Agri-Food Risk Report

PHASE 2

From optimism to realism … to action

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The Canadian Agri-Food Policy Institute's mission is to lead policy development, collaborate with partners and advance policy solutions within agriculture and food.

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A MESSAGE FROM CAPI'S MANAGING DIRECTOR

Talking about risk has been easy in 2025 because it seems to be everywhere. The rules-based trading system and global markets have been disrupted. Domestic policy priorities have changed, and the federal government has entered an era of austerity.

The stability and fundamentals that worked in Canadian agriculture's favour for the past two decades are not working the way they used to. For most of the year actors across the sector have known that things are bad and have been expecting them to get worse.

It is against that backdrop that CAPI undertook a series of activities- as part of its risk initiative. This included our second annual risk survey and the CAPI Exchange conference, hosted under the theme of Canadian Agri-Food in a Risky World. Furthermore, in almost every project that CAPI undertook, from innovation to conservation, the changing risk landscape and its impact on the sector came up.

In the survey, conference and dialogues, there was recognition that the status quo was no longer fit for purpose in this riskier, more challenging world. There was broad agreement that the time for change has come, that there is a need for action.

However, a year after the re-election of the US President, more than 6 months after the election of a new Canadian government and after months of talk, it is hard to see the action happening.

CAPI's first Agri-Food Risk Report was "from Optimism to Realism," and urged greater awareness of the significant risk and systemic challenges facing Canadian agriculture and agri-food. The report underscored that while the respondents were optimistic about the future, their responses and much of the evidence pointed to long-term, structural challenges. The report urged a more realistic assessment of the sector's future.

The second Agri-Food Risk Report is "from Optimism to Realism … to Action." As a think-tank, there should be little surprise that much of our focus is on public policy action, but the expectation that leadership will come from government is one of the risks facing the sector. Greater leadership from within the sector is one way to mitigate that risk. There is little doubt of the risks facing the sector. Now the challenge is to do something about them.

Tyler McCann
Managing Director

INTRODUCTION: TAKING ACTION

Last year, CAPI launched its inaugural risk report ("From Optimism to Realism")

The intent was to create an annual benchmark, highlighting the mood of the Canadian agriculture and agri-food industry and addressing current threats/risks and opportunities for the sector along the value chain or across the country.

This year marks the second annual report, which identifies the most top-of-mind risks facing the broad agriculture and agri-food sectors, how these have changed from last year, and how they interact with public and private policies.

The purpose of this report is to once again encourage discussion and reflection around this topic from all corners of the sector. At the same time, this report will serve as a basis to work with partners to strategize how to address current threats and capitalize on opportunities.

ABOUT THE RESEARCH

Phase 1: Survey

This is the second annual risk report conducted in partnership with the Angus Reid Institute.

Phase 1 of this years' report is based on data generated by a survey of 508 agriculture and food sector stakeholders across Canada, including 198 farmers, 60 government representatives and other members of the industry and civil society. The survey was conducted in March 2025.

Note that in some cases smaller sample sizes should be interpreted with caution.

Phase 2: Engagement

Throughout the past year, CAPI incorporated the concept of "risk" into most of its outreach and stakeholder engagement initiatives, capturing feedback on current threats and opportunities facing the sector. CAPI's workplan focussed heavily on risk, as well. On top of this, in early October, CAPI hosted its third annual Exchange conference in Ottawa, ON, bringing together agri-food leaders from across Canada and the world to discuss the risks facing the industry and their impact on Canada's future agri-food policies (session recordings can be accessed here).

Through these channels, we collected and documented feedback and perspectives from industry stakeholders, as part of Phase 2 of the 2025 risk report. These stakeholders collectively reflect nearly every corner of Canadian agriculture and all levels of the value chain, bringing vast experience in on-farm realities as well as high-level policy, trade and innovation issues.

SECTION 1 — RESEARCH RESULTS:
THE MOOD OF THE SECTOR

Concerned, but optimistic

There are more optimistic people within the Canadian agriculture sector than pessimistic ones according to The Agri-Food Risk Report Phase 1.

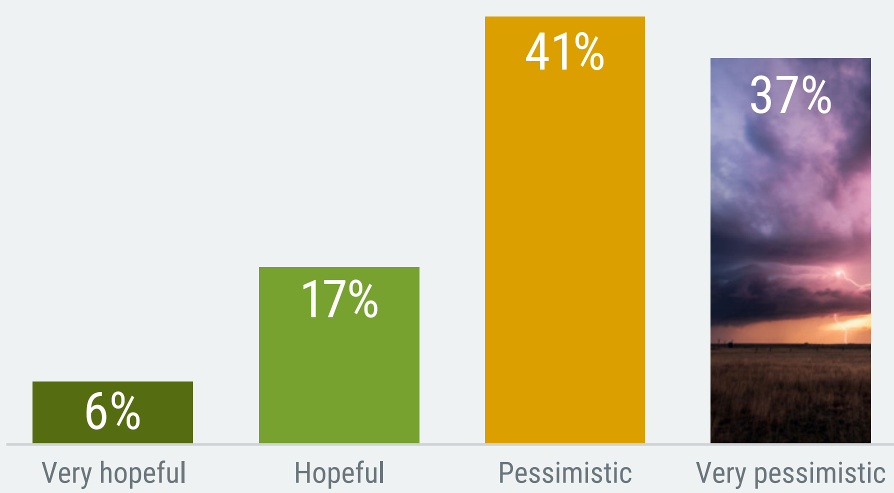
Approximately 62% of respondents reported having a positive view of the future and about three times more people are optimistic than pessimistic within the sector. While the majority are optimistic regardless of where they were responding from, the level of optimism is lower amongst survey respondents in rural and remote areas.

> "We used to think of the U.S. as a stable partner, but the current climate is showing us just how fragile that dependence is."

> "In light of Trump's complete disregard for our two countries' history together ... the sector has to start building real economic pathways that don't collapse when the political winds shift."

These sentiments come as no surprise. Since the beginning of the year, the agriculture and agri-food industry has experienced the effects of the turbulent trade relationship between Canada and its largest trading partner – from tariff threats and implementations, to rising costs of inputs and agriculture equipment, to questions about the future of supply management.

Thinking of the second term of U.S. President Donald Trump and the impact his policies may have on agriculture and agrifood in Canada, are you generally hopeful or pessimistic for the next four years?



Underlying respondents' pessimism for the next four years is the fact that more than half of farmers and 40% of non-farmer industry members don't believe they will be able to continue to operate their businesses for more than a year or so if tariffs are imposed on Canadian agriculture. (By contrast, 29% of respondents, primarily in government roles or members of civil society, feel insulated from tariff impacts.)

Assuming there are tariffs imposed on exports and imports for goods in Canada, including in agriculture and agrifood, how long do you think you and/or your company/ organization will be able to maintain operations in this environment?

	Farmers	Non-Farmer Industry	Govt.	Civil Society	Other
I'm insulated from it	17%	23%	45%	50%	39%
Only a few months	8%	6%	7%	4%	9%
Six months or so	6%	7%	8%	7%	1%
A year or so	19%	14%	7%	10%	21%
A couple of years	21%	13%	12%	9%	12%
The full four years	29%	37%	22%	19%	18%

However, although the current trade situation between Canada and the U.S. is a top concern, the issues that have arisen in the last year reflect a problem that goes much further back and cannot solely be attributed to the current political situation. The majority of survey respondents believe that Canadian trade is too heavily concentrated in the U.S.

Stakeholders shared the same belief in feedback sessions, outlining how Canada's overreliance on U.S. markets now poses one of the sector's biggest strategic risks.

> "Canada's agriculture sector has built its success on access to the U.S. market, but that dependence has become our greatest vulnerability."

Further complicating these concerns is the fact that the industry believes there are no easy solutions to the issue. Nearly half of respondents were not confident that Canada could successfully divert its U.S. trade program elsewhere, while three quarters were not confident that Canada could mitigate any potential disruption in agriculture and agri-food trade between Canada and the U.S.

In feedback sessions, stakeholders shared similar concerns, stating that Canada's supply chains, infrastructure and regulations are "built to move product south, not across oceans," making it costly and complex to pivot quickly.

"It's not as simple as finding new buyers — it's rebuilding an entire trade architecture that's been designed around the U.S. for 40 years."

A recent report from RBC backs up these sentiments, outlining how robust diversification for Canada's agriculture industry would require re-thinking deeply-woven supply chains, navigating complex global red tape and investing billions' of dollars to build the processing and logistics infrastructure required to capture demand beyond the familiar North American zone.

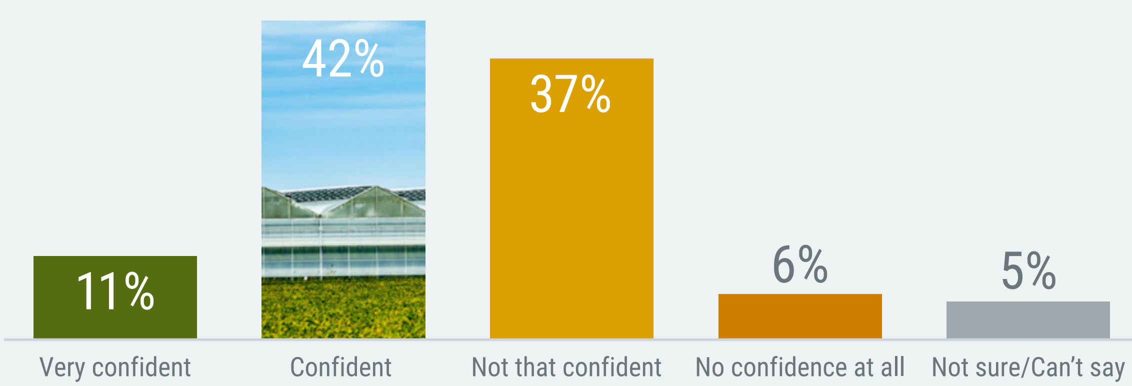
It's time for action

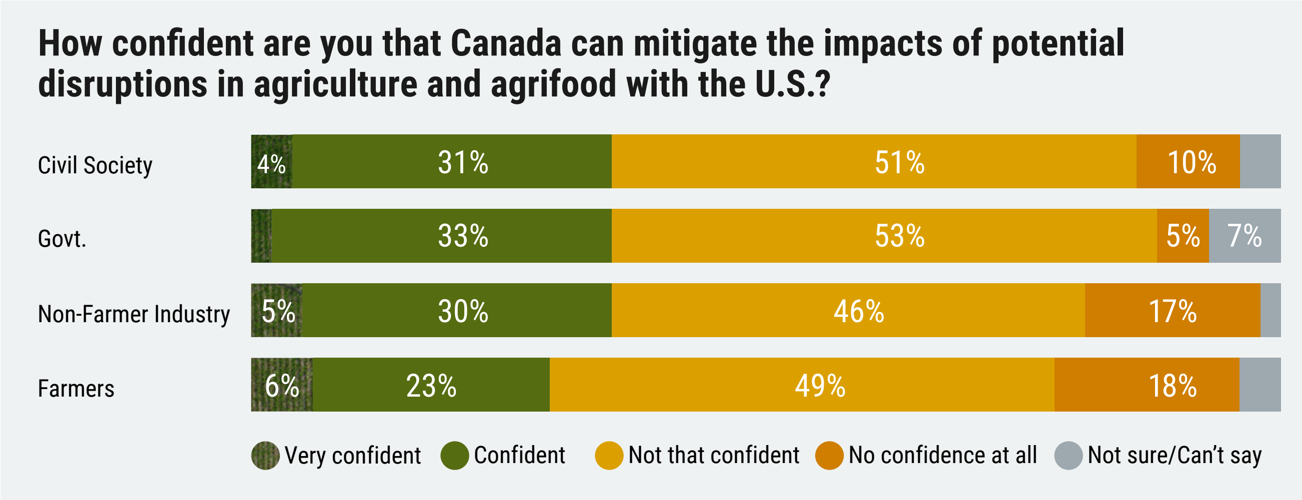
However, it's clear from the data that events this year have sparked something within the industry: the knowledge that collective and immediate action is required to capitalize on opportunities and manage risks going forward.

This sentiment was also strongly supported through feedback in Phase 2 of the research. Stakeholders repeatedly emphasized the belief that things need to change but that, while the U.S. political situation has brought this need to the forefront and perhaps exasperated components of it, it is not the cause of the sector's most pressing current issues nor is it limited to issues related to trade only. In fact, stakeholders believe there are several foundational issues that have brought us to this point, spanning lack of innovation and investment in the industry, cumbersome regulations and policies, and more (see Section 4 for a full list).

Stakeholders also agreed that change is urgently needed, however there was a lack of consensus about what that change should look like, and more importantly, if it should be driven by goals of growth and progression or stabilization and recovery.

How confident are you that the industry could concentrate less in the United States, and make up that loss elsewhere?



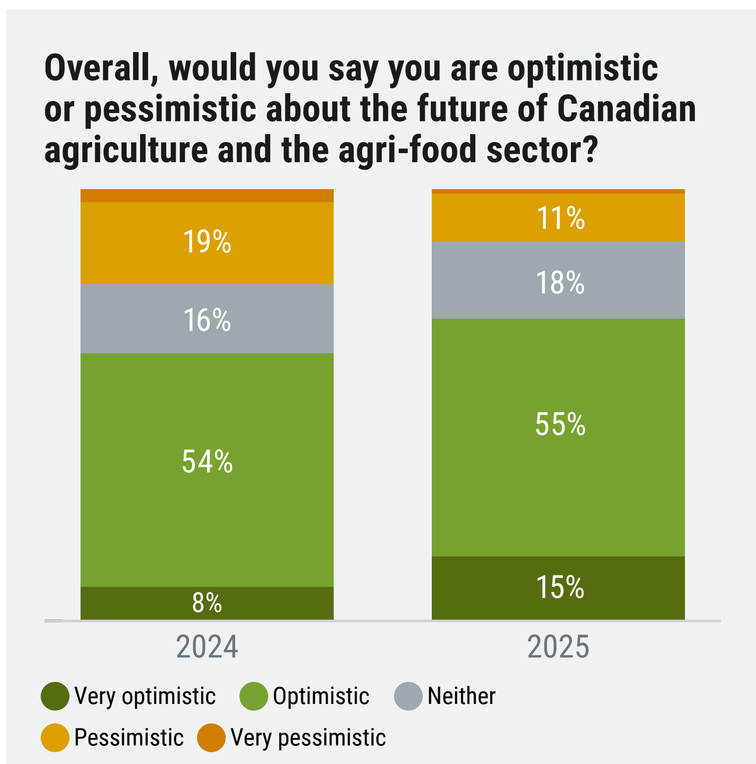


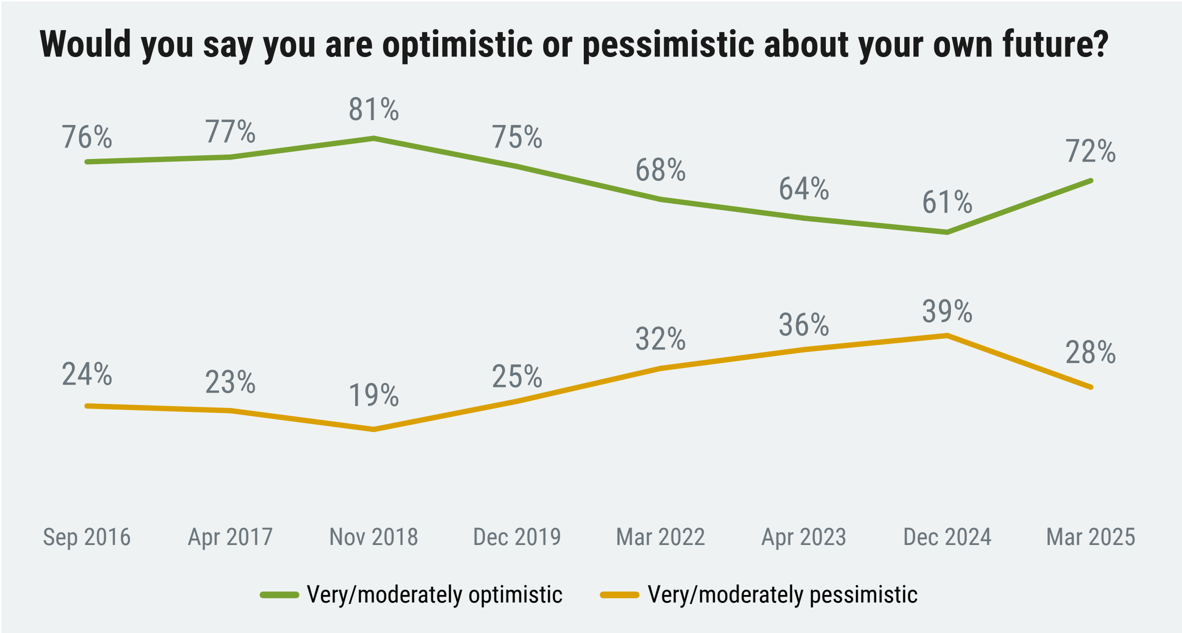
Despite all this, the industry is optimistic

There's something special about the Canadian agriculture and agri-food industry: it is, and has always been optimistic, despite the significant challenges it faces and their ongoing, complex nature.

Despite the growing and often complex issues the sector faces, overall optimism among all groups surveyed this year has either improved or remained steady. Approximately 70% of respondents reported being optimistic about the future of the sector, up from 62% last year. Another 72% of respondents were optimistic about their own futures, up from 61% last year.

Breaking this optimism down into sub-groups offers further insights. Those who are most optimistic amongst survey respondents are those outside the sector, while farmers are least optimistic. This may be despite farmers not necessarily being on the front lines of the trade war that may be more likely to impact food processors, equipment manufacturers and other value-added sectors.





Throughout stakeholder feedback sessions, the sense of optimism was also apparent. However, when discussed more at length, it became clear that stakeholders' optimism was much more cautious and conditional, rooted in a belief that the sector can thrive only if it abandons complacency and embraces action. Furthermore, several stakeholders believe that there's a pervasive culture of complacency in the sector, and that this will only be remedied by bold change.

Despite these conditions, these overall levels of optimism reported through our survey and stakeholder feedback sessions reflect a silver lining of the current situation: there is major opportunity ahead for the industry and people are realizing that now is the time to act.

SECTION 2 — RESEARCH RESULTS:
CURRENT RISKS AND CHALLENGES

Trade disruptions and climate change top this year's list of concerns

The first major concern for survey respondents this year was trade barriers and protectionism – nearly 60% of respondents believe this to be the top risk for the industry. This is not a surprise: this number would have likely increased year over year in any case, given the current global geo-political climate and ensuing repercussions for trade between several major agricultural-producing countries, including China.

In Phase 2 of the research, the same message was clear. Stakeholders believe that rising trade barriers and protectionism—especially from the U.S.—pose one of the greatest immediate risks to Canada's agriculture sector, threatening decades of progress built on open, integrated markets. They also believe that, because Canada's entire agri-food system is structured around cross-border trade, the entire system is extremely vulnerable to even small policy shifts or tariff threats.

> "Every time the U.S. talks about tightening the border or revisiting trade rules, it sends a chill through our industry."

> "We've built our competitiveness on open borders — so when protectionism rises, our entire model starts to wobble."

Relatedly, the number of survey respondents worried about the U.S. political situation jumped from 20% last year to nearly 50% this year, as did concerns about farm economics and recession.

Another sign of the times: respondents this year reported mounting concerns in five main threat areas, all related directly or indirectly to the U.S. political situation and associated economic threats.

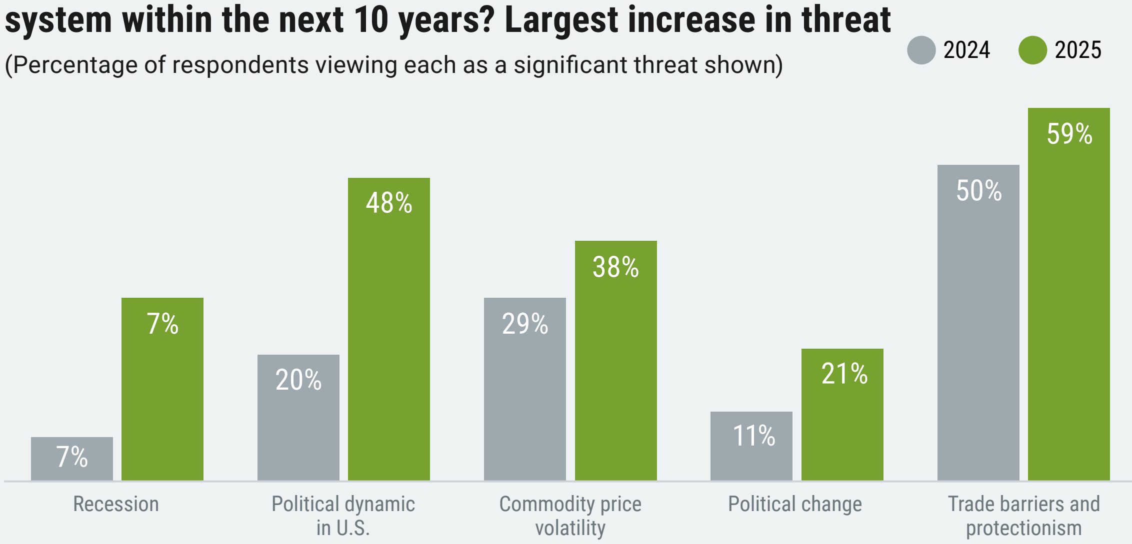
What are the most significant threats to the Canadian agriculture and food system within the next 10 years?

(Percentage of respondents viewing each as a significant threat shown)

	2024	2025
Trade barriers and protectionism	50%	**59%**
Extreme weather (drought, floods, wildfires)	52%	**52%**
Political dynamic in the United States	20%	**48%**
Policy and regulatory environment	61%	**47%**
Input affordability	39%	**43%**
Farm income and debt	36%	**39%**
Commodity price volatility	29%	**38%**
Climate change	34%	**37%**
Infrastructure/Supply chains	29%	**33%**
Loss of farmland	32%	**30%**

What is the most significant threat to the Canadian agriculture and food system within the next 10 years? Largest increase in threat

(Percentage of respondents viewing each as a significant threat shown)



The second major concern for survey respondents this year was extreme weather.

Throughout Phase 2 of the research, this was also identified as an escalating and unavoidable risk, with stakeholders referencing direct impacts on yields, infrastructure and long-term sustainability for the sector.

> "Climate volatility is no longer an outlier — it's the new baseline."

This is also not a surprise, given that in the last five years, most Canadian farmers have felt the effects of extreme weather in the form of droughts, heat waves, floods, wildfires, hail, tornadoes and new pests and diseases.

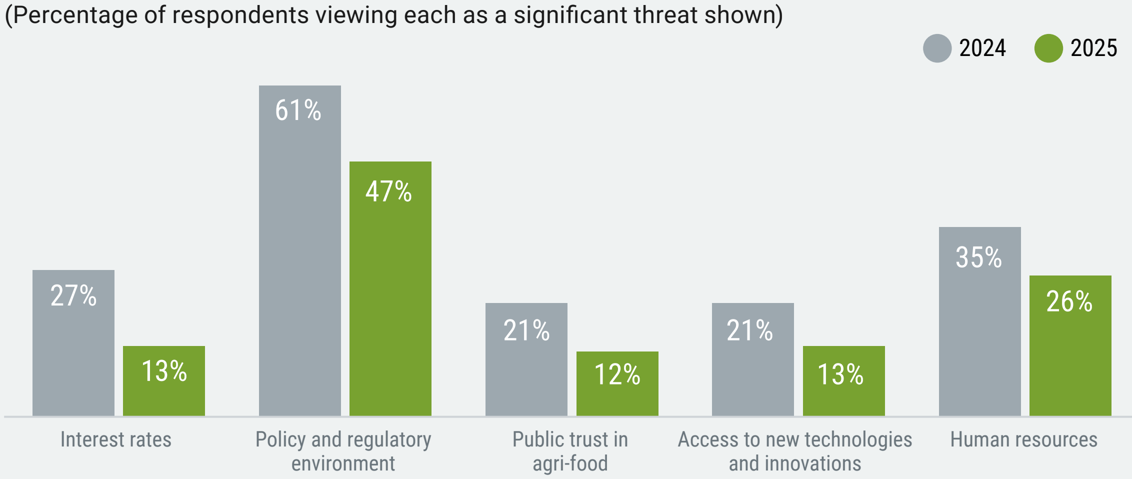
One interesting note about current industry threats is the shift in priority concerns from last year to now. Overall, respondents this year are less worried about issues including Canada's policy and regulatory environment, human resources, interest rates, public trust in agri-food and access to new technology and innovation.

That doesn't mean that the lower priority threats have been mitigated. This is likely a reflection of the overwhelming shift to prioritizing matters of trade, in light of the U.S. political situation.

In fact, through Phase 2 stakeholder feedback sessions, it became clear that these issues remain top of mind and are significant. In terms of the domestic regulatory environment, stakeholders feel that overly cautious, fragmented regulation discourages investment, constrains talent pipelines and slows access to new technologies. They also believe that high interest rates and short funding cycles make scaling innovation harder and that policy frictions are eroding public trust and workforce confidence. Overall, stakeholders believe that Canada's agri-food system is over-managed, yet under-supported at the human, financial and technological levels – concerns that span all the risk areas outlined above. There is a strong belief that these issues will hold the sector back significantly if not addressed.

What is the most significant threat to the Canadian agriculture and food system within the next 10 years? Largest decline in threat

(Percentage of respondents viewing each as a significant threat shown)

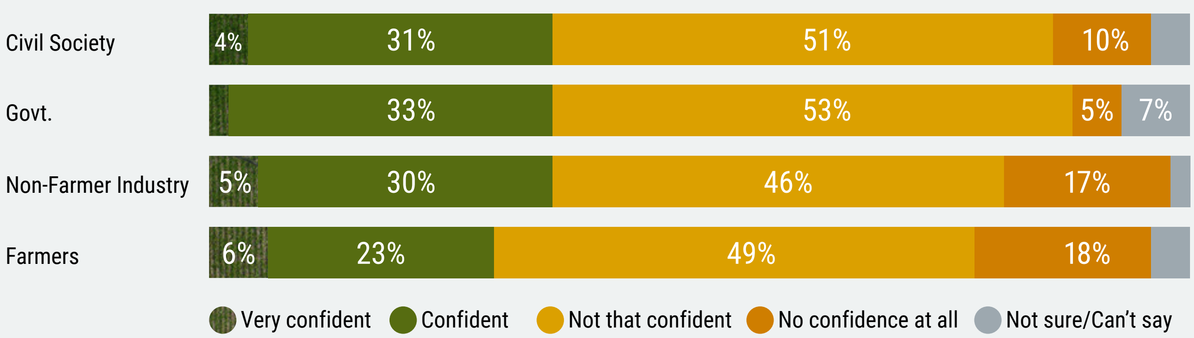


No easy solutions

Furthering the intensity of these risks, the majority of survey respondents believe that the sector is not well situated to deal with them and that there are no easy solutions to address them.

Only a third of respondents are confident that Canada is well positioned to mitigate trade disruptions with the U.S., while challenges associated with climate change and the U.S. political dynamic are viewed as extremely difficult to overcome.

How confident are you that Canada can mitigate the impacts of potential disruptions in agriculture and agrifood with the U.S.?



How would you describe the level or severity of challenge each of these risks pose for Canada's agri-food system?

	Manageable	Difficult	Extreme
Trade barriers and protectionism	21%	59%	20%
Extreme weather (drought, floods, wildfires)	12%	52%	37%
Input affordability	30%	52%	18%
Policy and regulatory environment	23%	48%	29%
Commodity price volatility	28%	61%	11%
Political dynamic in the United States	8%	46%	**45%**
Infrastructure/Supply chains	37%	50%	13%
Farm income and debt	23%	60%	17%
Climate change	6%	48%	**46%**
Inflation	16%	58%	26%

More generally speaking, there's a lack of confidence amongst survey respondents in government programs to deal with all the main threats identified for the sector this year. Only 27% have confidence that the government is well situated to mitigate risks associated with trade barriers and protectionism, while another 26% are confident in government's ability to address issues with infrastructure and supply chains – and those are the highest rankings of confidence. When it comes to dealing with issues including extreme weather and climate change, input affordability and economic issues, confidence levels drop even lower.

These beliefs were supported in Phase 2 of the research as well. Stakeholders expressed skepticism that the sector, and especially the government, is prepared to manage the scale of current risks, from trade instability to climate shocks, and that the level of political urgency and coordination needed to turn awareness into meaningful action is lacking.

> "Our policy response is still too reactive, not strategic."

One interesting note on survey outcomes, however, is that confidence in government to address issues of trade barriers, protectionism, infrastructure and supply chain issues has risen 12% from last year. Again, it's important to note here that the Phase 1 survey took place in March, before the completion of the federal election, therefore it is possible respondents believed that a change in government could impact these issues.

How confident are you that the current policy framework in Canada will effectively reduce or mitigate each of these challenges?

	2024	2025
Trade barriers and protectionism	15%	**27%**
Extreme weather (drought, floods, wildfires)	9%	**11%**
Input affordability	10%	**11%**
Policy and regulatory environment	8%	**13%**
Commodity price volatility	13%	**15%**
Political dynamic in the United States	13%	**19%**
Infrastructure/Supply chains	14%	**26%**
Farm income and debt	17%	**15%**
Climate change	9%	**15%**
Inflation	16%	**12%**

Policy and regulatory environment in Canada still a top concern – but less so this year

Last year, respondents ranked Canada's policy and regulatory environment as the top risk for the sector. This year, it was ranked fourth, overtaken by worries about trade and extreme weather.

But despite the drop in ranking, Canada's policy and regulatory environment is still a relevant threat to the industry, as 50% of respondents feel there are unnecessary regulatory burdens in Canada's system, 43% feel that government priorities are not aligned with those of the sector and 37% feel there's a lack of understanding or awareness of agriculture and food issues in Canada. (These sentiments were also heavily reflected in last year's survey responses and stakeholder dialogue sessions.)

Further compounding the complex nature of this threat, respondents feel this issue will be difficult, or extremely difficult to manage.

How would you describe the level or severity of challenge each of these risks pose for Canada's agri-food system?

	Manageable	Difficult	Extreme
Trade barriers and protectionism	21%	59%	20%
Extreme weather (drought, floods, wildfires)	12%	52%	37%
Input affordability	30%	52%	18%
Policy and regulatory environment	23%	48%	29%
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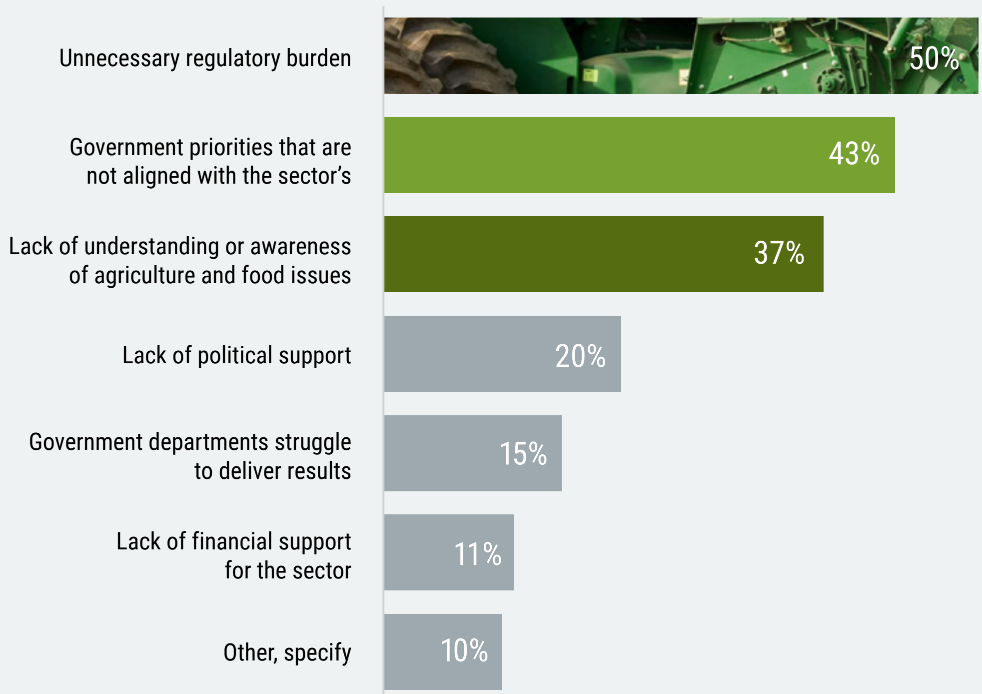
Infrastructure/Supply chains	37%	50%	13%
Farm income and debt	23%	60%	17%
Climate change	6%	48%	**46%**
Inflation	16%	58%	26%

This sentiment was also supported through feedback received from stakeholders in Phase 2 of the research. Respondents outlined regulation and policy misalignment as a significant and ongoing threat to Canadian agriculture and repeatedly cited outdated, fragmented and risk-averse regulatory frameworks as barriers to innovation and investment — mirroring the perception that government priorities are disconnected from sector realities.

Some of the reduction in concern over the policy and regulatory environment may have resulted from the election of a new Canadian government early in 2025. When asked about the drivers of policy and regulatory risk, respondents identified lack of alignment as a top concern.

You mentioned you're concerned about the policy and regulatory environment in Canada. What factors are driving this concern?

(Percentage viewing each as a factor of concern shown)



It's important to note here that the arrival of a new federal government that is more focused on economic issues may have reduced concerns about alignment between the government and the sector.

Efforts being made by the new government, including on regulatory reform and trade, have been met with cautious optimism in the sector. Progress to date on both has been slow and often underwhelming, but there is hope that efforts within government to reduce the policy and regulatory risk will continue.

SECTION 3 – THE FUTURE

OPPORTUNITIES AND PRIORITIES GOING FORWARD

Opportunities

There is good news.

Amidst changes in U.S. politics and trade policies, Canada is currently in a position to re-think its trade strategies for agriculture and agri-food – and survey respondents believe there are significant opportunities to diversify.

Survey respondents believe that a main focus of this diversification should be on domestic trade: 41% of respondents say they would prefer to focus on building the market at home rather than on international relationships.

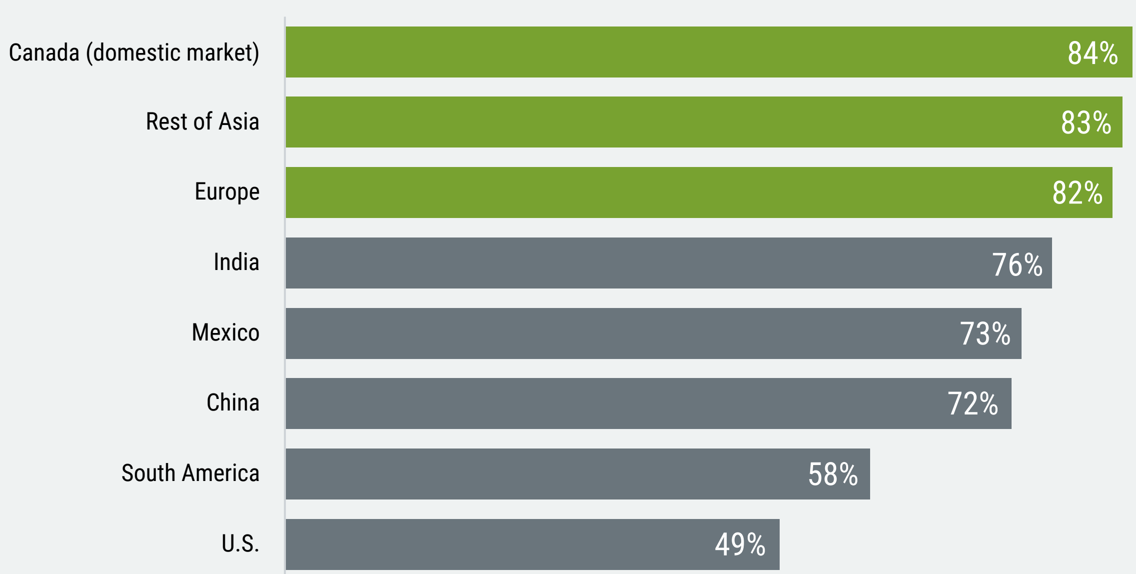
In Phase 2 of the research, stakeholders shared the same belief, highlighting the need to focus on value-added growth at home through processing, technology and scaling up innovation.

> "The future lies in value-added products, skills, and technology—not in relying on old models."

However, trade abroad is still seen as preferable by the majority of survey respondents, as they see significant opportunities for expanding Canadian agriculture and agri-food exports and trade into Asia, Europe, India, Mexico and China.

How much of a growth opportunity do these markets/regions represent for Canadian agriculture and agri-food over the next 10 years?

(Percentage viewing each as an opportunity shown)



Where do you think Canada should focus its agri-food efforts in the coming years?

Furthermore, there is a strong sense of optimism amongst survey respondents about Canada's ability to capitalize on opportunities abroad.

Similarly, stakeholders in Phase 2 of the research believe that trade diversification will be Canada's greatest opportunity and biggest challenge going forward, and that it will be critical to expand markets abroad by building new trade and regulatory relationships.

> "Canada has a great reputation, but not a great strategy to get our products out to the world."

How optimistic or pessimistic are you about the opportunity in each market for Canadian agriculture and agri-food over the next 10 years?

	Optimistic	Neither	Pessimistic
Canada (domestic market)	88%	79%	74%
Rest of Asia	85%	83%	70%
Europe	85%	85%	66%
India	78%	75%	61%
Mexico	74%	72%	67%
China	74%	68%	62%
South America	62%	47%	51%
US	50%	43%	52%

Priorities for government in the short and long term

As with last year, respondents were asked to rank the areas in which the Canadian government should focus its efforts.

In line with respondent feedback in other areas, it's no surprise that the top two priority choices this year are interprovincial trade and international market access, followed by trade policy and advocacy.

Taxes and domestic regulations were followed closely by issues related to trade, economics and climate change.

From the list below, which of the following would you highlight as top priorities for governments to address?

	2024	2025
Interprovincial trade	15%	**42%**
International market access	-	**40%**
Trade Policy/Advocacy	37%	**34%**
Taxes	31%	**27%**
Domestic regulations	28%	**27%**
Natural resources (soil, water, biodiversity)	25%	**23%**
Climate change adaption	31%	**23%**
R&D and innovation	31%	**22%**
Infrastructure	25%	**22%**
Governance/Federal-Provincial-Territorial relations	18%	**21%**
Labour supply	23%	**20%**
Competitiveness	25%	**19%**
Domestic value-added	17%	**18%**
Farm succession	19%	**17%**
Productivity growth	18%	**15%**
BRM (Business Risk Management) programs	19%	**13%**
Immigration	10%	**12%**
Public trust	14%	**11%**
Access to credit/availability of credit	10%	**10%**

When asked about longer term priorities (i.e. over the next decade), respondents again made it clear that enabling domestic trade should be a top priority, alongside growing the domestic food/value-added industry. The next top priority, according to respondents, should be diversifying international trade.

Over the next 10 years, what should Canadian agriculture policy focus on?

	Agriculture Sector				
	Farmers	Non-Farmer Industry	Govt.	Civil Society	Other
Tearing down internal trade barriers	**31%**	25%	27%	18%	**33%**
Growing domestic food processing and value-add	29%	26%	17%	22%	25%
Diversifying into new international markets	24%	24%	**30%**	28%	19%
Improving trade infrastructure and supply chain reliability	20%	**31%**	17%	13%	25%
Making farmers and food processors more profitable	**32%**	17%	13%	10%	13%
Increasing productivity growth through research and innovation	12%	17%	23%	26%	18%
Encouraging the adoption of more sustainable, resilient farming practices	12%	14%	22%	26%	13%
Supporting more local and regional food systems	18%	15%	12%	12%	18%
Mitigating climate change and protecting the environment	7%	12%	15%	21%	21%
Meeting the human resource and labour needs of the sector	8%	7%	10%	6%	7%
Developing, commercializing, and adopting new ag tech	5%	7%	10%	15%	6%

The industry is optimistic

As mentioned above, there's one thing that seems to be constantly buoying the industry, and that is its optimism.

Despite the challenges mentioned above and the urgent and complex nature of some of these challenges, optimism levels amongst survey respondents remained steady, and even increased in some cases, from last year (although are markedly lower among farmers than other groups in and outside the sector). This optimism is powered by the belief that there are significant opportunities ahead for the Canadian agriculture and agri-food sector, both at home and abroad and particularly in Canada, Europe and Asia.

How optimistic or pessimistic are you about the opportunities in each of these markets for Canadian agriculture and agri-food over the next 10 years?

	Optimistic	Neither	Pessimistic
Canada (domestic market)	**88%**	79%	74%
Rest of Asia	**85%**	**83%**	70%
Europe	**85%**	**85%**	66%
India	78%	75%	61%
Mexico	74%	72%	67%
China	74%	68%	62%
South America	62%	47%	51%
US	50%	43%	52%

Optimism levels amongst stakeholders in Phase 2 of the research were also high, but more tempered, particularly by the belief that true transformation for the industry will require coordinated, decisive action. While many acknowledged the potential ahead for the sector, there was also concern about how Canada could shift from its current "frog in boiling water" mindset toward bold, proactive leadership.

> "We've shown we can do it. It's not a question of resources, it's a question of will."

SECTION 4:

PHASE 2 RESEARCH RESULTS

Throughout 2025, CAPI collected feedback and perspectives on industry risks and opportunities from stakeholders across Canada who collectively reflect nearly every corner of the sector and all levels of the value chain.

Their feedback is outlined below.

A fundamental mindset shift

Throughout these sessions, one strong message emerged: there's a need for a fundamental mindset shift in Canadian agriculture.

However, there was not a strong consensus on what that change should look and if the goal of action taken should be on risk management or seizing opportunities.

> "The world is a risky, dangerous place, and we need to deal with those risks before we can get too caught up in the opportunities that are that are in front of us."

> "You can't pivot when your curtains are on fire."

Top risks and threats

Although stakeholders acknowledged that the Canadian agri-food sector has world-class research and talent, there was a strong consensus that capacity to grow and compete will be affected by several limitations that will need to be addressed in a cohesive manner. Overall, stakeholders believe the sector is currently being held back by fragmentation, regulatory barriers, and a culture of risk aversion. They also believe that innovation must move from talk to tangible outcomes by aligning policy, investment and partnerships across government, industry and academia. Finally, there was a strong call for bolder collaboration, smarter regulation and targeted investment in scaling up proven technologies to unlock Canada's potential as a global ag-innovation leader.

These concerns are flushed out in more detail below, along with stakeholders' proposed high-level ideas for beginning to address them.

Please note: While there was strong overlap between the risks identified in Phase 1 and 2 of the research, respondents in Phase 2 were able to discuss and disseminate the risks more at length. As a result, the eight risks below reflect more internal, long-term, fundamental threats for the industry without the heavy focus on the current political climate that was apparent in Phase 1 results.

1. Canada is risk averse and complacent

Overall, stakeholders believe the industry is stuck in a "crisis-to-crisis" model, which involves reacting to problems instead of planning ahead. One stakeholder described this complacency as the industry being "a frog in boiling water," while another described the current innovation ecosystem as "fragmented," echoing a widespread frustration with incrementalism.

Furthermore, there is a strong belief that complacency in regulation and institutional design is stifling innovation and that there is an overreliance on government grants and legacy frameworks rather than bold structural change.

Added to this, stakeholders believe that there is a culture of complacency in Canada, causing Canadian farmers and institutions to be overly cautious.

Stakeholder proposed solutions

- Shift the sector's cultural mindset towards proactive risk management, business planning and innovation adoption
- Normalize "calculated risk-taking" to seize new opportunities and weather future shocks
- Foster bold, systemic change

"We need to reimagine innovation—it's very fragmented. To innovate is a team sport."

"Incrementalism and fragmentation is fatal — we need to be bold."

"The culture of crisis-driven action is the single biggest threat to our long-term resilience."

2. The innovation pipeline is broken

Stakeholders share a belief that Canada produces strong research but consistently fails to scale or commercialize it, with one person mentioning that public and private research and development investments too often "sit on the shelf."

Relatedly, Canada's innovation investment climate is cautious and fragmented, discouraging large-scale growth. There is a strong belief that Canada's innovation pipeline is very strong in the early stages but has a problem when it comes to scaling up. They also believe that public funding and programs stop short of commercialization and that incentives reward publications, not outcomes.

Stakeholder proposed solutions

- Bridge the innovation adoption gap — shift investment from research to commercialization and knowledge mobilization
- Redesign innovation programs and incentives around outcomes and impact, not just knowledge creation
- Look to the models of other countries such as the U.S. and Europe, which prioritize long-term, institutionalized research and innovation ecosystems

"We do great invention, but we don't have it at scale. The targets are output-driven rather than outcome-driven."

"Canada has amazing science — but scaling it out of the lab is the hardest part."

"We're a country that spends a lot on innovation — we need to reimagine it because it's very fragmented."

3. Our policies and regulation are outdated

Overall, stakeholders believe that the current suite of Business Risk Management (BRM) programs are outdated, reactive and discourage smart risk-taking.

They also believe that the current regulatory environment regulation is outdated, inconsistent and discourages investment. They said there's a strong need to modernize what they believe to be decades-old rules, especially for food and plant-based innovation, which were once well-intentioned but have become burdensome and unpredictable.

Stakeholder proposed solutions

- Overhaul BRM programs from the ground up
- Design regulations that spur growth, create predictability rather than uncertainty and preserve safety while enabling innovation
- Overall, modernize BRMs and regulations to encourage innovation, sustainability, and smart risk-taking

> "For every year you miss a regulation, you lose predictability—and that scares away investment."

> "We can't play like the Yankees in Moneyball—throwing money at one superstar. We need smarter, collaborative regulation."

> "No one put a regulation in place that didn't have a purpose—but the proliferation of them creates undue burden."

4. There's a lack of investment in the sector, stifling growth and talent

Stakeholders agreed that Canada's agriculture and value-added sectors are struggling to attract and sustain the investment needed for long-term growth, due to a number of structural and cultural barriers: fragmented and overly cautious innovation systems; outdated and unpredictable regulations; and short-term, risk-averse funding cycles that discourage large-scale, coordinated investment.

They also noted that while Canada excels in research and early-stage innovation, it repeatedly fails to scale or commercialize those ideas—creating what several called a "structural defect" in the system. This underinvestment is compounded by a cautious investment climate, red tape and misalignment between policy priorities and industry needs. The result is a sector rich in potential but poor in capital flow, leaving small and medium enterprises—particularly those in processing and value-added production—without the tools or confidence to expand.

As one speaker summarized, Canada is "throwing money at invention, not adoption," a pattern that risks eroding competitiveness and preventing the agri-food industry from realizing its full economic and export potential.

Stakeholder proposed solutions

- Create stable policy environments and smarter capital incentives
- Ensure faster regulatory clearance and co-funded program delivery to increase competitiveness
- Create longer-term, coordinated investment frameworks—moving away from fragmented five-year funding cycles toward stable, multi-partner models
- Strengthen science capacity and talent pipelines, improve data sharing to demonstrate impact and reduce red tape for SMEs and processors to unlocking private capital
- Build a trusted, integrated innovation ecosystem that rewards collaboration, scale and real-world outcomes rather than incremental research alone

"After the demise of CARC, research became trapped in five-year cycles — Ag Canada is now dependent on short-term funding."

"If I had a dollar, I would play in the disruptive innovation field — put more resources into de-risking funding and helping the sector modernize and increase productivity."

"For every year you miss a regulation, you lose predictability — and that loss drives investment away."

"Regulatory uncertainty scares away investment."

"Canada has the potential to attract investment, but the business environment isn't seen as favourable for growth."

5. There's not enough focus on growing and supporting the value-added sector

There is much opportunity in the value-added space in Canada, and there's a strong belief that this should be pursued, moving beyond commodities toward value-added production and "owning the customer."

However, stakeholders believe these opportunities for small and medium sized enterprises (SMEs) in the space are being stifled by disproportionate regulatory burdens and investment misalignment that limit profitability, growth, scale and downstream processing.

Stakeholders strongly believe that Canada's red tape, slow processes and inconsistent, slow regulation and infrastructure gaps discourage agri-food investment and scaling, and that this mostly affects small and medium-sized processors, which make up 96% of the sector. Furthermore, they believe that private-sector collaboration in food processing is weak, even in pre-competitive areas.

Stakeholder proposed solutions

- Take collective action to invest in scale-up infrastructure
- Collaboration to support and align funding to help SMEs adopt technology faster and compete globally
- Invest in in value-added, domestic capacity — build brands, own customer relationships and reduce import dependency

"There are 8,000 SMEs looking for an innovative edge— they need help coming to the table."

"We struggle on the processing and manufacturing side to get collaboration, even in pre-competitive areas."

"Building value-added industries and owning the customer relationship are critical strategies to increase margins and insulate the sector from global market volatility."

6. There is ample vulnerability at the farm level

Stakeholders feel that there is a lack of formal management at a farm level, undermining profitability. One person referenced the shockingly low adoption level of basic business practices on farm's today, citing that only 22% of farmers have a written plan, 12% have succession plans and on-farm margins, already shrinking, are projected to fall another 15% in 2024.

Stakeholder proposed solutions

- Empower farms through planning. Work with lenders, policymakers and industry associations to help farmers create written business, risk management and succession plans to improve profitability and resilience.
- Help farmers build brands, integrate vertically and tell their sustainability story better.

> "Profitability at the farm level is under severe pressure, making it difficult for producers to invest in the very technologies and practices needed for long-term resilience."

> "The low adoption of fundamental business practices is a major systemic risk, suppressing profitability, increasing volatility, and hindering the sector's overall resilience."

> "Farmers are high-value targets for cybercriminals, yet there is a low level of cybersecurity on farms, adding another layer to the business environment risk."

> "The future lies in value-added products, skills, and technology — not in relying on old models like insurance."

7. Communication and public trust is declining

Participants identified poor communication and declining public trust as fundamental, systemic problems for Canadian agriculture—issues that cut across every other risk discussed. They argued that while the sector produces safe, sustainable food and world-class science, it has failed to tell that story effectively to Canadians and that public conversations about agriculture are often shaped by misinformation, urban disconnect and polarized debates over technology, sustainability and food production.

As one stakeholder noted, “more information doesn’t equal better communication,” referring to the fact that the industry often overwhelms people with data instead of focusing on tangible outcomes and shared values. This gap in understanding fuels policy misalignment, regulatory overreach and consumer skepticism, ultimately constraining innovation and investment.

Stakeholder proposed solutions

- Create an industry-led, unified, evidence-based communication strategy that focuses on consequences and benefits rather than technical details
- Help the sector “own the narrative” around sustainability and innovation by building transparency, emotional connection and consistent messaging across organizations

“My biggest fear is that we can’t show impact because there’s often no data to measure it.”

“Farmers need to get their stories out of silos and echo chambers and into the mainstream.”

“Owning the narrative around sustainability is critical to prevent greenwashing and build social proof.”

A final call to action

Taken together, the feedback from these sessions paints a picture of a sector at a crossroads—one with enormous potential but held back by fragmentation, complacency and outdated systems that prioritize managing risk over pursuing opportunity.

Phase 2 stakeholders believe that without bold, coordinated action to modernize regulation, attract investment, support the value-added sector and producers at a farm-level and rebuild public trust, Canada risks falling behind its global competitors in both productivity and innovation.

SECTION 5:
CAPI RECOMMENDATIONS

What does action look like?

The survey and dialogues underscore that real and potential risks are top of mind for stakeholders. There is broad awareness that things need to change and a growing dissatisfaction with the lack of action. There appears to be a growing consensus that the sector and the policy landscape is being pushed towards an inflection point.

The bad news is that the sector is at the inflection point because risks are undermining the fundamentals that supported the sector over the last twenty years. With the fundamentals undermined, the impact of inaction increases, impacts including shrinking margins, consolidation and concentration, unreliable markets, a more challenging production environment and more.

The good news is that the inflection point comes at a good time. A new federal government is shifting federal policies and trying to change how the federal government works. Federal-Provincial-Territorial agriculture departments are starting to negotiate the next five-year policy framework, the agreement that sets out most spending in support of the sector. There may not be a better moment for change.

And yet feedback is increasingly that action has been hard to come by. There has been tinkering around the edges, a modest effort on regulatory reform, some limited progress at the FPT table, and targeted spending. It is hard to see these steps as in line with the challenges facing the sector.

While much of the report has focused on the perception of those challenges it is important to also take stock of the opportunities. Demand for sustainable, affordable food is rising at home and abroad; digitization, automation and AI have the potential to unlock major productivity gains; governments are removing internal barriers and investing in infrastructure; and Canada’s natural capital gives the sector an edge, if stewarded wisely.

But the sector’s ability to capitalize on these opportunities is weakened by it’s structural challenges and rising risks.

Canada’s agriculture and agri-food sector faces two equal but opposite forces; there are generational challenges and generational opportunities on the other side of the inflection point. Action, through a policy reset is needed to move past the inflection point, capture the opportunities and manage the risk.

What does action look like?

While there is much agreement that things need to change, there is less agreement on what that change should be. At a high level, there is a consensus that federal policies should be more focused on economic growth. However, the consensus frays not too long after that point.

What is the balance between supporting farmers and investing in the processing sector? How much effort should be put on finding new export markets versus strengthening domestic demand? Should the priority be to secure the CUSMA renewal at all costs, or should Canada be prepared to take a stand in support of the status quo? Should a focus on economic growth mean backing off of environmental sustainability, or can sustainability drive growth and competitiveness?

Survey respondents effectively selected all of the above. This highlights one of the unique challenges in the sector. While there is often a call to "speak with one voice" there can be legitimate and significant differences. In a sector as diverse as agriculture that should not be unexpected, but differences can be a barrier to action.

What follows are high level recommendations for a policy reset to move past the inflection point. They are largely recommendations for Agriculture Ministers and departments. There have been calls for more focus from the Prime Minister and Premiers on agriculture and food issues, but there is significant opportunity for action within the purview of agriculture portfolios. While different stakeholders will use different words, there is a call for a growth agenda focused on adding value, a new approach to agricultural risk management, and increased efforts to reduce policy and regulatory risk.

Recommendation 1:
Add value through investment and innovation

- Improve tax competitiveness and ease of doing business to catalyze private sector investment
- Target trade diversification and market development to high-value opportunities
- Launch a 21st century agri-food innovation strategy
- Develop an agri-food trade infrastructure plan
- Increase domestic production and demand for renewable fuels

Recommendation 2:
A new approach to agricultural risk management

- Modernize risk management programming
- Invest in market access and trade negotiations
- Support R&D on adaptation and resilience
- Designate water and farmland as strategic resources in Canada and develop strategic, national plans to treat them as such

Recommendation 3:
Reduce policy and regulatory risk

- Change regulations and regulatory culture
- Reform and consolidate the Canadian Food Inspection Agency, Pest Management Regulatory Agency and the Canadian Grain Commission
- Modernize the FPT agreement to increase coordination and scale
- Focus spending reductions on streamlining efficiency and effectiveness of government services.

Add value through investment and innovation

If agriculture and agri-food want to come through the inflection point with an economic agenda, there must be a laser focus on how to add value to the sector. The benefits of adding more value are substantial, it delivers economic growth, reduces risk, expands the economic and social impact of the sector and repositions agriculture and food as more than just a resource sector. This repositioning is critical for agriculture and food to live up to it's potential as a national strategic economic sector.

A sector reliant on the production and export of raw commodities is not strategic. A sector that transforms those commodities and adds value, differentiating Canadian production and capturing more value at home and around the world is. A focus on adding value is not about moving past farmers but about giving them new opportunities to grow and to succeed.

Value will be added through investment and innovation. The policy reset must create the conditions for more of both.

This should start by making agri-food a more attractive sector for investment. The budget began by boosting tax incentives, but more can be done to make Canada a more competitive place to invest in value-added agriculture. Investment attraction requires more than just tax competitiveness. It requires reliable market access and infrastructure, regulations that work and more.

The federal government committed $5 billion in a new trade diversification corridors fund. It is vital that those funds be invested in shovel worthy projects. Federal and Provincial Agriculture Ministers should collaborate with exporters to identify priority projects for the sector through an agri-food trade infrastructure plan.

Canadian agriculture will continue to be trade-dependent, but where possible, Canada should pursue trade diversification through new markets for new products. Market access is risk mitigation, but a trade development and diversification strategy focused on value is an opportunity to add value through trade.

Innovation has been critical to the sector's success over the last 40 years, but the ability to rely on innovation for value and growth has stalled as the ag innovation system in Canada has reached a crisis point. There is a need for a renewed agri-food innovation strategy that enables the entire innovation continuum to deliver more impactful results. An agri-food innovation strategy can unlock discovery science, harness data and digital agriculture, enable more innovations to come to market and more. In an era of fiscal restraint, there may be limited opportunity to spend more. That puts more pressure on the need to spend better. Innovation is critical and should be central to a policy reset.

Increasing domestic production of renewable fuels is likely the single greatest initiative that can add significant value to the agriculture sector. While it is critical that renewable fuels policy takes steps to limit land conversion, the benefits of growing a major domestic market are substantial. Policies and programs should be changed to support domestic production and demand and ensure that agriculture plays a critical role as Canada regains its title as an energy superpower.

A new approach to agricultural risk management

Despite the opportunities that come with adding more value, generational challenges remain. Weather, global markets, and many of the risks outlined in the survey are unavoidable and can shake the sector's foundations. A more comprehensive approach to agricultural risk management is critical to moving from response and recovery to management and mitigation.

But for too long, risk management policy has been seen as a series of programs. Much of the oxygen has been consumed by tweaking parameters in programs designed a generation ago. The risk landscape has changed considerably in that generation, and it is time that Canada's approach to risk management changes too. Risk management programs will remain important, but there is a need for a more integrated approach on farms and across the sector.

2025 has shown the limitations of the current approach, despite substantial public support through existing programs farmers feel exposed after the loss of major markets for pulses, canola, pork, and more.

The next agriculture policy framework should evolve the current program suite to offer farmers a more consistently effective toolbox of risk management programs. There is a need to move away from the blunt instruments offered to farmers today towards more precise tools that can match the diversity of risks and the capacity of farmers to manage them. Innovation should be embraced so that data and technology can deliver risk management tools as modern as Canadian farms are.

A new approach to risk management needs to also consider how policy can support farmers with proactive risk management, recognizing their role as their own first and best defense in a risky world.

The policy framework can also do more to embrace proactive risk management.

This includes an increased focus on trade risk management that goes beyond market development and diversification. Trade risk is increasing and increasingly political and Canada should increase its political and technical resources dedicated to preventing and resolving market access barriers. This could include pursuing new trading relationships with a coalition of the willing on agricultural trade if Canada is prepared to lead.

A 21st-century agriculture innovation strategy is key to adding value, but it will also play a critical role in a new approach to risk management. Research into new production practices and technologies that can improve resilience and extension that gets the innovation and information into the hands of farmers are essential to risk management. More resilient, sustainable practices have the potential to reduce risks, improve margins and help position farmers to grow.

Finally, a new approach to risk management needs to prioritize protecting the natural assets, soil and water, that are the starting points for the success of the sector. Losing those assets, as is happening with farmland loss, puts the sector at significant risk. A new approach to agricultural risk management should include a renewed focus on protecting farmland and soil health, and on leveraging water quality and quantity. There are actions underway across the country to protect Canadian agriculture's natural assets, but little coherence and strategy. That must change.

Reducing policy and regulatory risk

Action must include a more ambitious reset in the policy and regulatory environment. Despite being entirely constructed and within the control of federal, provincial and municipal governments, survey respondents continue to express doubt that it can be managed. Adding value and managing risk are all made harder when the sector sees the policy and regulatory environment as more of a hindrance than a help.

It is unlikely that the thousands of public servants whose work affects the sector intend to create the policy and regulatory risks that the sector perceives. However, respondents identified regulatory burden, misaligned priorities and a lack of understanding of agriculture and food within governments as drivers of risk.

Policy and regulatory risk is harder to reduce than it should be, but it should be more manageable than extreme weather or trade. A starting point is to position agriculture and food as a strategic sector to cultivate, not a challenge to manage.

This problem appears to be most acute in regulatory agencies. The risk survey highlighted concerns over the burden of Canada's regulatory framework, concerns validated by a growing body of evidence. The new federal government has put a focus on regulatory reform but efforts to date fall very short of the change that is needed.

More must be done to change the hundreds of specific regulations the sector has identified as costly and burdensome, but governments must go further to change the regulatory system. The culture needs to be different, with a focus on accountability and performance within a smart regulatory framework. Agriculture thrives with smart regulations that work, but suffers when they don't.

It is increasingly clear that reform will only come through structural change with Canada's ag and food regulatory agencies. The Canadian Food Inspection Agency, Pest Management Regulatory Agency and the Canadian Grain Commission should be consolidated and reformed under new leadership. If the federal government is serious about action, it will act to change the regulatory agencies.

Policy and regulatory risk extend beyond regulatory burden.

The five-year agriculture policy framework is supposed to underpin agriculture and agri-food policy, but it needs reform. The renegotiation of the agreement is an opportunity to create a framework that is focused, impactful and targeted at adding value and reducing risk. This should include changes to enable public investments to be made more coherently and at scale. The FPT agreement must reflect provincial differences, but its impact is minimized when those differences override the benefits of a national approach.

The first Agri-Food Risk Report recommended that governments do less, but that they do what they do better. The 2025 Federal Budget unveiled a plan to have the federal government do less, but it remains to be seen whether it will make the changes needed to do things better. Fiscal restraint is important, but it should be done strategically, focusing the government on key responsibilities and changing how it works to increase its positive impact.

Just as the sector needs smart regulations to thrive, it needs a high impact and functional civil service. Civil service reform may not be a priority for most people that work in agriculture and food, but it is essential to reducing policy and regulatory risk.

Conclusion

2025 was a year when the risks facing Canadian agriculture and agri-food became readily apparent. Geopolitical risk exposed many of the structural challenges facing the sector and compelled greater awareness of the need for change, but it has not been enough to compel the action many in the sector are looking for.

From Optimism to Realism to Action is the second Agri-Food Risk Report's takeaway message. That action should be built around adding value through investment and innovation, a new approach to risk management and a renewed effort to reduce policy and regulatory risk.

The difficult reality is that, even with ambitious action, the risks facing the sector in 2026 are significant and may outweigh the opportunities. The potential loss of a reliable market access for the US, concern over extreme weather, softening prices, increasing input costs, tightening margins, and the potential deterioration of farm financial health all suggest it is unclear how much worse things will get before they get better.

Hopefully, the 2026 report will show increased confidence in the sector's ability to manage risk, driven by action and a meaningful policy reset. There is much opportunity for the sector to come through the inflection point stronger, but it requires action and that has been hard to come by.

CAPI'S COMMITMENT

CAPI's mission is to lead policy development, collaborate with partners and advance policy solutions within the agriculture and food sector. This report is one way for to deliver on that mission, by adding value and filling gaps in the agriculture and agri-food policy ecosystem.