Canadian Agriculture Policy in a Global Context

Policy Disputes Information Consortium
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Overview

• Describe Agriculture Canada’s current policy environment
• Outline key elements of Agricultural Policy Framework
• Need to stay ahead of future challenges to enhance profitability of agriculture
Current Agricultural Policy Environment
The Agriculture Policy Framework has dominated agricultural policy developments in Canada

- Federal government committed an additional $5.2 billion over six years
- Governments signed framework agreement in June, 2002
- Most governments have negotiated detailed targets and action plans
- APF has shared agenda with trade litigation (e.g. dairy panel) and negotiations (e.g. WTO)
APF is a strategy to help Canadian industry be more profitable by getting ahead of challenges ...

• Advancing technology
• Changing consumer demands and increasing customer requirements
• Increasing global competition
• Increasing North American integration

... that producers from all countries face.
Low-cost low-subsidy competitors are expanding production...

- **Brazil and Argentina**
  - high production growth with low levels of government support
  - production levels already surpass U.S. production

- **Trend expanding** – (e.g. Wheat from Russia and Ukraine)

...putting pressure on commodity prices
Growth potential of Canadian sector outside bulk commodities

- Exports to North America up from 45% in 1990 to 72% in 2002
- Value-added products increasing share of exports
- 91% of all Canadian Agri-Food to US are value-added products

Source: IMTD and AAFC aggregations.
Policies have to recognize more integrated North American market in trade

- Producers and processors on both sides of the border are becoming integrated

... and in investment

- Policies have consequences that cross borders

Cattle Trade between Canada and Northwestern states – 2001
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U.S. Foreign Direct Investment in Canada and Mexico Processed Food Industries

Source: Bureau of Economic Analysis, USDA ERS
Under the APF, Canada’s strategy to build a more profitable sector includes:

- $5.5 billion over five years for permanent business risk management programs and $900 million for new programming in:
  - food safety and quality
  - environment
- $2.5 billion from provincial cost-sharing
- $1.2 billion to help producers bridge to new system
- $0.6 billion to accelerate benefits of APF
  - integration strategy to gain recognition and improve market access
- $10.7 billion total
Agricultural Policy Framework Strategies
Food safety and food quality will be strengthened ...

• Goal is to protect human health and increase consumer confidence

• Actions include:
  – Conducting research to address knowledge gaps
  – Government recognizing and certifying of food quality systems to improve market access
  – Facilitating industry adoption of on-farm HACCP systems
  – Developing traceability systems that follow products through the production process
Environmental stewardship will protect health and promote viability ...

• Goal is to strengthen environmental management to secure benefits for citizens and recognition by consumers

• Actions include:
  – Supporting planning and provide incentives to reduce environmental risk
  – Providing national indicators of environmental performance
  – Researching beneficial on-farm management practices to enhance environmental functions
  – Working with industry groups to provide economic incentives for environmental protection
Investment in science and innovation will secure agriculture’s future ...

• Goal is to ensure that Canadian agriculture and agri-food is at forefront of science and innovation

• Actions Include:
  – Benchmarking current levels of investment in priority areas
  – Realigning public investment in R&D to improve collaboration and partnering
  – Pursuing pilot projects (e.g. Soy 20/20) and bundling of private and public strategies
  – Creating a climate for innovation
Producers will have additional tools in adapting to the knowledge economy

- Goal is to help farmers acquire skills and resources to adapt to the complexity of the global agriculture and agri-food sector

- Actions include:
  - Helping farmers adapt to evolving consumer preferences and scientific advances
  - Providing assessment tools and financial consulting
  - Providing training support on national skill requirements
  - Broadening awareness of emerging opportunities
  - Increasing access to capital
Business Risk Management changes are geared to support long-term profitability, innovation, and market orientation ...

- Shift to whole farm approach
- Focus on stabilizing margin
- Provide comprehensive insurance, stabilization, and disaster coverage in a national two-program set
- Less distorting companion programs

... with a more decoupled approach
Risk management: A two-program set

1) Improved Production Insurance

• Expand the current suite of products

• Introduce a “whole farm” option to cover all crops on the farm
  – More comprehensive and cheaper insurance

• Move to consistent cost-sharing of premium costs to ensure equitable treatment
Risk management: A two-program set

2) Improved NISA

- Whole-farm integrated stabilization and disaster mitigation program
- Eligibility patterned after current NISA/Disaster
- Government funds accessed when need established
- Producer share program cost
- Coverage based on previous olympic average production margin
- Margins include accrual adjustment

**STABILIZATION**
Producer funds cover larger share of loss

- 50% (producer)
- 50% (government)

**DISASTER**
Government funds cover larger share of loss

- 20% (producer)
- 80% (government)

**NEGATIVE MARGINS**
Could be partly provided through Production Insurance or Private Risk Management Tools

- 0%
International strategy to maximize international opportunities from domestic system …

• Increase market development
  – research, branding, marketing assistance, and coordinated market strategies

• Improved market access
  – negotiations, strategic alliances, advocacy and consultations

• Overcome technical barriers
  – trade rules, early warning, and market access protocols

• Enhance international development
  – Research, capacity building and relationship building
Future Challenges and Goals
APF programming is a major first step, but only the beginning of long-term strategy to meet the challenge of profitability

• Canadian industry and governments will continue to face pressure to change
  – technological change
  – managing new products (e.g. GMO)
  – legal rulings
  – new WTO agreement

• Pressure on Canada’s marketing institutions is growing
Need ongoing link to industry to develop longer-term market strategies

- Establishing an ongoing mechanism to promote success
  - 11 industry-led value-chain roundtables
  - organized along commodity lines from inputs to exporters
  - cross-section of senior industry players

- Goal to create dynamic of on-going policy response to market realities:
  - international strategies tied to domestic actions
  - link industry and government efforts
  - realign government research and regulations to support industry’s market priorities
Immediate Next Steps

- Implementation of international strategy now
- Governments sign detailed implementation agreements on domestic APF actions in coming weeks
- Three value-chain roundtables already complete
  - Two more by summer
  - Initial steps on most others already underway