



CAPI

THE CANADIAN AGRI-FOOD
POLICY INSTITUTE

ANNUAL REPORT 2015-2016



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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

The Canadian Agri-Food Policy Institute (CAPI) occupied centre stage in fiscal year 2015-2016. The November Forum on Canada's Agri-Food Future was pivotal in CAPI's history. A timely event, the Forum took place only weeks after a federal General Election. In terms of content, the Forum captivated many because it focused on one idea that links every single player in the food system: trust. In the Forum's final report, CAPI presented clear and connected ideas to help enhance trust. I believe that the clarity of this objective can and surely will drive policy and strategy dialogues across the food system for years to come.



The Forum signaled another big message. The country's agri-food sector is not only a major economic engine for Canada, but also has the potential to actually improve the well-being of society and our planet. The sector needs to focus on how it can deliver on this opportunity, and Canada's leaders need to ensure this happens.

On behalf of the Board, I wish to thank David McInnes, Daniel Yeon, Kim Kelly and Chelsea Berry for organizing this event and delivering on CAPI's other work over the course of the year. It was an impressive undertaking and one that could not have happened without the strong support of the entire Board of Directors. Over the course of the year, my colleagues on the Board offered invaluable advice and involvement. We appreciated the participation of Brenda Schoepp, who left the Board during the year, and welcomed Bill Buckner, who joined the Board. We also benefitted immensely from the guidance of our Advisory Committee, Members, and many stakeholders and partners over the course of the year. CAPI work clearly depends on such ongoing engagement. In late 2015, I was also pleased that Tulay Yildirim joined the CAPI team. Her expertise will help strengthen our relationship with the research community.

In 2015-2016, CAPI identified a "big possibility" for the Canadian agri-food sector: enhancing and retaining trust. CAPI's big opportunity is developing the ideas that stand behind this *call to action*. This work is now underway and I am confident it will help shape future policy deliberations in a way that could be key to unlocking the sector's and Canada's full potential.

Yours sincerely,

A handwritten signature in blue ink that reads "M. E. Bilyea".

Ted Bilyea
Chair

Message from the President & CEO

In the words of one of CAPI's Board members, "CAPI is changing the national conversation." This sums up well our last year. The Forum on Canada's Agri-Food Future brought together an unprecedented array of speakers and stakeholders to consider the sector's and Canada's future opportunities. Our other work conducted in the year is also making a positive impact. As well, initiatives undertaken in previous years continue to shape ideas and inspire initiatives. For the year ahead, we will build on all this momentum to reach more people and advance ideas to help shape policy and strategic dialogues across the agri-food sector.



I thank Daniel Yeon, Vice President, Operations, and Kim Kelly, Coordinator, Corporate Services, for their hard work to help make the Forum a success and in supporting many other ambitious initiatives while also ensuring that our "back office" functioned smoothly. We welcomed Tulay Yildirim to CAPI as our new Director, Policy Research Partnerships. We deeply appreciate Agriculture and Agri-Food Canada's ongoing support, which enabled this executive secondment and improved our academic outreach and research capacity. On behalf of the entire team, we thank Chelsea Berry, who recently left CAPI to live abroad. Chelsea coordinated much of our outreach and helped us build our social media presence. For a small team, there is no question in my mind that we have been able to accomplish so much because of everyone's incredible efforts and dedication.

The Board has been very supportive of our work plan and has helped improve on what we do in so many respects. Without a doubt, the counsel and unfailing guidance of Ted Bilyea, CAPI's Chair, has made it possible to accomplish so much this year. We also rely on considerable input from many stakeholders and the interest and support of numerous partners. As a policy institute, we are most fortunate to have access to a network of passionate people who care deeply about the ideas that could ultimately improve the prospects of the agri-food sector and Canada.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "D. McInnes".

David McInnes
President & Chief Executive Officer

The Year in Review

The Forum on Canada's Agri-Food Future

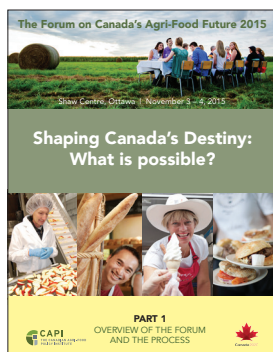
The Forum on Canada's Agri-Food Future was launched to catalyze a national dialogue on the direction of Canada's agri-food sector. Before the actual two-day conference was held in November 2015, CAPI engaged in a nine-month process from June to February to reach out to stakeholders. Then, after the publication of its final report in February 2016, CAPI continued to share its findings and further the dialogue over the course of the balance of the fiscal year.

Initially, CAPI posed two broad questions to seize interest. It asked "what is possible for Canada's agri-food sector to achieve?" to open up the space and invite many perspectives. To provoke thinking, it also asked whether Canada should become "the most trusted food system on the planet." The Forum was well timed, coming only a few weeks after the federal General Election and just prior to the full advancement of the next agricultural policy framework. CAPI created a platform that attracted broad interest and diverse participation.

CAPI also partnered with the broadest array of organizations in its history (co-hosting the event with Canada 2020 and with the support of a diversity of sponsors and partners) and attracted a unique set of international and national speakers. This significantly contributed to the event's quality and success. For instance, speakers included the Secretary of the California Department of Food and Agriculture, a senior executive from the largest online retailer in China (Alibaba), Canadian food leaders and entrepreneurs and members of academia. Forum participants heard from Maple Leaf Foods, Cargill, a small winery and restaurant from the Niagara region, a dairy farmer from Quebec, a local-food expert from Vancouver, a grain producer from Saskatchewan, and many others. The complete list of sponsors, partners and speakers is found on CAPI's website. While this list was diverse, each speaker was connected by one common theme: how they are responding to consumers and the desire for trust in the food we produce, supply and consume.

CAPI's final report (published in February 2016) concluded that the future success of Canada's agri-food sector depends on meaningfully addressing trust. Its five-point strategy presented ideas to enhance and retain consumer and customer trust. The approach focused on securing consumer confidence, reinforcing the Canada food brand, improving productivity, innovating differently to tackle big challenges facing the food system, and creating new market opportunities. Better transparency of food production practices, credible national metrics and new ways to collaborate are required to make this happen. CAPI determined that consumers and customers, themselves, should confer such a "most trusted label" on Canada rather than see the sector or government declare it so.

To support the process, the following documents were published. Not included below are the conference program and other materials prepared to promote the Forum on November 3-4, 2015. (The conference program is available on CAPI's website.)



Shaping Canada's Destiny: What is possible? (Part 1)

June 2015

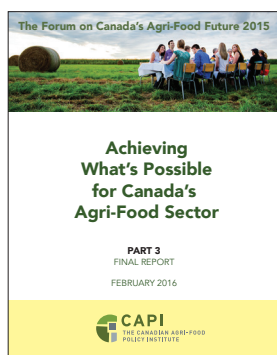
An introduction to the Forum on Canada's Agri-Food Future, the process of consultation, the November event and expected outcomes. It frames the purpose and encourages participation.



Shaping Canada's Destiny: What is possible? (Part 2)

June 2015

A background paper and primer on key issues facing the sector, designed to elicit feedback. Commentaries received by a diverse array of stakeholders were posted on the website. CAPI's formal dialogues with stakeholders across the country also resulted in published notes.



Achieving What's Possible for Canada's Agri-Food Sector (Part 3)

February 2016

The final report is based on what we heard at the Forum and frames the four challenges, one big possibility and five enablers to meet the call to action; that is: "It is in Canada's best interest — both economically and for the sake of the well-being of its citizens — that we ensure our agri-food system delivers a strategy that enhances and retains trust."



Opening day of the Forum on Canada's Agri-Food Future, Ottawa, November 3, 2015

Forum Highlights

Locations of a national consultation with groups of stakeholders, including governments, producers, processors, input providers, civil society, researchers, etc. (June-October 2015)	Charlottetown, Winnipeg, Guelph, Ottawa, Victoria, Beloeil (QC), Montreal.
Number of attendees of the Forum on Canada's Agri-Food Future, Ottawa, November 3-4, 2015	280 registrants
Feedback on the Forum	88% of respondents found the Forum to be very good or excellent
Number of Forum sponsors	18
Number of Forum partners	19
Number of participants in a post-Forum dialogue to consider the messages and findings of the event, November 5, 2015	45
Twitter activity	Forum hashtag was a trending topic on Twitter during Day 1 of Forum
Participants on a webinar held to share the results of the final report of the Forum, March 2016	140 registrants with 100 participants (including three industry discussants to facilitate the dialogue)
Media articles/editorials written on the Forum in February and March 2016	13

CAP I made a number of presentations on the Forum's final report in February and March 2016, including several to formal stakeholder events (such as at the Canadian Horticultural Council annual general meeting) and to a broad range of stakeholders in informal briefings. (The outreach continued into the following fiscal year.)

The Forum has also inspired CAP I to focus on key themes for further research that will be increasingly important to Canada's future competitiveness and the policy agenda. Notably, these themes will include innovation and the importance of valuing and managing "natural capital" (for fiscal 2016-2017).

Trade

In June 2015, CAPI published an opinion piece on trade developments facing the country's dairy sector. This generated significant interest and was widely recognized for its balance and thought-provoking approach. "From Defence to Offence — Positioning Canada's Dairy Sector & the Broader Implications for our Global Trade Strategy" attracted interest from *The Globe and Mail* and CAPI was invited to submit an op-ed on the matter, published that same month (see below).¹



CAPI's approach to advancing Canada's trade prospects also attracted a new partner, the Asia Pacific Foundation of Canada. In April 2015, CAPI worked with the foundation to hold a trade dialogue in Vancouver. It included a diverse set of stakeholders, such as the government of British Columbia, academics and provincial producers and processors.

Research

Food Processing Entrepreneurs

CAPI started a research project for Industry Canada (now known as Innovation, Science and Economic Development Canada) in the fiscal year for completion in the spring of 2016. The project was undertaken by MNP for CAPI and was entitled "Entrepreneurs in the Food and Beverage Industry serving the Ethnic Market." It involved profiling several successful entrepreneurs to better understand how they succeed. The insights will be used by the department to inform its work in this area.

1. "Supply management distracts us from Canadian dairy's long-term future," Ted Bilyea and David McInnes, CAPI, *The Globe and Mail*, June 26, 2015.

Global Agricultural Subsidies

A research project proposal examining the implications of global agricultural subsidies was advanced in the fiscal year. It is likely that a decision on proceeding with the work will be undertaken in the next fiscal year. The issue of global subsidies was noted at the Forum on Canada's Agri-Food Future and in the background material developed by CAPI. While there are legitimate subsidies in use, CAPI has questioned the deleterious impact of consuming natural capital at no cost; this is a destructive indirect subsidy that leads to unsustainable surplus production entering world markets and depressing prices. Examples would include depleting groundwater and undermining ecosystems by drawing down or degrading surface water. Such practices are occurring in many countries and threaten long-term food sustainability as well as shorter-term farm and processor profitability in Canada. CAPI is taking measured steps to better understand how to approach this complex and broad-reaching issue.

Research Partnerships

In the latter part of the year, CAPI benefitted from the placement of an executive on secondment from Agriculture and Agri-Food Canada. The new Director of Policy Research Partnerships was charged with developing deeper partnerships between CAPI and the academic community. There was a collective interest in finding ways to enhance the policy relevance of research, broaden the awareness and interest of research work across the food system and contribute more fully to the policy synthesis undertaken on emerging agri-food issues. CAPI has organized a series of workshops with academics starting in the fiscal year and continuing into the next. The series builds on existing efforts to connect with the academic community. CAPI was, once again, a major sponsor of the Canadian Agricultural Economics Society annual policy conference in January 2016.

Furthering our Previous Work

Food Processing

CAPI's past work on the country's food processing sector has resulted in change and recognition. In 2013-2014, CAPI examined the competitiveness of the food processing sector, the largest manufacturing segment in Canada. CAPI's work at that time emphasized the importance of the vibrancy of food processors to the country's agricultural producers (as a channel to markets for nearly 40% of what is produced, on average) but also noted that processors are facing many competitive challenges. In CAPI's final report on its research (2014) CAPI declared that "the food manufacturing sector needs to be recognized for its economic contribution to Canada and become an economic priority for the country."² This comprehensive study and work undertaken elsewhere prompted considerable dialogue on the sector's prospects and needs. In July 2015, federal, provincial and territorial governments recognized that the food and beverage processing sector was a "strategic industry" for Canada.³

2. *Taking the Sector from Trade Deficits to a Competitive Resurgence, Conclusions and Policy Implications*, CAPI, June 2014.

3. "Agriculture Ministers Collaborate on Sector Challenges and Opportunities," News Release, Agriculture and Agri-Food Canada, July 17, 2015.

Trade

In the previous fiscal year, CAPI produced a report on improving agri-food trade and access to China.⁴ This work prompted significant interest as it recommended concrete ways to improve access to physical and online retail shelves for Canadian food, including an idea to help Canadian exporters better understand the steps to enter the Chinese marketplace. The province of Ontario adopted this specific idea and announced the development of an export roadmap to help its food exporters reach the Chinese market.⁵ The Ontario initiative was part of a broader effort in the province to help fulfill the Premier's Agri-Food Growth Challenge to double the growth rate in the agri-food sector and create 120,000 new jobs by 2020. As well, federal and provincial governments used the CAPI report to reinvigorate their efforts to enhance Canada's presence with Chinese online retailers.⁶

“Chinese grocery retailers are looking to sell more Canadian foods and beverages to their customers. But we know that our exporters can struggle with navigating China’s complex import practices and regulations. A practical guide that showcases successes and offers step-by-step advice here is needed, very timely and could mean the difference to developing a much-needed export market or not.”

**— Ted Bilyea, Chair, CAPI
(Ontario Ministry of Agriculture Food
and Rural Affairs News Release,
April 24, 2015)**

Food Systems

CAPI worked on describing the links between health and food as part of its food system deliberations in 2010-2012, and this core idea continues to be most relevant. The Canadian Produce Marketing Association (CPMA) launched its fruit and vegetable nutrition policy in the fiscal year and CAPI's food systems concept helped shape the association's initial thinking on this subject. CAPI also participated on the CPMA's Health Summit Steering Committee.

4. *Competing in the World's No. 1 Emerging Market – A Report from a CAPI Trade Trip to China*, CAPI, February 2015.

5. “Ontario Creating New Guide to Help Companies Increase Exports; Made-in-Ontario Guide Will Clarify International Export Processes,” News Release, Ministry of Agriculture, Food and Rural Affairs, April 24, 2015.

6. For example, CAPI participated at a federal-provincial dialogue on “International Market Engagement Strategies,” Ottawa, January 2016.

Communications

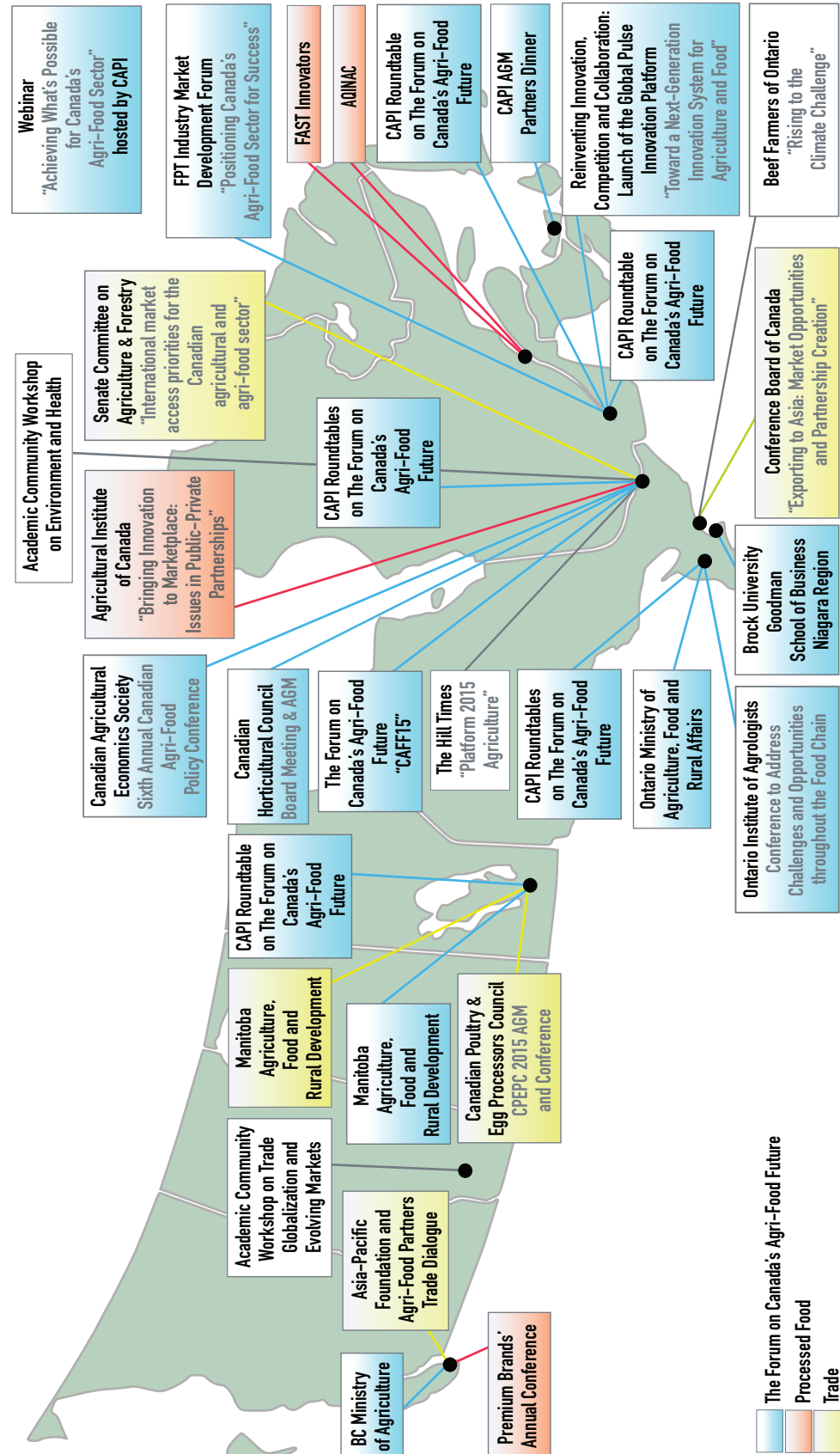
External outreach is important to CAPI and is, in fact, a key requirement of its mandate. Over the course of the fiscal year we delivered many formal and informal presentations to stakeholders across Canada. At times, the outreach involved audiences that included international stakeholders, such as a presentation made to the International Farm Management Congress held in Quebec City in July 2015. This activity presented opportunities to share results with stakeholders and glean new insights and feedback from the sector. In short, “dialogue” is a two-way street and is vital to improving our work. As well, and as noted above, the Forum on Canada’s Agri-Food Future presented a unique opportunity to reach even more people across the country and the food system. Our Twitter activity over the year also ramped up as we used this and other forms of social media to reach out more broadly. Once again, CAPI used its Annual General Meeting to meet with stakeholders in one region. This year, we held the event in Charlottetown, PEI, and launched a dialogue on the Forum (referenced above) in a consultative event with government, academia and the agri-food sector. Representatives from the three Maritime provinces participated.

CAPI has become a source for new perspectives about policy, strategy and agri-food opportunities. For instance, CAPI was once again invited to make a presentation to the Standing Senate Committee on Agriculture and Forestry on its work (and specifically on its visit to China and ideas presented in that trip report).⁷ For quick review, a summary of many of our formal communications initiatives are represented on the following map. However, this summary does not include the many informal exchanges we have had, nor does it include media or online activities.

As part of our ongoing engagement, we also rely on feedback from our Advisory Committee and Board to provide guidance on improving communications and outreach activities. In addition, on specific projects we utilize steering committees and many partner consultations to help arrange events and improve external communications. These efforts resulted, for instance, in a very successful Forum on Canada’s Agri-Food Future (elaborated upon above).

7. Proceedings of the Standing Senate Committee on Agriculture and Forestry, Issue 28, Evidence, Meeting of May 14, 2015.

Fiscal Year 2015-2016 Formal Presentations



Governance

As a requirement of our Funding Agreement with Agriculture and Agri-Food Canada, CAPI undertook its second five-year interim management review. This independently conducted internal review was completed mid-year and its process and final work was approved by the Board. As a matter of good practice for any organization, we sought feedback from a diverse array of stakeholders. We probed our effectiveness to conduct our research, communicate and reach out to stakeholders and how we operate as an organization. The findings were generally very positive and also included suggestions to improve our engagement with stakeholders so that we can be even more effective and relevant to the policy process. The feedback is being used to improve our practices, which will be built into our processes in subsequent fiscal years. One idea that was acted upon immediately involved an initiative to more fully engage the academic community, a matter addressed further above.

To remain current with best governance practices, CAPI formalized its “whistle blower” policy, which was approved by the Board mid-year. As well, CAPI created a second vice chair position. Wayne Stark was appointed Second Vice Chair of the CAPI Board of Directors, joining Michel Saint-Pierre. CAPI also announced the appointment of Bill Buckner (a former Senior Vice President, Cargill) to the Board. CAPI and the Board of Directors thanked Brenda Schoepp for her service to the Institute after she stepped down from the Board, and to Chuck Strahl for his service during his term as an Honorary Member.

Changes were made to the CAPI Advisory Committee, a formal body that is required to meet twice yearly to provide regular input into our research-setting process and to receive feedback. Joanne Bays (National Manager, Farm to Cafeteria Canada), Elspeth Copeland (President, Elspeth Copeland Consulting) and Jean-Claude Dufour (Dean, Faculty of Sciences, Agriculture and Nutrition, Université Laval) joined the Advisory Committee in the fiscal year. A change in status for Garth Whyte occurred in the year; he was formerly the President & CEO of Restaurants Canada and is now the President & CEO of Fertilizer Canada.

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, from 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, 2016.

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, 2016, 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, 2016. We expressed an unmodified audit opinion on those financial statements in our report dated June 2, 2016. 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, 2016, 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

June 2, 2016

SUMMARY STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN NET ASSETS

year ended March 31, 2016

	2016	2015
	\$	\$
REVENUE		
Contributions		
Long-term	1,141,525	1,152,381
Initial	-	59,099
Other contributions	246,423	128,895
Interest income	1,420	1,319
Amortization of deferred contributions - capital assets	4,828	3,245
	1,394,196	1,344,939
EXPENSES		
Administration	285,804	272,700
Research Activities		
Communication and outreach	209,000	210,433
Projects	897,972	722,821
Program Activities – CAPI projects	-	135,385
	1,392,776	1,341,339
EXCESS OF REVENUE OVER EXPENSES	1,420	3,600
NET ASSETS, BEGINNING OF YEAR	288,382	284,782
NET ASSETS, END OF YEAR	289,802	288,382

SUMMARY BALANCE SHEET

as at March 31, 2016

	March 31, 2016	March 31, 2015
	\$	\$
ASSETS		
Current assets		
Cash	368,335	341,422
Accounts receivable	218,927	206,126
Prepaid expenses	10,435	7,387
	597,697	554,935
Capital assets	7,454	7,758
Long-term investments	8,774,848	9,791,231
	9,379,999	10,353,924
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	161,968	120,626
Deferred contributions	145,927	145,927
	307,895	266,553
Long-term deferred contributions	8,774,848	9,791,231
Deferred contribution - capital assets	7,454	7,758
	9,090,197	10,065,542
NET ASSETS – UNRESTRICTED	289,802	288,382
	9,379,999	10,353,924

On behalf of the board





