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Understanding Our Past and Present:

Designing Our Future:
Federal-Provincial-Territorial Policy
Making and Canadian Agriculture

Perspective Report Prepared for CAPI by Douglas Hedley



Perspective
Report



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A note from CAPI

Canada's Federal-Provincial-Territorial (FPT) Governments are now negotiating the next agricultural policy framework, recently launching consultations with stakeholders in the agri-food sector. However, many involved in the current process may not be aware of the history and context that has led to the current approach and the benefits of a strong FPT accord on agriculture and agri-food.

The time is right to consider whether or not the current approach serves the agri-food sector's interests. The risks, from climate change to trade disruption, and the opportunities, including demand for high-quality Canadian food and innovations that are changing how food is produced, cannot be managed by one level of government or by governments alone. They require effective mechanisms to develop and implement meaningful public policy to mitigate the risks and seize the opportunities.

CAPI recently highlighted four key actions required to maximize the outcomes of the agri-food sector, systems approaches, strategic thinking, public-private partnerships and aspirational leadership, which should be embodied in the FPT agreement. This Perspective report offers food for thought on whether the current approach can deliver on those actions.

CAPI commissioned Douglas Hedley¹ to write this Perspective report to chart the history that set the stage for the current consultations and offer his views on why a renewed FPT agreement is needed now more than ever. With a distinguished career at Agriculture and Agri-Food Canada, including serving as Assistant Deputy Minister for Farm Financial Programs from 2001 to 2004, he was at the table during many difficult negotiations that led to the first Agricultural Policy Framework.

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Executive Summary

One of the primary although unwritten objectives of the federal government is to “make sure that the Confederation works”. This places an onus on the federal government that is not necessarily shared by provinces and territories. It is particularly onerous in agriculture and food in which Constitutional arrangements as well as changing social and political governance arrangements have weakened leadership by governments in tailoring policies for the agri-food sector.

This note attempts to explore three topics in agri-food policy directions. Equally, it has been prepared to challenge thinking of others, to encourage reaction and response, and to bring others to join in the constructive search for policies and processes for agriculture and food policy in Canada. The first section examines the difficult road travelled in policy formation for agriculture and food over the past three or four decades, involving institutional changes in Canada as well as international trade institutions. The stability in common policy and program design achieved over two decades ago has served Canada well, but the foundations for the stability of the policy structures have been eroding in recent years. The second section examines the myriad difficulties in both finding common policies across regions and components of the agri-food system. While some of these difficulties have existed for many decades, the changing social, economic, and political interests over the past forty years have added to the conundrum in searching for

focused policies for agri-food. The third section picks up the elements from the first section to examine the erosion of the domestic and international fabric surrounding the industry that provided the framework and stability for domestic policy for two decades.

The paper concludes with suggestions for two different tracks for policy formulation. Two avenues appear to be stable over the next several years for the Canadian agri-food industry. Canada will need to pursue climate change policies tailored specifically to agriculture and food that lie within or are consistent with the much broader domestic and trade policies for Canada to deal with climate change. Another path is that Canada needs greater attention and funding for the research that supports agricultural and food innovation and productivity, that is linked with the research programs in developed and developing countries around the world. Beyond these two paths, the paper also concludes that the emerging economic and political stage is both unpredictable and unstable. Rather than designing policies for the longer term as in climate change and research, policy processes need to be fostered and maintained to enable Canada to respond quickly in an ever-changing domestic and international environment. Policy approaches need to be nimble, able to respond rapidly to events domestically and internationally, and founded on an improved and strengthened relationship with provinces and territories.



The Difficult Road to Stable Policies for Agriculture and Food

Agricultural and food policy in Canada has remained remarkably stable for a number of years. This period of stability is unusual when compared to the years since the 1930s. There appear to be four significant reasons for the stability and continuity of policy measures and directions for the last two decades. First, the conference in 1989 convened by the federal Minister initiated a search for a federal-provincial-territorial partnership and began the efforts of several working groups set up by the federal Minister. Two of the key results from the Conference and the working groups included the growing concern over the differences in legislation, policies and programs between eastern and western Canada, and the need to redesign a more stable, nation-wide safety net system for agricultural producers. The legislative result was a new federal act encompassing a set of common provisions across Canada for safety nets, the Farm Income Protection Act 1990. One of the most important outcomes from the Act was the concept of a "whole farm" program, providing support to the entire farm operation, rather than support by individual commodity or group of commodities. Part of the rationale for whole farm programs was the successful challenge by the US to hog support in Canada during the 1980s which offered clear evidence that commodity specific support programs in Canada would attract increased scrutiny and challenge by the US and others.

Second, the trade agreements, both NAFTA (1994) (and its precursor CUSTA, 1987) and the WTO (1995), provided considerable guidance on the design of support policies for farmers, as well as offering a more stable, predictable, and fair-trading environment. Of particular importance was the adjudication available for challenges to other members' policies, leveling the trade playing field between the large and small countries.

Third, the 1995 Program Review and 1995-96 Budget, removed several legacy subsidies affecting agriculture and food, several of which offered advantages to one region of the country over others. Some of these subsidies had persisted for years, long after the original purpose of the assistance had long since disappeared. An example was Feed Freight Assistance, a subsidy on the movement of grains from western Canada to southern British Columbia and parts of Quebec and Atlantic Canada. The program had begun as a means of strengthening production of animal agriculture in eastern provinces to support the export of dairy and pork products to the UK during World War II. The federal budget for farm safety nets (Crop Insurance, NISA, and GRIP) was also set at just above \$600 million, well below the very high regular and ad hoc payment levels from 1985 to 1991. Subsequently, federal-provincial Ministers allocated this funding to provinces according to farm cash receipts, adjusted for provincial subsidies.

The limited federal budget for the three safety nets and the allocation mechanism remained in place until the collapse of hog prices in 1998. Simply, hog supply in North America exceeded slaughter capacity. This event left Canada with a dilemma. Any attempt to provide direct support for hogs would immediately be faced with countervail duties by the US, since the trade action begun in the mid-1980s was still active. In this event, the US would capture virtually all of the value of the subsidy through countervail duties. Equally, the level of support required exceeded the annual limit set in the 1995-96 budget.² An alternative that would meet the rules from the WTO Agreement on Agriculture was needed. Alberta and Prince Edward Island had experimented with a whole farm program in 1997. With minor modifications, a whole farm program was adopted by federal and provincial governments based on the Alberta/PEI program, the Agricultural Income Disaster Assistance (AIDA). The program design used much of the same data collected under the NISA program, enabling a rapid program delivery response for a fairly complicated program. The AIDA program remained in place for 1998 and 1999 and was followed by a nearly identical program for three years, the Farm Income Disaster Program (FIDP).

Federal-provincial support programming in the late 1990s (Crop Insurance, NISA, and AIDA) had various cost sharing arrangements that did not provide full transparency of the shares of federal funds going to agriculture in the provinces. By year 2000, agreement had been reached to establish common cost sharing arrangements across provinces and programs, coupled with demand-driven program costs. That is, the fixed allocations by province of federal safety net funding based on farm cash receipts was replaced with fixed cost shares within programs and allocation of program costs established by participation in the programs. These features along with a stable safety net program arrangement became part of the Whitehorse Accord with all provinces, to which the territories also agreed. The concepts in the Agricultural Policy Framework agreement were implemented most clearly for the 2003 year and beyond, in which federal-provincial-territorial (F-P-T) governments would establish policy and program plans for multiple years, and following

a review and necessary adjustments, would expect to agree to a further multiple year agreement. By 2005, the agricultural safety nets included Crop Insurance, and the Canadian Agricultural Income Program (CAIS). NISA, terminated in 2002, was replaced with AgriInvest, and CAIS with AgriStability in 2007. The only significant change in the programs occurred in 2012 in AgriStability, with the margin limitation reduction and the limitation on payments for losses greater than 30 percent.

The progress in establishing stable safety net programs in the early 2000s also enabled federal-provincial-territorial governments to widen their policy discussions to other common areas of interest including research, and market development. Until this time, the discussions among F-P-T Ministers for at least 25 years focused almost all of their efforts on safety net design and the related funding issues.

It is worth noting the arguments among federal-provincial Ministers and between provinces through the period 1970s to late-1990s. A commodity subsidy in one province was regarded by neighbouring provinces as "competitive subsidization", drawing investment toward the subsidizing province and away from the neighbouring provinces. Some provinces argued that since they had a larger portion of their provincial economy based on primary agriculture, they did not have the fiscal capacity to share in supporting agriculture as strongly as the other provinces. Some provinces argued that the problems in agriculture arose from trade actions and arrangements; because trade was the exclusive domain of the federal government, the federal government should shoulder most or all of the subsidization burden. In other cases where the federal government would offer a cost sharing arrangement for an ad hoc program, provincial finance Ministers found the sudden demand placed on their budgets unappealing. Finally, there were constant concerns among provincial Ministers that there was no visible equity in the distribution of federal funding in agriculture across Canada. These concerns on funding and program design played out continually at the federal-provincial Ministerial meetings, limiting time and effort on broader policy development for the agri-food sector.

²The understanding in the 1995-96 Budget was that Ministers could not return to Cabinet for additional funding or funding to replace discarded programs for at least five years.

One of the critical elements in resolving these issues was the emergence during the late 1980s and continuing through the development of the stable federal-provincial-territorial agreements in 2003, of a very strong and largely stable cadre of federal and provincial Ministers who built personal and political trust across governments and a collective view of problems and solutions. Throughout this period, federal, provincial, and territorial Ministers pushed their senior officials to work together, and with industry leaders, to bring forward ideas and analysis through federal-provincial-territorial and industry tables for Ministers' consideration. This leadership in problem solving slowly eroded the most common feature of earlier years, that Cabinets found it easier to simply provide funding to agriculture as problems arose, than to fully understand and address the cause of the problems. This is not to say that the policy path from the late 1980s forward was smooth sailing. There were setbacks, dead-ends, and conflicts among players that had to be continuously resolved to reach the agreement at Whitehorse in 2000 and the Agricultural Policy Framework.

A second critical element was the slow but steady shift in beliefs across many nations regarding the role governments were playing in agricultural production and trade. The long-held view was that agricultural production and markets needed to be closely and actively managed by government. Subsidies were determining the production levels, not market signals. Trade in grains, for example, was primarily between government agencies, including price setting, shares of trade for exporters, and subsidized exports. The failure to make progress for agricultural trade in the Tokyo Round of GATT negotiations led to reconsideration of the role of government in agriculture going into the Uruguay Round during the mid-1980s. The WTO Agreement on Agriculture set in place a very different role for governments in agricultural production and marketing.





Complexity of Agri-food Policy Design

Finding common ground among the two orders of governments for agri-food policy has been a lengthy and complex journey. Since Confederation there has been a thicket of rules, laws, and constitutional arrangements that have made the efforts difficult and time consuming.

British colonial policy essentially viewed colonies as a source of raw materials, a sink for excess British labour, and locations for extension of military power beyond its own boundaries. The “national policy” of Sir John A. Macdonald adapted the colonial policy to Canada, with eastern Canada to become the industrial base with tariff protection and western Canada as the future source of raw materials. Arguably, this arrangement lay behind the emergence of differing policies in agriculture for eastern and western agriculture. This difference in treatment was clearly evident as late as the early 1990s, with differing support policies and programs,³ and ad hoc programs that were funded and delivered differently between the two regions. It was only in the late 1980s that the issue of equity of treatment by the federal government was seriously raised by Quebec,⁴ spurring debate about the entire structure of federal policies for agriculture. Quebec was not alone in pursuing the issue; it had been growing for a number of years across Canada. There was growing

concern in western Canada regarding federal energy policy during the 1980s that widened to questions of equity in other policy areas including agriculture. As well, the extension of supply management in 1970-71 beyond the dairy industry into the poultry and egg industry raised major concerns in the other livestock industries, primarily in the prairie provinces and Ontario, which succeeded in limiting the powers under the *Farm Products Agencies Act* to eggs, poultry, and tobacco. Finally, from the time the Canadian Wheat Board was established, the Minister responsible for the CWB was the same as the Minister responsible for the agriculture portfolio only once for a couple of years during the entire period of time from 1935 to 1989.⁵ In effect, there were two Ministers of Agriculture, one for western grains and oilseed interests, and another Minister for all other regions and sectors. Additionally, grains policy management was under the Grains Group (reporting to the CWB Minister) and was located in the federal Department of Industry, Trade and Commerce from the late 1960s to the late 1980s. Government departmental structure, federal Cabinet structure, as well as legislation, enshrined the differences in policy in eastern Canada, as well as differences in treatment across commodities. Digging out (most of) and laying aside these deeply embedded differences took years of immense and intense effort.

³Examples include the *Western Grains Stabilization Act* (WGSA, 1975) and the *Agricultural Stabilization Act*, the *Canadian Wheat Board Act* (1935), *Advance Payments for Crops Act* and *Prairie Grains Advance Payments Program Act*, Canada Grains Payments 1985 and 1986, *ad hoc* programs in 1988-91, the initial crop insurance arrangement in the *Prairie Farm Administration Act* (1939) and Feed Freight Assistance.

⁴Paper entitled: A Question of Equity, by the Government of Quebec.

⁵Alvin Hamilton, October 1960 to April 1963.

A second area for comment lies in the Constitution of Canada. Agriculture (and immigration) has its own clause in the Constitution, Section 95. This section confers concurrent powers on federal and provincial government concerning agriculture. That is, the federal government may legislate on issues affecting agriculture; provincial governments and territories may also legislate on agriculture within their jurisdiction, providing it is not contrary to federal law. This section must be seen in conjunction with Sections 91 and 92, setting out the federal and provincial powers in the Constitution. The powers assigned to provinces are spelled out in Section 92. The interpretation of the explicit provincial powers has been jealously guarded in a number of decisions in the late 1880s through the early 1900s by the Judicial Committee of the Privy Council (JCPC)⁶ in London, to assure that the federal government does not impinge on provincial powers. Essentially, there was no latitude from the JCPC decisions in designing federal legislation to enable workable solutions to problems in agriculture production and marketing. The initial federal farm product marketing legislation was declared *ultra vires* within a few months of enactment in 1935 because it dealt with products that could be marketed within the province of origin. A provincial attempt in the early 1920s suffered the same fate since it covered commodities that could be marketed outside the province. It was only in the late 1940s that a federal farm products marketing act was created that met the constitutional requirements and enabled the construction of provincial marketing legislation and boards.

One clause in Section 92 is also of importance for agriculture, Clause 92(10)c. Known as the "hammer", it allows the federal government to override provincial power for the "general advantage of Canada, or for the advantage of two or more provinces". This is the power used to create the Canadian Wheat Board, with Manitoba and Saskatchewan in agreement (but explicitly, not Alberta). The difficulty is that use of this provision directly implies a shift in constitutional powers, a topic that has been at the center of political debate

for the last 40 years..."bringing home" the Constitution, Meech Lake, as well as the Quebec referenda in the 1990s and early 2000s. As a result, the clause, while often used over the early years after 1867, has rarely if ever been used during the last four decades.

With the history of precedents by decisions of the JCPC, and the political inability to use Section 92(10)c of the Constitution for a Canada-wide agricultural policy, the only available route was to achieve federal-provincial-territorial agreements that spanned all federal-provincial-territorial governments. Bilateral and one-off agreements between the federal government and each province or territory would not be seen to achieve the uniformity and equity of treatment by the federal government on a Canada-wide basis.



⁶The Judicial Committee of the Privy Council (JCPC) was the final arbiter of constitutional challenges in Canada until 1949. Any Supreme Court of Canada decision could be appealed to the JCPC until that time, with a long history of JCPC decisions preserving and protecting (and some argue, strengthening) provincial powers. See: John T. Saywell, 2002. *The Lawmakers: Judicial Power and the Shaping of Canadian Federalism*. Published for the Osgoode Society for Canadian Legal History by University of Toronto Press, Toronto.

Over the past four decades, the political interests in agri-food regulation and policy have expanded dramatically, from the narrowly considered interests from the farming community many years ago to virtually all segments of society that want and need to be heard in program, policy, and regulatory activities by governments. Consumers have had a growing interest in the source (local, national, international), contents (additives), nutrition and health (well-being), price, availability, and choice (price brackets, origin, natural, vegetarian, etc.) Rural non-farm residents have taken much greater interest in the farming methods and practices in their local communities, in such areas as manure management, large-scale animal operations, nutrient run-off, pollution of water courses, and climate change. Single issue advocacy groups, centered on a single dimension of the food system, have arisen. The agri-food industry organizations historically have been organized horizontally, with few vertical linkages among the various levels in the marketing chain, from input supply to farm production, marketing, import and export, processing, and retail, often leading to antagonistic relationships between adjacent levels in the chain.

The broadening of interest in the agricultural and food industry has also widened the range of federal and provincial Cabinet members with direct and often lead roles in policy for many of these aspects noted above. Other federal portfolios with significant interest and authority include Environment, Health, Labour and Immigration, Foreign Affairs, Trade, Innovation, Science and Industry, Intergovernmental Affairs, and Transport. Even though the name of the federal portfolio was changed in the early 1990s to include "agri-food", the focus of the portfolio has increasingly been narrowed to center on farming and ranching, assistance for new or expanded food processing, industry-related research, and market development for agriculture and food products. Other federal portfolios have taken the lead for many other policy areas of considerable importance to agriculture.

An example is climate change. Early approaches by the federal government to tackle climate change were set at the 10,000-foot level and rarely mentioned agriculture, nor did they recognize the important role that agriculture and food can play in the management of atmospheric carbon and equivalents arising from land and animals. A common carbon tax is the instrument chosen by the federal government as the preferred means of dealing with climate change. However, there are sharp differences in the ability and programs/tools to achieve carbon reductions across farming, steel, auto and auto parts manufacture, and fossil fuel dependence. Without clarity at the sectoral level on policy detail and measurement regarding expectation of outcomes and programs to achieve these expectations, little can be accomplished.⁷

Donald Savoie noted in his address on 14 December 2020 for the Monk School that in today's world, policy is designed to strengthen the public stature ("brand") of a political party. He included a quote that "Cabinet is no longer operating as a decision-making body but serves as a focus group for the Prime Minister".⁸ This governance approach both constrains the formulation of policy tailored to agriculture and food, but also shifts the primary policy purpose in many areas to managing the image of government rather than resolving a policy or program issue. The federal mandate letters from the Prime Minister over the past several years clearly bear this out. The "brand" messages are intended as positive political messages for the government. However, delving into the detailed nature of delivering on the apparent positive message can open deep political disagreements, contrary to the intent of the government of the day. This discourages Ministers from taking a lead role in interpreting and fitting the policy and program delivery detail embodied in the brand message to the clientele for his or her portfolio.

⁷Dealing with millions of hectares of farm and range land and animal herds is considerably different, for example, than managing emissions from a single site smokestack at a steel or power plant.

⁸Donald Savoie, 2020. Canada: Withering Institutions. Address at the Munk School of Global Affairs & Public Policy, 14 December 2020. <https://www.youtube.com/watch?v=Yvsb3rtO2U0>. The quote came from an unidentified senior federal public servant.

Finally, the growing economic nationalism in many areas of the world is also a major concern for Canada. Canada is a major producer and exporter of agricultural and food commodities and requires stable access abroad to succeed. Offsetting this is the growing need for many of Canada's products to meet food demands in significant areas of the world. However, China as a major buyer of these commodities has shown its willingness to use agricultural commodity trade as a political weapon⁹ but has not specifically targeted processed foods in this endeavour. While Canada has a significant food processing industry, it is fully integrated with the food industry in the US and to some extent, Europe and Brazil. Nonetheless, Canada has only two or three food processing companies domiciled in Canada that could be clearly considered as "world scale", although there are many companies that process food in Canada that are domiciled in the US, EU and elsewhere.¹⁰ The difficulty is that overall investment decisions in expansion of capacity within these companies in Canada are made at the decision-making centre, and rarely within their Canadian subsidiaries. Allied with this are the very significant returns to scale in food processing industries and the economic nationalism in today's economies surrounding the investment decisions. Canada may not represent a large enough economic base to locate significant new or expanded world class processing capacity by foreign domiciled companies. Canadian based food processing capacity that achieves significant growth and/or technology becomes an obvious target for take-over by companies from abroad.

The combination of all of these pains in policy-making makes it exceedingly difficult for Ministers of Agriculture to play a creative leadership role in the formulation of agriculture and food policies at federal, provincial, and territorial levels that reflect common and shared interests across regions and components of the industry. They inevitably lead to a weakening of the equitable and common treatment by the federal government across the agri-food sector and across the regions of Canada. There is clearly a deterioration in the trust and common resolve of F-P-T ministers over the past couple of years.



⁹An excellent review of China's actions against Australian agricultural exports, see: <https://www.abc.net.au/news/2021-04-26/the-collateral-damage-of-australia-trade-war-with-china-/100071952>. Canada has faced similar actions by China against Canadian canola and pork.

¹⁰China has also shown great interest in buying production and processing capacity abroad in Australia, New Zealand, US, Brazil, and Canada, to assure access to supply and technology.



Potholes in the Paths Forward

In October 2020, Agri-food Economic Systems published an on-line policy note¹¹ reviewing a wide range of changing conditions affecting Canada's (and other countries') trade relationships. Only a few of the significant issues are noted in this paper.

The collapse of the WTO's Dispute Resolution Mechanism in January 2020, because the US refused to appoint members to the Appellate Body, effectively destroyed the protection Canada had enjoyed since 1995. This protection assured that large economic trading partners could not use their economic power to disadvantage smaller economies. While the operations and decisions of the Appellate Body had faced growing concerns among several nations, including Canada, for a number of years, its collapse rendered the protection it was still providing to Canada null and void. Canada is working with other nations to redesign the operations and structure of the Appellate Body to respond to the concerns of several nations, particularly the US. However, it remains unclear if the new US government is willing to participate constructively in this process. One possible outcome is a plurilateral agreement among willing WTO members to deal with disputes equitably among the groups' members; that is, outside of the WTO structure that relies on consensus decision making.

The US withdrew from the TPP negotiations in 2016, while the remaining members in the negotiation continued toward the CPTPP agreement in 2018. However, the US, using threats, obtained the same trade treatment from Japan as had been available through the TPP, but gave nothing in return, which the US would have been required to do had it remained in the TPP negotiations. Essentially, the US is on track to have the same import trade arrangements for agriculture and food products into Japan as Canada has through the arrangements in the CPTPP.

The new US administration has indicated that it has little if any interest in entering new trade negotiations or the Congressional extension of Trade Promotion Authority (TPA) beyond mid-2021 to enable the administration to begin trade negotiations after that time. Many developed countries, although strongly committed to trade liberalizing negotiations from the early 1980s to 2008, have clearly weakened their desire for new agreements or even continuing trade liberalization efforts through the WTO Doha process.

¹¹Al Mussell and Douglas Hedley, 2020. Canadian Agri-Food Trade When Global Trade Policy is Dominated by Politics. October 2020. [http://www.agrifoodecon.ca/uploads/userfiles/files/canadian%20ag%20trade%2024%20oct-20\(1\).pdf](http://www.agrifoodecon.ca/uploads/userfiles/files/canadian%20ag%20trade%2024%20oct-20(1).pdf)

In January 2020, the US and China signed an agreement involving agricultural trade. China agreed to purchase a minimum value of agricultural products from the US during 2020 and 2021. Although China did not live up to its import commitment for 2020, the agreement signaled that the two countries entered a managed trade arrangement, inimical to the WTO rules. It places other exporters of these commodities at a disadvantage in exporting to China and elsewhere with so much of the trade in a few commodities bound within the US-China deal.

China has become very aggressive in halting imports from countries that China believes are treating the country badly in some way. Canada has borne the brunt of the two Michaels problem with restricted access on agricultural commodities. Australia has faced a number of actions by China to limit or halt exports to China. Other countries including Norway have suffered as well. Of interest is that China has most often used agricultural commodity imports from nations as the means of attempting "disciplinary" treatment for a perceived "wrong" even though China certainly cannot feed itself from domestic supplies. Essentially, China must import agricultural commodities and foodstuffs to maintain adequate supplies for its domestic population.

All of these events have signaled a far less predictable trading regime for Canada than the country has faced for two or three decades. Furthermore, when exports are cut off on short notice, Canadian industry finds it difficult to rebuild markets; equally, Canada has little if any viable recourse through WTO to challenge trade actions of other countries.

Sudden blockages to exports that have happened or could happen whether by China, an animal disease in North America or any other cause, remain unpredictable in advance, unknowable, and "unhedgeable". In other words, there are few if any immediate actions that Canada can take to ameliorate the situation when sudden trade limitations arise. Ezra Klein writing in the New York Times concluded that "We don't realize how fragile the basic infrastructure of our civilization is" based on his reading of "The green swan Central banking and financial stability in the age of climate change".¹² He concludes that "If you know anything about financial regulators, you know the word "unhedgeable" is an alarm bell shrieking into the night. Financial systems are built to hedge risk. When a global risk is unhedgeable, the danger it poses is existential". The same conclusion can be drawn for agriculture and food production and trade. There are global risks for agriculture and food that are increasingly "unhedgeable" and pose substantial short- and long-term risk.



¹²Patrick Bolton, Morgan Després, Luiz Awazu Pereira da Silva, Frédéric Samama and Romain Svartzman, 2020. The Green Swan: Central banking and financial stability in the age of climate change. Bank for International Settlements. <https://www.bis.org/publ/othp31.htm>



The Search for Consensus

The fundamental question is how Canada can move forward in defining and implementing policy for Canadian agriculture and food within the context of today's world. The difficulty lies in the very different world in which we find ourselves today, involving the trading environment we face, the role of governments in domestic and international trade policies in agriculture and emerging economic nationalism, changes in institutional arrangements within Canada and abroad, and the instability in all of these relationships in the days and years ahead. The path ahead for many issues lies outside of the experiential scope of the last several years.

This purpose of this paper, noted at the beginning was to challenge thinking of others, to encourage reaction and response, and to bring others join the constructive search for policies and processes for agriculture and food policy in Canada. Two or three issues stand out that policy makers probably cannot avoid, while other issues are unpredictable in timing and scope that would require urgent attention as they arise.

One of the unavoidable and urgent issues is Canada's response to climate change. The Supreme Court of Canada has upheld Canada's legislation to impose a progressively higher carbon tax or equivalent on greenhouse gases. Discussions in the US are already underway seeking means to move toward reduced greenhouse gases in agriculture, that could involve a carbon fee on imports if the exporter does not have equivalent measures in place, although there appears to be some reluctance to include agriculture.¹³ A strategic program design and implementation needs to be developed specifically for agriculture

and food in Canada. While the federal law enables provinces to design and implement the programs, some commonality across Canada in the agriculture and food measures will likely be needed to avoid concerns by the US. The difficulty lies in the differences of views in the inter-commodity, inter-regional and supply chain membership and the difficult politics that can arise. Some process is needed to assemble both the analysis and various groups across the sector to bring as much coherence as possible across the industry, and to dovetail Canada's approach with the US and other trading partners. The federal government, for a number of reasons, is unlikely to attempt leadership, although its research and policy resources could measurably contribute to the effort.

Another area from which Canada could benefit lies in the exploding biological research results around the world. Science does not respect international borders, and Canada cannot generate all of the research and science needed for its industry to prosper. Investment in agriculture and food research within Canada has been under way since the 1880s in Canada. However, it needs to become far more connected to major research hubs around the world. This means funding in research centres abroad to support Canadian researchers in major research centres, as well as funding visiting researchers from abroad to work in Canada, as a means of ensuring Canadian access and research capacity in science discoveries. As examples, CRISPR technology and the emergence of mRNA technology could offer new plant technologies and the means for controlling animal diseases.

¹³A bipartisan bill introduced in the US Senate would bar the Environmental Protection Agency from regulating livestock emissions, continuing a more than decade-long restriction. <https://www.meatingplace.com/Industry/News/Details/98853>

The unpredictability of the potential challenges in both domestic production and export trade suggest that a comprehensive “stable” multi-year policy set will not likely survive very long. We cannot define where the Canadian agriculture and food industry needs to be in five or ten years; nor can we define the path to reach such a goal. Clearly, a long-term business risk management set can provide an initial foundation for adjusting farm incomes, but likely cannot deal with the range of measures needed to respond to the unforeseeable domestic and trade-related events.

This suggests two-pronged effort: first would be a developed capacity across F-P-T governments and industry to respond to the rapidly changing needs of the industry, to quickly offset the negative impacts of events. This effort can only be developed with a strong sense of commitment and trust among F-P-T partners, across the horizontal and vertical organization in the sector, and the wider interests of organizations and interests of society regarding agriculture and food.

Second would be a long-term effort to bring greater stability to both domestic and international trade. Some of these efforts are already underway: an example is the “Ottawa Group” of countries seeking more stable trading relationships than currently available through WTO. Another would be Canada’s efforts to press other nations to rebuild an acceptable dispute resolution within the WTO.

Both suggestions are more focused on the processes for the development of policy actions than on policy solutions. If our institutional capacity of governments has been weakened due to the branded politics as Savoie has argued, then alternative institutions should be considered with greater leadership entrusted outside of governments with governments’ participation and commitment. This relieves the reluctance of Ministers to press forward on sensitive policy areas but enables a constructive approach to reach policy paths forward that Ministers could implement without facing the negative political consequences. A critical requirement is that Ministers and their officials, as well as industry participants, would need to be committed to both processes and outcomes.

This paper lays out the difficulties in policy formulation for agriculture and food that Canada faces, how and why policy difficulties and uncertainties in the 1970s and 1980s were addressed, and the urgent need to bring together processes, ideas and analysis to guide directions over the next several years. The basic feature in the coming years is uncertainty across both domestic and international policies for the sector, and more widely. Accepting this reality is the foundation for seeking ideas and directions offering the means to prepare for the uncertainties, rather than reacting to events after the fact. Ultimately, this paper is an invitation to join the conversation.

