the current whole farm programs that are designed to be responsive to all risks in income variability is that they cannot respond to the level of income issue This, coupled with many of Canada's producers relying heavily on export sales of unprocessed commodities, would suggest that Canada's focus on farm income policy for primary commodities does not pass the test of economic viability.

Turning to supporting farm incomes through a focus on **"value added" agriculture or processed food production**, the record appears to be considerably better. Groenewegen[12] in a presentation to the APF Review Panel indicated Canadian agri-food exports have grown to over $26 billion – a 71% increase since 1994. The growth has been in processed food products, with minimal growth in primary products (unprocessed). This suggests that the agri-food sector overall is benefiting from a policy focus on value added activities, but the concern that is often expressed is that little of this benefit finds its way to the farm level. It is often suggested, however, that producers who adapt measures that "brand" their products are often able to capture a greater share of the value of export sales. An analysis of this proposition is beyond the scope of this paper, but it would be useful to have a better understanding of the impact of branding at the producer level.

With respect to farm income from the **knowledge-based bio economy**, this is a relatively new area for Canada, with some pilot projects having been established, but this is seen as an area of potential growth.[13] As one example, the Flax 2015 project is developing new lines of business for higher-value flax based products and processes through total utilization of flax in four key areas: 1) Human health (including functional foods and natural health

[11] Hartley Furtan has argued quite correctly that one of the most successful agricultural programs has been research and development – and that is largely focused on specific commodity production. Personal communication, July 2, 2005.

[12] John Groenewegen, Presentation to APF Review Panel, June 17 2005, Winnipeg

[13] It has been suggested that many of the large agribusiness related companies are increasingly looking at agricultural products for industrial uses rather than food because there is less public scrutiny and government regulations associated with non-food uses of agricultural products.

products); 2) animal nutrition; 3) bio-fiber and 4) industrial feedstock. A number of driving forces are contributing the development of biobased value chains:

1. The high cost of oil and natural gas as industrial feedstock
2. The need to provide opportunities for rural economic growth and diversification
3. The need to shift industrial production to a more sustainable basis
4. Growing environmental problems from greenhouse gas emissions and petrochemical contamination of air, water and soil.
5. Provincial government mandates requiring the use of ethanol or biodiesel in fuel.

Canada has been slow to move into the area of deriving farm income from **ecological goods and services**. The US and European Union are much further ahead in including ecological goods and services as part of their farm income policy and strategy. Conservation groups and some farm groups recognize this potential, with most programs being offered by conservation groups. An interesting example that is being discussed currently is the Alternative Land Use System (ALUS) that has been developed by the Keystone Agricultural Producers in Manitoba[14]. Program funds for ecological goods and services are generally seen by government as yet another subsidy and appear to be limited to organizations that are supporting specific activities, such as wildlife habitat. Part of the slowness in moving forward on these types of projects is jurisdictional conflict as to which federal government department will lead, or be responsible for, this initiative.

Agricultural Policy Framework

On a high strategic level, there can be little disagreement with the objectives and principles underlying the Agricultural Policy Framework, and we endorse these, although we would like to see a greater recognition of sustainability in the principles and objectives. The challenges will come at the implementation level and the effectiveness of the initiatives. At this point it is much too early to make a judgment as many of the initiatives are still evolving, especially in business risk management. This is probably the most comprehensive approach to agricultural policy that has ever been developed in Canada. Its success and effectiveness in delivering long-term profitability to the agricultural sector, however, remains to be seen. However, it can be observed that there is some unease, indeed skepticism, at the producer level as to how well the APF is understood and the actual adherence to the principles underlying the APF, especially the principle of stable long-term funding. At this point there have not been many measurable outcomes as a result of APF programming. It is not our intent to pass judgment on these concerns, especially since the senior author of this paper is also currently chairing the recently established APF Review Panel!

[14] For information on ALUS, go to the Keystone Agricultural Producers web site at http://www.kap.mb.ca/contents.htm

The University of Guelph Visioning Process[15]

In April 2004 a group of Canadian agriculturalists met at the University of Guelph to craft a vision for agriculture. The group concluded that the agricultural industry has two foundation pillars on which to build for the future: human health care delivery and sustainable development.

The group argued that the cost of health care delivery will swamp all other public issues and needs. It is therefore, mandatory that all industries, which can positively impact cost reduction, do so by: keeping people healthier longer and out of the health care system, preventing disease, leading people to healthier lifestyles through product services and information, and developing new technologies that will reduce health care costs in Canada, and can be marketed to the world.

Also, society's demand for environmental sustainability will increase as Kyoto implementation dates come closer. For example, agriculture accounts for 10% of greenhouse gas production, but potentially 25% of remedial measures. As well as biomass energy, vegetable oil based lubricants, diesel fuel, and a host of plastic and structural feedstocks are available from crops and in some cases genetically altered animals. Technology development opportunities now at the discovery stage in Canadian universities and public research institutes can provide the base for new commercial activities at home and abroad. All promise a smaller environmental footprint and place Canadian agriculture at the forefront of the new bio-economy of the 21st Century.

The Guelph group argued that Canada's position as a supplier of healthy high-quality food products both domestically and internationally should not be ignored. By building on the twin pillars of health and environment, always keeping our eyes focused in this direction, and aligning our actions and communication strategies in the same direction, we will gain strength with a strong and unified voice.

The group's vision was the following. In the year 2015 Canada is a world leader in the enhancement of human, animal and environmental health through the application of research, technology, and social innovations in agriculture and the bioscience industry. As a solution provider to society, agriculture can help reduce the burgeoning health deficit, improve quality of life, and embrace environmental sustainability. Indeed, a bumper sticker version could be *Agriculture: A fundamental pillar for a healthy Canada.*

[15] Background on The Vision 2015, The University Of Guelph, April, 2004

Future Vision and Strategic Direction for the Canadian Agricultural Sector

As CAPI develops its recommendations to Ministers and as the APF process moves forward, we offer a number of observations and recommendations, perhaps even principles, that should guide a future direction for Canadian agriculture. These include:

1. There appears to be declining importance of agriculture in the national and regional economies. Put more bluntly, the political influence of farmers and their organizations, as well as rural constituencies, are also declining. Future visions for agriculture will have to include other strategic stakeholders if the farm voice is to influence policy direction in Canada.

2. Although it is risky to make a blanket generalization that Canadian agriculture is in the mature or declining stage of its life cycle, it would appear that some parts of agriculture, particularly traditional export commodities, clearly are. There is a strong need for new products and approaches.

3. Long-term agricultural profitability has to happen not only at the aggregate level, but also at the various links in the agrifood chain.

4. Farm family income should be sustainable in the long term. Although we put forward this proposition here, we are cognizant that there is increasing debate as to why agriculture deserves special consideration relative to other sectors of Canadian society. Perhaps the question of adequate income levels is a broader social issue that is better addressed through broader social safety net approaches like guaranteed annual income programs.

5. Sustainability encompasses economic viability as well as environmental stewardship and social considerations.

6. Farm income can be derived from four key areas: primary unprocessed farm commodities, “value added” processed food and other agricultural product production, products of the knowledge based bio-economy, and ecological goods and services.

7. Farm family income can be derived from farm income as well as from non-farm family income

8. A focus on farm income policy for subsidizing primary commodities has not passed the test of economic viability in the past, nor is it likely to do so in the future.

9. A policy focus on value added agriculture and food production has benefited the agrifood sector generally, but it isn’t clear how much of that benefit finds its way to the primary producer level.

10. Government program payments and benefits are often capitalized into asset values, but it should also be noted that profits from economically viable farm enterprises are also capitalized. Perhaps too much attention is focused on this issue, and not enough on long term farm family income sustainability.

11. The primary production sector cannot expect to "drive the agricultural policy agenda" in isolation of other stakeholders. When society at large says they "support agriculture", we need to determine what type of agriculture they support. It is highly unlikely that Canadians will be willing to subsidize large-scale agriculture producing for export at a loss on an ongoing basis.

12. There are many types of farms and farmers in the rural landscape, each with different characteristics and lifestyle/business objectives. One policy approach does not fit all.

13. The role of government should be to provide measures to manage instability (including short term disaster relief) in farm family income and adjustment assistance where appropriate. It should not be to provide long-term support to economically unsustainable farm operations. It is recognized that different levels of government can play different roles.

14. Tighter environmental and food safety regulations add to the costs of production and decrease the competitiveness of the agricultural sector, and will impact small-scale producers more negatively than large-scale producers.

15. There is considerable potential for improving farm incomes by focusing on products of the knowledge based bioeconomy. However, it must be recognized that markets for these products are small and the management skills necessary to be successful are high.

16. Much is said about the benefits of "branding" Canadian agricultural and food products. More analysis is needed on how branding impacts producers' incomes.

17. There is potential for farm income from ecological goods and services. This is especially true for regions where soils are of poorer quality for crops or degraded by inappropriate farm practices.

18. A focus on how agriculture can help reduce the burgeoning health deficit, improve quality of life, and embrace environmental sustainability has the potential to enhance farm incomes as well as improve the image of agriculture.

For purposes of laying out a vision and strategic direction for Canadian agriculture it is useful to return to the concept of farm typologies and different sources of farm family income. Figure 5 is a schematic that illustrates this. Time does not permit a detailed

analysis of how each type of farm might focus on the different sources of farm family income.

Figure 5

Schematic for Vision and Future Strategic Direction for Canadian Agriculture

Sources of Farm Family Income

Farm Typologies	Primary Unprocessed Farm Commodities	Value-added Processed Food and Other Ag Production	Knowledge based Bio-economy	Ecological Goods and Services	Non-farm income
Retirement					
Lifestyle					
Low income					
Small business focus					
Medium business focus					
Large business focus					
Very large business focus					

However, some indicative observations can be made based on farm typology information:

1. Farm income from the market is significant only for large and very large farms, and therefore policies aimed at managing farm income instability should be focused primarily on these two groups.

2. Given the significant role of non-farm income in most groups of farms, a key focus of government policy should be to promote rural development that translates into rural non-farm employment and resulting non-farm income.

3. A recent newspaper headline stating ”Too many farmers and too much land” is a stark way of suggesting that there is a need to focus on adjustment programs that remove land from production agriculture, and provide opportunities for those farmers to also leave primary agriculture.

4. Paying farmers and other rural landowners for providing ecological goods and services can be targeted especially at farms, which are on less productive and vulnerable soils. These are most likely to be found in the lifestyle, low income, and small business categories.

5. The potential for producing agricultural products for the knowledge-based bio-economy is huge, but it will require a high degree of management, technical and marketing skills to meet the specialized requirements of relatively small niche markets.

A Vision for the Canadian Agricultural Sector

Based on the analysis and observations above, we now turn to a possible strategic vision for Canadian agriculture. A vision statement should be a concise reflection of what an organization or industry strives to be. Composed of shared values, reasons for being and overall goals, a vision statement is also a reference for stakeholders. It guides the development of strategy, the search for opportunities and the allocation of resources. Visions must be rooted in reality but focused on the future.[16]

Based on the observations and conclusions of this paper, we offer the following preliminary vision statement for the Canadian agricultural sector:

AGRICULTURE: A FOUNDATION FOR A HEALTHY AND SUSTAINABLE SOCIETY IN CANADA AND GLOBALLY

This vision statement has various underpinnings and implications; some of these include:

1. Agriculture is not an entity unto itself, but is an integral part of broader society. As such, society through a wide range of stakeholders will have some say in how agriculture goes about its business and the role played by government in supporting agriculture.

2. Agriculture has several sources of income and each needs to be recognized in agriculture policy as well as the implications of how the assistance in one income area impacts in the other income areas.

[16] Dobbins et al.: “Strategic Planning: Scanning the Horizon,” Farm Business Management for the 21st Century. (Purdue University Department of Agricultural Economics, West Lafayette, Indiana, 2004). Quoted in *Developing a Vision for Ontario’s Agri-food Sector: Discussion Document, Summer 2005*

3. More effort will be required on the part of society to understand and appreciate what is happening in agriculture, and on the part of agriculture to understand and appreciate what society's needs and goals are.

4. A healthy society implies that agriculture will play a role in not only supplying safe and nutritious food for society, but will also be a source of nutraceuticals, and non-food health and industrial products.

5. A sustainable society suggests one that is economically viable, practices environmental stewardship, and is socially beneficial. Agriculture, as a foundation of society, would exhibit the same sustainability characteristics.

6. There is a need for a system of minimal government regulations and controls that protect the basic needs of society yet encourage entrepreneurial approaches to agricultural management and production.

7. Canada can strive to become a world leader in food safety and quality, environmental stewardship and innovation.

8. This vision requires an adequately funded long term approach to research.

9. Low income issues in agriculture can be dealt with through the same broader social policy tools as the rest of society, rather than through agricultural policies whose focus was on measures to manage instability (including short term disaster relief) in farm family income.

Concluding Remarks

In this paper we have attempted to present as objective a perspective as we could on the farm income issue and how Canadian agricultural policy has dealt with these issues over time. To focus on longer term vision and strategic direction is challenging as so much of the effort and thinking is, of necessity, focused on immediate farm income problems. Yet, a review of history suggests that agricultural policy making in Canada has typically been reactive rather than strategic.

This exercise has permitted us to take a small step towards a more strategic approach for the Canadian agricultural sector. In our view, a focus on the role that agriculture can play in society's health and sustainability has great potential, but is not without challenges. Perhaps the greatest challenge is to bring about a change in mindset in agriculture from one where we think of ourselves as "good guys" producing food and therefore deserving of society's support in troubled times, to one of stepping forward as a sector of society that can provide solutions to society's concerns about health and sustainability.

APPENDIX A Farm Typologies

Background – Farm Typology

- The farm typology classification system was developed by Agriculture and Agri-Food Canada (AAFC) in 1998 to better understand the diversity of Canada's farm sector. Farms are categorized into distinct groups using factors such as:
  - age of the operator
  - financial situation
  - size
- Farm typology is an important part of policy development, because the needs of farms and farm households vary systematically according to these characteristics.

Chart C2.1
Definition of Farm Typology

Family Farms	
Retirement	➢ Family farms where the oldest operator is 60 years or older and receiving a pension income, and where no children are involved in the day-to-day operation of the farm
Lifestyle	➢ Small-size family farms (revenues of $10,000 to $49,999) with total family off-farm income of $50,000 or more
Low income	➢ Small and medium-size family farms (total revenues of $10,000 to $99,999) with total family income less than $35,000
Small business-focus	➢ Family farms with total operating revenues of $10,000 to $49,999
Medium business-focus	➢ Family farms with total operating revenues of $50,000 to $99,999
Large business-focus	➢ Family farms with total operating revenues of $100,000 to $499,999
Very large business focus	➢ Family farms with total operating revenues of $500,000 and over
Non-Family Farms	
Non-family farms	➢ Hutterite Colonies, communal operations and other non-family farms

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The share of production and government support varies across typology groups

Chart C2.2
Distribution of Revenues and Direct Government Payments by Typology in Canada, 2003

Typology	Number of farms	Revenues	Direct government payments
		Percent	
Retirement	18	7	10
Lifestyle	11	1	2
Low income	17	4	6
Small business-focus	4	1	1
Medium business-focus	7	2	4
Large business-focus	35	38	46
Very large business-focus	8	47	31
All farms	100	100	100

Chart C2.3
Distribution of Family Farms by Typology and Farm Type in Canada, 2003

Typology	Grains & oilseeds	Beef cattle	Dairy & poultry	Hog	Horti-culture	Other types
			Percent			
Retirement	21	22	x	6	17	19
Lifestyle	9	16	x	2	12	18
Low income	12	26	4	12	13	19
Small business-focus	5	4	x	1	5	6
Medium business-focus	9	8	x	3	9	7
Large business-focus	38	21	72	47	28	24
Very large business-focus	6	3	19	29	16	7
All farms	100	100	100	100	100	100

x : sample too small

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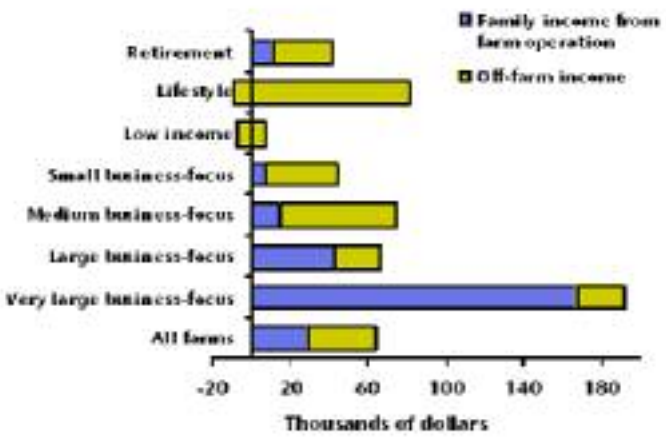
The contribution of income from farm operations to total family income varies greatly across farm typology groups

- Family income from farm operations equals the farm family's share of net operating income plus farm wages paid to family members. (Some farms have a large number of family members involved in the farm operation.)
- Average family income from farm operations on large and very large business-focussed farms is $35,000 and $165,000 respectively.
- The average of lifestyle and low income farms had negative income from farm operations. As a result, off-farm income accounted for total family income and, in addition, covered the losses from farm operations.

Chart C2.4
Average Total Family Income by Farm Typology in Canada, 2003



- In 2003, on average 53% of farm family income came from off-farm sources.
- Large and very large business-focussed farms had the smallest average contribution of off-farm sources to family income, with 36% and 13%, respectively.
- For the other typology groups, the average share of off-farm income to total family income was 73% or more.

Chart C2.5
Farm Family Income by Farm Typology in Canada, 2003

Typology	Family income from farm operation	Off-farm income	Total family income	Off-farm income as % of total family income
	Dollars per farm			%
Retirement	11,516	30,629	42,145	73
Lifestyle	(9,884)	90,333	81,425	111
Low income	(7,447)	14,435	6,988	213
Small business-focus	6,957	36,950	43,902	84
Medium business-focus	16,626	57,906	74,532	80
Large business-focus	62,792	23,954	86,746	36
Very large business-focus	167,507	24,817	192,324	13
All farms	29,933	34,241	64,074	53

The structure of assets and liabilities varies by farm typology

- The average very large business-focussed farm held assets of more than 3 times the average of all farms, and liabilities of almost 5 times the average of all farms.
- At the other end of the spectrum, the assets of retirement and lifestyle farms were 2/3 of those of the average Canadian farm and liabilities were 1/5 of the average farm.
- As a result, the debt to asset ratio across typology groups ranged from a high of 29% for very large business-focussed farms to 7% for retirement farms.

Chart C2.6
Farm Assets, Liabilities, Net Worth, and Debt Asset Ratio by Farm Typology in Canada, 2003

	Assets	Liabilities	Net worth	Debt asset ratio
Typology	Thousands of dollars per farm			
Retirement	682	48	634	7
Lifestyle	850	75	775	17
Low income	500	77	423	15
Small business focus	362	47	314	13
Medium business focus	612	100	512	16
Large business focus	1,324	276	1,048	21
Very large business focus	3,579	1,032	2,548	29
All farms	1,062	219	843	21

APPENDIX B - A Sustainability Framework for Analyzing Agricultural Policies

One approach that could be used in assessing each strategy is based on **sustainability** in each of the farm income components, using sustainability criteria. The sustainability criteria concentrate specifically on the economic viability, environmental stewardship and social acceptability of the strategy. **Economic viability** includes the farmer's ability to continue production at acceptable income levels as well as the country's or region's ability to provide income support on a long-term basis when required. **Environmental stewardship** refers to the ability of the landscape to support the farm practices associated with the agriculture policy and remain as healthy or healthier. **Social benefits** refer to society's willingness to support the agriculture policy and the subsequent farm practices associated with the policies.

A number of organizations and authors have developed sustainability criteria for policy and program assessment. The criteria for this analysis are based on blend of these studies. This list of principles and considerations is merely indicative of the kinds of considerations that should underpin any agricultural policy initiative and is by no means complete or exhaustive.

Economic viability: Fundamentally, agricultural production cannot be sustained over the long run unless net returns provide an adequate standard of living for the farm family/landowner, as well as attract replacement farmers. Specific considerations include:

- Ensure economically efficient use of resources
- Increase sustainable productivity of land and water resources and promote appropriate technology transfer
- Apply true comparative advantage, including reduction of trade barriers
- Promote value added activities, including sustainable nonagricultural economic activities

Environmental stewardship: Agricultural activities should be undertaken in such a manner as to maintain and preferably enhance the capacity of resources to meet current needs as well as those of future generations. More specifically, soil and water resources must be protected so that their inherent productivity is maintained. Specific considerations include:

- Maintain the integrity of ecosystems, including biodiversity
- Provide for integrated resource management
- Provide habitat for wildlife and plants both on land and water
- Restore the productivity of degraded land and water resources
- Identify and implement practices that mitigate and adapt to climate change

Social benefits: Agricultural activity should minimize social costs and maximize social benefits; it should also not detract from human health. In agriculture a balance must be struck between the size of farm units consistent with technology and a rural social structure that is acceptable to all stakeholders. Stakeholders in the maintenance of rural environmental and social structures extend beyond the farm and local level. Some specific considerations include:

- Look at alternative options for rural employment
- Ensure water quality and quantity are available for various uses, especially human consumption
- Provide an acceptable quality of life and livelihood for all rural residents
- Be sensitive to objectives and goals of local people and communities

Some principles for a sustainable approach to agriculture would include:

- Economic, environmental and social considerations must be integrated in public and private decision-making.
- The concept of stewardship is paramount, that is, today's decisions must be balanced with tomorrow's impacts.
- The long-term productive capacity and quality of our natural resources must be maintained.
- Economic returns from production should enable an adequate standard of living to be maintained; furthermore, they should be sufficient to attract replacement farmers.
- Economic activity should not detract from human health or the quality of land and water. A balance must be struck between the size of production units consistent with technology and a social structure acceptable to all stakeholders.
- Science based information must be an integral part of public and private decision-making. Where that information is inadequate, government and the private sector have a responsibility to support appropriate research activities.
- Means to ensure that the results of the research are effectively communicated to farmers and decision-makers also are necessary.
- Adequate resources must be allocated to monitor and enforce compliance with regulations and standards.
- There must be sufficient transparency to stakeholders in the production, processing, and regulation of the agricultural industry to instill confidence that food is being produced in a safe and sustainable manner

APPENDIX C - APF Elements and Goals[17]

Business Risk Management

The goals for the business risk management component of APF are:

- Improving tools available to producers to help manage their business risks
- Ensuring these tools provide an incentive to producers to increase profitability by various means (e.g. diversification)

The core BRM programs are the Canadian Agricultural Income Stabilization (CAIS) Program and Production Insurance. Other BRM programs include: Spring Cash Advance and Advance Payments (fall advances), and Private Sector Risk Management Partnerships.

Food Safety and Food Quality

The goals for the food safety and food quality component are:

- Protecting human health by reducing food borne hazards
- Increasing consumer confidence in the safety and quality of food produced in Canada
- Enhancing sector capacity to meet or exceed market requirements
- Providing value-added opportunities through the adoption of food safety and quality systems

The FSQP's integrated program approach has three components:

- Systems Development (delivered by AAFC & CFA): Support for national industry associations to develop national food safety, food quality and T&T systems
- On-Farm Implementation: Support to national associations to implement systems on farm
- Food Safety Initiative (delivered by provinces): Support to implement food safety systems in processing facilities

Environment

Goals to be addressed by environment programs include:

- Water quality protection and conservation by managing nutrients, pathogens and pesticides.
- Soil protection by conserving organic matter and reducing wind and water erosion.

[17] Mary Komarynsky, Presentation to APF Review Panel, June 16 2005, Winnipeg

- Air quality enhancement by reducing particulate emissions, odours and emissions of greenhouse gases.
- Biodiversity enhancement by increasing habitat to protect species at risk and guard against economic damage from wildlife.

Programs include:

- Environmental Farm Plans
- National Farm Stewardship
- Greencover Canada
- National Water Supply Expansion
- National Land and Water Information Service
- Farming Systems Research
- Water Quality Surveillance
- International Exchange
- Study of regulations
- Standards Development
- Certification
- NAHARP
- Minor Use Pesticides

Science and Innovation

The APF goals for science and innovation are:

- Realigning public sector resources toward the APF priority areas (environment, food safety and quality, renewal, science & innovation, BRM)
- Coordination throughout the value chain by building stronger links through improved collaboration and partnerships
- Creating a climate for the development of innovation in the APF priority areas and in bioproducts

Programs and activities to address these goals include:

- The Broker Program which provides contribution funding for the creation and/or support of "broker" organizations (e.g. Soy 20/20, Flax 2015, BioProducts Canada) working between industry, government and universities to accelerate the adoption of innovation. Brokers engage in two key activities: build links along existing value chains and promising new ones, and promote the development of an investment forum for promising value chains by identifying and facilitating access to public and private funding sources.
- The Agri-Innovation Program which provides contribution funding for projects that address the "gaps between research and venture capital." Program funding encourages innovation and commercialization:
    - Start-up help – centers of innovation, business mentoring, pilot processing, clinical trials, economic and markets assessments, etc.

- Ag Bio-Products Integration – across scientific disciplines, projects, research, facilities and systems, research planning
- Realignment incentives – bridge funding for key science positions, facility planning, transition initiatives

Renewal

Federal, provincial and territorial governments agreed on the following APF Renewal "common goals" for farmers:

- To increase their profitability;
- To enable them to make choices about sources of income;
- To help them meet market and consumer demands respecting food safety and food quality and environmentally-responsible production; and
- To help capture opportunities from science and innovation.

There are three programs under Renewal to help farmers achieve these goals:

- CFBAS (FBA & SBPS): provides eligible producers access to consultants to assess the financial situation of their farm, to help them set goals for their business and develop plans to meet those goals. FDMS: Provides insolvent farmers and their creditors with mediation services to help them arrive at a mutually satisfactory arrangement.
- PAVE: Provides assistance to retain the services of a business planning professional to develop feasibility assessments and comprehensive business plans for producers (individually or in a group) considering expanding or establishing a value-added enterprise
- CASS: provides financial assistance to farmers and/or spouses for a skills assessment and access to training for on or off farm opportunities.