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Canadian Agri-food in a Hungry World

Improving Canada's Position in a Shifting Geopolitical Landscape

What We Heard Report



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Report*



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We would like to sincerely thank the conference sponsors, without whom the Canadian Agri-food in a Hungry World conference would not be possible: Canpotex, the Global Institute for Food Security (GIFS), the Grain Growers of Canada (GGC), the Canadian Canola Growers Association (CCGA), Corteva Agriscience, Farm Credit Canada (FCC) and Export Development Canada (EDC).

Thank you for your support of the Canadian agri-food sector. We would also like to thank the many exceptional speakers who participated in each panel, providing their insights and expert opinions on the critical conversations that took place during the conference.



Note from CAPI & CGAI

The world is changing, and agriculture and food are on the front lines. A multilateral trading system under stress, increasing demand, pressures on production and climate change are colliding to tighten supplies, increase food insecurity, and challenge trade. As a top food-exporting nation, how Canada chooses to respond will define our place in the world. Canada has the opportunity to establish itself as a food superpower, playing a major role on the path to global food security, peace and stability. But a more ambitious, long term national strategy which prioritizes agri-food is required.

In light of this growing opportunity, the Canadian Agri-Food Policy Institute (CAPI), the Canadian Agri-Food Trade Association (CAFTA) and the Canadian Global Affairs Institute (CGAI) joined forces to organize a conference on January 31, 2023, in Ottawa. The conference attended by a broad group of stakeholders from the trade, diplomatic, agri-food industry, policy and academic communities to hear from a diverse group of leading experts on the challenges, opportunities and strategies needed to take advantage of this new reality for Canadian agri-food. What follows are the five key takeaways we heard during the conference.

Key Takeaways

- The world has experienced a **paradigm shift** from an era of abundant food to one of scarcity. The Ukraine invasion only made matters worse, contributing to greater uncertainty, higher prices and food shortages.
- **Food Insecurity** has worsened and is a concern for all countries, with the number of people experiencing acute hunger rising to 348 million in 2022. Import-dependent developing countries in Africa and Asia have been particularly hard hit, but major advanced economies are also facing pressures.
- **The WTO multilateral trading system is dysfunctional.** Trade rules used to provide stability and certainty, but now are less reliable, as the WTO struggles to address climate change, food security and trade under protectionist and geopolitical tensions.
- Canada's **new Indo-Pacific Strategy** is a step in the right direction, serving as a model, focusing on a long term strategy to expand and diversity trade and promote peace, resilience and security in a growing market, while also reinforcing a strong, broad-based approach to China.
- **Canada needs a long-term vision and a strategy.** While Canada has a lot of what the world needs, it is getting harder to get it to them. Canada's infrastructure is reaching capacity, our regulatory system needs to become more nimble, we are falling behind on innovation and competitiveness and Canadians are increasingly complacent.



The World Faces a New Paradigm

The world has experienced a paradigm shift from an era of abundant food, with companies scrambling to find markets for commodities, to one of scarcity. The Ukraine invasion only made matters worse, contributing to greater uncertainty, higher prices and food shortages.

Ted Bilyea, CAPI Distinguished Fellow, reminded us that it will not get any easier going forward to feed the world. Pressures from increased demand for food and protein, particularly from wealthier former major food-producing regions such as Southeast Asia and Indonesia, will increasingly strain the system. Once rising middle-class incomes in developing countries boosts the demand for protein, there will be increased pressure on land to produce more livestock with the environmental impacts that result.

At the same time, we face major headwinds from climate change, biodiversity loss and disease. Also, food production is relatively concentrated with only about 6 countries producing 72% to 95% of the food in the world, exporting their surpluses. Weaponizing food is increasingly a risk, especially in a world where protectionism and geopolitics have overtaken the rules-based multilateral trading system.

Global Food Insecurity Has Worsened, Impacting Security

The war in Ukraine, commodity price inflation, higher energy, fertilizer and input costs, supply chain disruptions and the pandemic, have all led to a rise in the number of people experiencing acute hunger, at 348 million in 2022. Import-dependent developing countries in Africa and Asia have been particularly hard hit due to the higher cost of food and farm inputs for these low-income countries. There are real worries about feeding people around the world with rising food insecurity across the Middle East, Africa and Asia made worse by the Ukraine invasion. They continue to be equally impacted by disrupted global supply chains and geopolitical insecurity said **Richard Fadden**, former National Security Advisor to the Prime Minister.

Major advanced economies are also facing pressures. His Excellency **Yamanouchi Kanji**, Ambassador of Japan to Canada, pointed out that food security is everyone's topic today. Japan has a food self-sufficiency ratio of only 38% and is heavily reliant on imports of food, despite being the third largest world economy. This compares to Canada, which is 27 times larger than Japan in area, with a food sufficiency ratio of 250%. Hence, Canada has an important role to play in global food security.

It is well known that there is a link between food insecurity and political upheaval, hence the importance of food security and national security for economic security. **Richard Fadden** said that disruption in food and water access as basic necessities often leads to national security issues and no one has contingency plans for that. His Excellency **Michel Miraillet**, Ambassador of France to Canada, emphasized the growing disparities in Africa where food insecurity is becoming increasingly widespread at the same time that many of these countries are also suffering from political uprisings. For Canada, Africa has not been a target of diplomacy but it will become increasingly important in the next decade. And while Canada does contribute financially to the WFP, there is so much more it could do to help by sharing knowledge and partnering on research on specific crops and practices. His Excellency **Ahmed Abdallah Hafez**, Ambassador of Egypt to Canada, knows full well the importance of food security for peace and stability. He described how Egypt has made significant progress over the past decade ensuring its food security by having invested in grain storage and silos, boosting land for wheat production and diversifying imports to prevent another (2011) Arab Spring. Egypt has nevertheless still been heavily impacted by the Ukraine-Russia war because 70-80% of its wheat imports come from the region.

Sebastien Abis, Director General of think tank Club Demeter and researcher at France's Institut de Relations Internationales et Stratégiques (IRIS) argued that "when people are hungry, they rise up". Moving wheat from where it is produced to where it is needed has historically been so very important for economic growth. However, this also means that countries have been tempted to weaponize wheat trade. Hence it is in the interest of Canada, the U.S., the EU and Australia to ensure wheat surpluses can be moved to where they are needed. After all, global food security is a collective goal. In this way, Canada can play role in promoting peace and stability for global food security.





As the World Food Programme's 5th largest donor, Canada has been contributing to global food security, according to **Elly Vandenberg**, Director of the Global Office Canada, United Nations World Food Programme (WFP). But we still can and should do more to stay the course, boost humanitarian aid, invest in economic development particularly in developing countries, and promote government policies that boost equity and development (e.g., girls' education) through diplomatic means. It is also important to encourage the private sector to step up and boost innovation and technology transfer, particularly in the crop area, something Canada has done well in the past.

Richard Fadden argued that Canada does not think enough about how it can contribute to global food security, whereas we have a moral imperative to do so. Reiterating Ms. Vandenberg, he argued Canada needs to spend more on humanitarian aid such as the WFP, promote trade and economic development to encourage moving foodstuffs around the planet, and cooperate more with various countries through diplomacy. Finally, Canada needs to develop more forward-looking strategies that contribute to economic development in developing countries in different ways for future food security.

The Multilateral Rules-Based Trading System is No Longer Reliable

The multilateral trading system governed by the World Trade Organization (WTO), whose rules used to provide stability and certainty, has become less reliable and made trade much less certain and predictable. The WTO struggles to address trade disciplines given the impact of climate change and food insecurity on trade in this new era of protectionism and geopolitical tensions. **Nadia Theodore**, Ambassador of Canada to the WTO explained that there has been little change in rules governing agricultural trade for a generation, whereas transformational change is needed on an urgent basis for trade in agriculture and food products in particular. This is due to three critical issues- food security, climate change and competition amongst the great geopolitical powers (China and US). How to address food security and climate change through trade rules has not been pinned down yet. The Ottawa Group is doing some work in this area but there continue to be tension points that are preventing us from getting an agreement on trade and agriculture. The Russian invasion was a shock to an already strained food system. However, this did lead to some concrete actions in Geneva, but more needs to be done.

Steve Verheul, one of Canada's foremost trade negotiators, argued that the WTO has become dysfunctional. This is because trade is being driven by different themes other than liberalization, and protectionism and geopolitics are playing a major role as we move away from relying on market forces. There is more talk about industrial strategies and different ways of managing the global economy, such as "friendshoring" or "near-shoring". This is changing the dynamics. The U.S. figured out that if you can address climate change you can address the "China" issue. Increasingly, market access is tied to environmental performance – if a country has good performance,

it can get access, if not, it can't. Clearly, we will need to rebuild the rules, not just for trade liberalization, subsidies and market access, but with further rules around the environment and food security. But how do we ensure there are incentives in place to encourage this? And how do we accept that there may be trade distortions? This will be a difficult task requiring time and effort and collaboration.

Goldy Hyder, President and CEO of the Business Council of Canada, emphasized the growing importance of collaboration and trading blocs in this new era. Given there is strength in numbers, trading blocs such as the Regional Comprehensive Economic Partnership (RECEP) are being formed between countries that do not even have similar ideologies (i.e. communist China and democratic Australia). On the other hand, North America has always been inward looking. We need way more integration with trading partners, for ease of mobility, harmonization and ease of access, and for leveraging our strengths. H.E. **Ambassador Kanji** argued there is no contradiction in forming trading blocs and freer trade since they work to make trade clearer and more transparent.



Canada's *Indo-Pacific Strategy* is a Step in the Right Direction

Canada's recently announced Indo-Pacific Strategy is promising in that it provides a new approach to expanding and diversifying trade in this region, while also promoting peace, resilience and security, including with China.

Trevor Sears, President & CEO of Canada Pork argued that Canada exports 70% of its hogs, and half goes to the Indo-Pacific region already, so he is happy there is a strategy. Sears hopes there will be uninterrupted access to this market and more FTAs negotiated as a result. The Regional Office being set up there will be important for relationship building, since established relationships allow for easy resolution of minor trade irritants quickly, before they affect trade. The Office should be well staffed and funded with technical experts, such as CFIA red meat specialists who can help address issues proactively with their peers. **Kevin Auch**, Chair of Pulse Canada, argued that pulses have a harder time competing in this market, since India is a large producer. Canada is not a low-cost producer but farmers grow other products besides pulses and with a team approach on trade missions, all can benefit.

When asked about the risks they foresee for trade in the Indo-Pacific region, **Kevin Auch** argued that protectionism is one of the top risks, as they have seen non-tariff barriers (NTB) being used to prevent Canadian pulses from entering the Indian market. The best way to address this is through communication and increased understanding of Canadian products. Another risk for exporters is the risk of payment default. Trevor Sears argued another major risk is from geopolitics, such as the weaponization of trade, which the pork industry experienced in 2018-19, with NTBs introduced by China.

Nevertheless, **Sears** argued that China is a market that cannot be replaced because they buy animal parts that no one else does. The animal industry is a "disassembling" business so China's market is key. **Jean Marc Ruest**, Senior Vice-President, Corporate Affairs and General Counsel at Richardson International, suggested that given the Government's new position on China, the best thing is ongoing communication at the government level since there can still be discussions around market access. Nevertheless, as His Excellency **Ralph Goodale**, High Commissioner for Canada in the United Kingdom of Great Britain and Northern Ireland and CAPI Distinguished Fellow **Ted Bilyea** argued, China still needs relationships with countries like Canada who will remind them that their own approach to food security is unworkable and self-defeating. It is in China's self-interest to support the rules-based trading system. They shouldn't be undermining it. Canada will have to keep explaining that point to them over and over again.

Other risks impacting trade in this region include supply chain vulnerabilities and capacity limits at the port of Vancouver. Weaknesses in our infrastructure capacity based on lack of investments due to policy uncertainty are increasing costs of production and harming Canada's competitiveness and future capacity to market more agri-food products to the world, where they will be needed.

Dominic Barton, Chair of Rio Tinto and former Ambassador of Canada to China, argued that Canada needs to do more to brand Canadian products. He provided examples in China where Canadian products were being marketed at a premium even though Chinese businessmen argued "Canada could not brand itself out of a paper bag". It is essential to get the message to consumers about Canada's strengths, such as its strong regulatory system, safe and high-quality food and low carbon intensity.

Canada needs a Long-Term Vision and a Strategy

Several speakers identified what Canada needs to do to become a global food superpower, supplying high quality, safe and sustainable agri-food products to the world. A common theme was that Canada needs a long-term vision and ambitious national strategy developed by governments and industry together that will boost Canada's productive and infrastructure capacity, leverage science and innovation, market high quality agri-food products and prioritize agri-food trade for long term leadership in global food security. Elements of the strategy focused on:

- **Strengthening Capacity:** To have leverage and relevance in the world, Canada must produce what the world wants, never taking for granted our infrastructure and production capacity but investing in it.
- **Boosting Innovation:** Canada needs to remain ahead of other countries, investing in research, innovation and sustainability but also sharing new knowledge and technologies through collaboration with developing countries who can benefit.
- **Protecting our Water:** We need to do better on water management and irrigation issues by investing in infrastructure to ensure long term supply issues are addressed and future production capacity is buttressed.
- **Continuing to work with China:** We need to be patient and stay the course for the long term, clear eyed and using diplomacy because of China's important role in global trade, food security and peace and stability in the world.
- **Collaborating with new players and non-traditional stakeholders:** We need to learn to work with new stakeholders who we may not have worked with before, given the new focus in a world of scarcity and geopolitical tensions on new issues food security and climate change. Canada also needs to consider developing relations with Africa and Asian markets where there is great need. Looking longer term out to 2050 in developing the vision and strategy and focusing on outcomes rather than prescriptive policies.
- **Enhancing Branding:** We need Canada branding of our agriculture and food products coupled with timely before and after services to show we are a caring, reliable provider of high quality agri-food products, especially as we diversify trade to new markets.
- **Resourcing trade promotion as well as market access efforts:** We need to continue to develop relationships in existing and emerging markets to help promote trade, address market access issues and resolve trade irritants before they affect trade.
- **Encouraging grassroots participation on trade missions:** By bringing farmers and those who vote to the table, since they understand food needs in our country and can mobilize political support afterwards.
- **Remaining nimble and proactive with our allies and partners:** As a member of NATO, the WTO, the WFP and the G7, we need to be more visible and strategic in these fora. We need to continue to support the WFP and show leadership in trade negotiations and diplomacy, given our past strengths as a trade negotiator.