

Canada's Agri-Food Destination



A NEW STRATEGIC APPROACH





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EXECUTIVE SUMMARY

Canada is not realizing the full potential of a major strategic asset – the country's agri-food sector. The consequences of falling profitability, lost opportunity, and declining relevance are impairing the nation's agri-food industry. Current policies and practices across the sector, and fear of changing the status quo, are holding Canada back. This is in vivid contrast to what Canada needs to achieve in order to provide the higher quality and volume of product demanded by a growing world population and increasingly aware consumers both in Canada and abroad.

The Canadian Agri-Food Policy Institute (CAPI) and many of its partners see a massive opportunity for the country's agri-food industry to maximize its natural advantages of climate, geography and skills. There have been some successes. But success needs to be pervasive. Canada can be the world's leading producer of nutritious and safe foods produced in a sustainable, profitable manner. This would pack a competitive punch that few other countries in the world can match.

Canada needs a compelling food plan that is *systems-based*, not value chain-based.

Canada's agri-food sector must have the most successful good food systems on the planet to deliver on our potential over the next 15-20 years. A more united approach is essential. Industry and government can seek and reach a new long term destination backed by appropriate short-term goals and milestones. We have the potential to change our approach and make a profound contribution to a changing food world. This is the dialogue we need to have.

Canada must have the most successful good food systems in order to achieve "75 by 25"; by 2025...

Exports: Double Canada's dollar value of agri-food exports to \$75 billion (up from \$38.8 billion).

Domestic consumption: Produce and supply 75% of our own food (up from 68%).

Bio-materials/fuels: Generate revenue and efficiency by relying on biomaterials and biofuels in 75% of the agri-food sector.

The compelling need for change: the status quo is unacceptable

Agri-food Performance

Chronic unprofitability } Farmers/ranchers have lost money from the market 7 times in the last 10 years. Funding programs are not resolving what is causing such chronic unprofitability. A new approach to risk management is required.

Rising food imports / falling exports position } Food product imports have increased over 50% since 2000. Canada used to be the 3rd largest exporter of manufactured foods – it is now 7th. An overall agri-food trade surplus is maintained by robust commodity exports, but Canada has been surpassed by Brazil and nearly by China and Argentina in the ranking of total global exports.

Diet & Our Health

Unsustainable healthcare costs } Healthcare funding is in crisis. Some 70% of provincial budgets could be consumed by health costs in several short years, squeezing funding for all. The next Canada Health Accord and agri-food sector's Growing Forward agreements need to be linked.

Role of diet and prevention } Some 80% of coronary heart disease and stroke, type-2 diabetes – and at least 50% of cancer – could be prevented with healthy eating, as part of a healthy lifestyle. Over 50% of Canadians are obese/overweight. Prevention (diet) is the focus.

Our World

Increasing resource demands } With a global population expected to exceed 9 billion people, global food demand is expected to rise 70% by 2050; global energy demand is expected to rise 40% by 2030. Food production is dependent upon fossil-fuels, which needs to change.

Intensity of environmental impacts } Environmental stresses are increasing across the country; climate change could see the risk of desertification rise in the southern Prairies by 50%. Being a reliable supplier requires adaptation and investments in science and technology.

Our Capacity to Respond

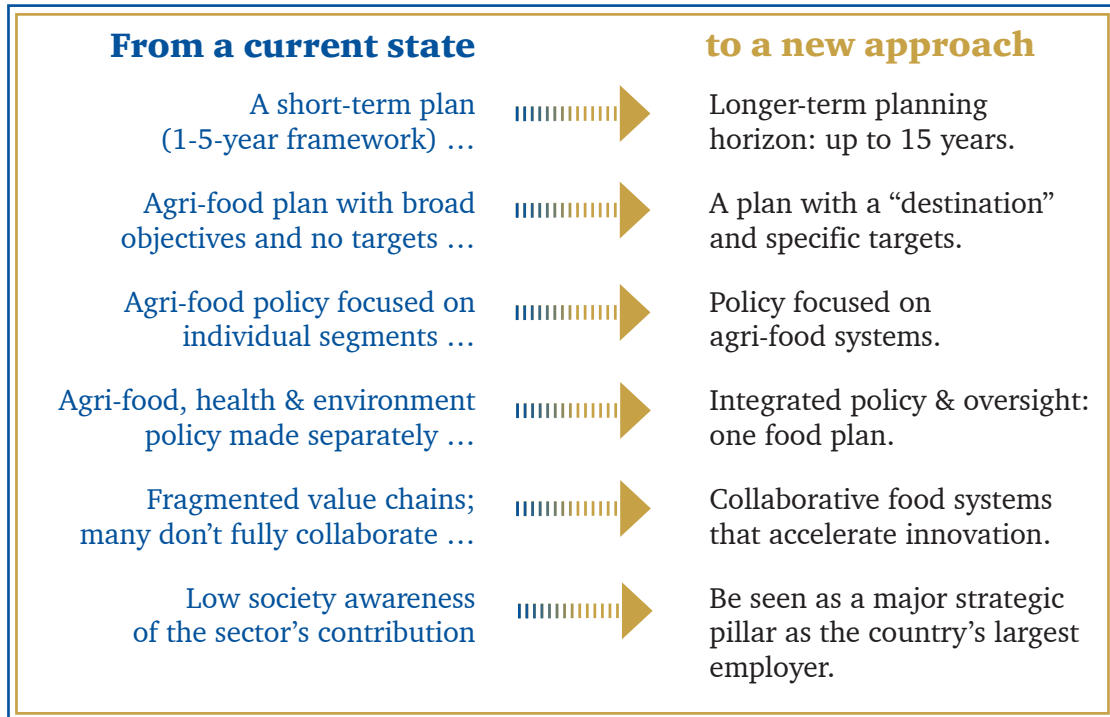
Falling R&D } Government's total expenditure on R&D (including agriculture) has fallen from some 35% to 9% since the 1970s, relative to all R&D funding in Canada. After years of growth, business R&D has declined steadily by some 8% since 2001.

Regulatory response } Global sustainability standards are being set by the private sector, not governments. Regulations are seen as unresponsive, inhibiting innovation. New voluntary and regulatory approaches are needed. As a G-7 country, Canada's innovation capacity ranks 19th (slipping recently from 18th).

Deficits } Canada's fiscal situation, while better than most countries, faces consecutive projected deficits over the mid-term.

Strategic shifts are required

The issues are complex. Strategic shifts are required in how we respond. This discussion paper offers a set of ideas and initial targets.



A new strategy based on successful “food systems”

We need to stop talking only about sectors, value chains and product lines and start thinking more about agri-food “systems”. Future success hinges on taking a systems approach that better understands the connections among many diverse players. Every ingredient and food relies on a productive ecological system managed by ranchers or farmers. Getting the ingredient or food to the consumer's plate takes a value chain, including input providers, producers, distributors, processors and retailers. All levels of government are also part of this system, acting as policy makers, regulators, funders and facilitators. As well, scientists, researchers and entrepreneurs contribute ideas and new technologies. Adjacent sectors (e.g., in the health, transportation and environment sectors) intersect with the agri-food sector in multiple ways. This goes well beyond a linear view of the sector. All these stakeholders have a leading role to play in food systems. Industry and government must call for strategic change.

The promise to deliver

Each food system must work together to decide how to deliver on the promise to provide: **good food** (about having the most nutritious and safest foods), **responsibly produced food** (about lowering the ecological footprint and increasing operational efficiencies) and a **reliable food supply** (about better managing risks across the system and utilizing bio-solutions, among other responses). In short, this is about creating a “new contract” among industry and government. Currently, Canada is not organized or aligned to support food systems. A new food plan is needed.

Enablers of change

Five “enabling conditions” are required to achieve the destination. These attributes are integrated and mutually supportive:

1. Centre for Good Food Citizenship

The centre is a new partnership among industry, government and the health community to inspire, engage and inform food systems. By promoting *good food* collaborations, best practices, and sharing successes, it facilitates “the journey” to improve healthy eating and provide nutritious foods to families. It supports innovation by focusing on nutrition priorities. The centre also provides a neutral venue to resolve consumer-food issues, such as better product labelling and voluntarily reducing unhealthy ingredients.

2. Food System Smart Innovation

Innovation centres are established and tailored for each food system; these industry-led and co-funded centres intensify collaboration on every facet of developing innovative products, coordinate “pre-competitive” data and channel private/public sector R&D in order to mitigate innovation risk and create opportunities. Their mandates: delivering the highest-quality, safest, most nutritious, and sustainably-produced foods in the global market – the hallmarks of the Canadian good food brand.

3. Food System Risk Management

Policy strategies need to consider the full breadth of risks and present integrated risk reduction and mitigation plans for each food system. For the farm sector, Agri-Stability needs to be more effective. This means proactively addressing the components of “income risk” to render income stabilization less necessary. A measured approach will free hundreds of millions of dollars to support innovation (starting with a 50% increase in R&D by 2013).

4. Leadership in Sustainability

Using natural capital responsibly (e.g., water, carbon and soil) is essential for sustainable practices and being a reliable food supplier in the future. A national minimum sustainability standard and sustainable farm plans encourage responsible practices across food systems; adaptation of beneficial management practices and better leveraging science and technology is needed to cope with environmental stresses and adapt to climate change.

5. Enabling Regulatory Change

Modernizing the regulatory process creates the optimum environment for success, while protecting consumers. Regulations need to be regularly reviewed, and possibly capped to ensure relevance. Food systems require coordinated policies and regulations. A Cabinet Committee on Food is proposed to oversee and coordinate regulatory improvements. An annual regulatory report card could be introduced to measure progress.

Dialogue on the future

CAPI is an independent, unbiased policy forum. Its mandate is to promote a dialogue on key agri-food issues. This report is based on significant input from a diverse set of partners¹ representing the agri-food value chain, governments, academia and organizations. While many issues remain unaddressed, it is a starting point.

Industry needs to champion change. Industry must act within their respective systems to make it happen. Government needs to take a long-term view and must set policies that support food systems. Achieving the destination requires taking concerted steps.

CAPI presents this destination plan for national discussion. CAPI expects to present an update on the feedback in May 2011 so that its work can be relevant to the unfolding policy discussions on the next agricultural framework, and beyond. In the near term, CAPI will further develop core ideas among those who have participated in our consultative processes and include others. As well, CAPI will explore the merits of holding a regular event that can assess the progress of strategic change in Canada and evaluate Canada's relative agri-food position on the world market.

“Behaviour change is the recipe for Canada to get ahead. Collectively, we need to change the way we collaborate, the way we work and the way we set policy.”

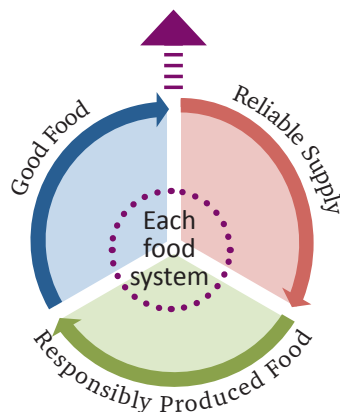
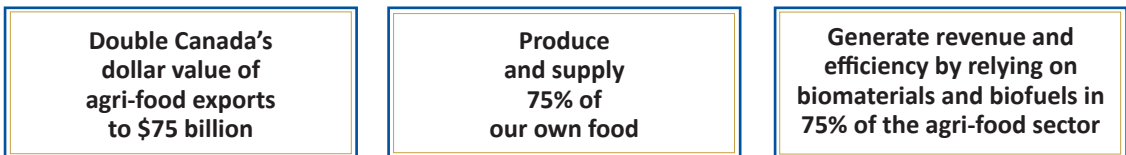
– Gaëtan Lussier, CAPI Chair

1. CAPI established three Leadership Panels in late 2009, on Food and Wellness Connection, Sustainability and Viability. The list of participants, and other CAPI partners, are listed in the report's appendix. This report may not necessarily represent the specific position of stakeholders nor imply endorsement.

“75 by 25” DESTINATION

The most successful good food systems on the planet, by 2025:

A profitable & competitive agri-food sector, healthier population, healthier ecosystems



| Centre for Good Food Citizenship | Food System Smart Innovation Centres | Food System Risk Management | Sustainability Leadership | Enabling Regulatory Change |
|---|--------------------------------------|--|---|--|
| Promote collaboration/best practices | One centre for each food system type | Reduce/mitigate risk across food systems | One minimum sustainability standard | Cabinet Committee on Food |
| Catalyze “good food plans” | Pre-competitive cooperation | Shift from “income” focus | Create “sustainability farm plans” | Modernize processes and 10-year cap on regulations |
| Better food labels | Mitigate innovation risk | Six pan-sector risk categories | National ecological goods & services program – tailored locally | Joint meeting of Ministers: agri-food, health, environment |
| Targets to reduce unhealthy ingredients | Embed regulatory expertise | Render Agri-Stability unnecessary | Coordinate public/private S&T research | Link Growing Forward and Canada Health Accord |
| Promote good food choices, habits | Coordinate with public R&D | Traceability for every food | Climate change agri-food strategy by food system | Annual progress scorecard on priorities |
| Support research | Accelerate commercialization | Annual Ministerial risk scorecard | | |