

Recommendations for the Next Policy Framework Input on Objectives, Principles, Results and Priorities June 2021



The Canadian Federation of Agriculture

List of Key Recommendations:

The following summary outlines the Canadian Federation of Agriculture's (CFA) preliminary recommendations for the Next Agriculture Policy Framework (NPF). The NPF comes at a unique moment where there is an opportunity for Canada's agri-food industry to spur Canada's economy recovery, while leveraging its environmental contributions, and building greater resilience throughout Canada's food system. The success of this endeavour is predicated on robust dialogue between producers, as the heart of Canada's agri-food system, and all orders of government.

The following recommendations highlight key areas that require focus under the NPF, requiring further, targeted engagement with producers:

1. Objectives

- a) Invest at a level commensurate with agriculture's expanded role as not only a producer of quality agri-food products that feed Canadians and the global marketplace, but also a provider of many public goods and services – keeping pace with the increased scale and prominence of agriculture as a strategic sector in Canada.

2. Principles

- b) Grant all Canadian producers, whether terrestrial or aquatic agriculture, producing food, fibre, or ornamentals, equal program eligibility across all policy priorities and programming areas.
- c) When designing programs, particularly related to risk management, the risk of adverse geopolitical trade actions must be assessed in close concert with industry, rather than used as a unilateral rationale to limit programming considerations.

3. Results

- d) Develop a common understanding of program objectives, performance measures, and create formal structures to support more regular, evidence-based reporting and transparency.

4. Policy Priorities

At the highest level, CFA would note that producers continue to place importance on the policy priorities articulated in the Calgary Policy Statement. There is a continued need for the NPF to continue focussing on these priorities while minimizing disruptions to existing initiatives that, while initiated under the current framework, must continue beyond March 2023. This includes Business Risk Management (BRM) programming, where the maintenance of the current suite of BRM of programs is essential. While further enhancements are needed to these programs, in the absence of any clearly defined alternatives with broader producer support, there is continued and increasing need for the full suite of BRM programs.

While continuity in priorities is important to CFA, a number of areas within the existing priorities have been identified as warranting specific focus under the NPF:

- e) Incentivize Canadian producers to invest in climate solutions through a robust suite of financial supports and ecological goods & services programming supported by streamlined verification systems. Position farmers to access other environmental incentives, such as those available through carbon credits.

- f)** Establish a plan to address geopolitical barriers to trade and competitors' trade supports, enabling targeted programming responses through a structured framework.
- g)** Provide risk management programming with more inclusive parameters and clear triggers to respond to the extraordinary costs and losses associated with potential supply chain disruptions and climate change.
- h)** Ensure research, value-added, and market development programming targets lessons learned through COVID-19, by investing in:
 - a. Prioritizing resilient domestic supply chains;
 - b. Domestic promotion of Canadian agriculture and food products; and
 - c. Facilitating market development at home
- i)** Focus strategic public trust initiatives on three objectives: public engagement and awareness; building trust and capacity in evidence-based regulations and decision-making; and differentiating Canadian agriculture and food products.



a) Additional investments in the NPF

Canadian agriculture is directly implicated across several government policy instruments as a potential driver of various public goods and services such as preserving and enhancing biodiversity, conserving and protecting the environment, and providing food security and affordability, among others. While many of these public goods fall outside the direct purview of the NPF, these new policy demands place increased costs, expectations and burdens on the shoulders of producers who typically cannot pass these costs along. Since the inception of the first Agriculture Policy Framework, these added costs and expectations have not been reflected in the level of support made available in subsequent APFs. As a result, strategic initiatives funding has failed to even keep pace with inflation, let alone growth in the sector. All these developments must be factored into the level of investment required for the NPF to ensure the sector is adequately supported in providing the full breadth of public goods and meets its potential as a driver of inclusive growth across Canada.

CFA recognizes that the NPF, as currently envisioned, cannot be the primary vehicle to address all the policy objectives that affect Canadian producers. However, as greater public expectation and associated requirements are placed on Canadian producers and their practices, CFA believes a commensurate increase in investment to the NPF is required to help producers make the investments needed to support the aforementioned public goods through targeted incentives and supports. As a sector primed to provide Canada with a myriad of social and climate solutions, policies and programs to assist the sector in meeting these new commitments must not come at the expense of existing programs.

Recommendation: Invest at a level commensurate with agriculture's expanded role as not only a producer of quality agri-food products that feed Canadians and the global marketplace, but also a provider of many public goods and services – keeping pace with the increased scale and prominence of agriculture as a strategic sector in Canada.



PRINCIPLES

b) Equitable access to programming

The principle that policies and programs not distort comparative advantages among provinces and territories has not prevented inequalities in previous APF's. Under the Canadian Agricultural Partnership (CAP), at both the federal and provincial level, access to programming is not consistent across commodities. Whether it is distinctions made between terrestrial agriculture and aquaculture or food and non-food commodities, inequities in access to program supports persist. Program parameters and priorities are jointly defined by federal, provincial and territorial (FPT) governments and must be uniformly applied by provinces and territories to ensure equity across the country.

CFA believes all agriculture and aquaculture producers should be deemed eligible to access programs across all policy priorities within the NPF. Applications to any programming should still be assessed based on defined program criteria, reflecting regional realities, to ensure alignment with NPF objectives. When this entails a broadening of current eligibility and associated program demand, such as for the eligibility of aquaculture producers, a commensurate increase in public sector investments is required to reflect the increased demand placed on the NPF.

Recommendation: Grant all Canadian producers, whether terrestrial or aquatic, producing food, fibre, or ornamentals, equitable program eligibility across all policy priorities and programming areas.

c) A new approach to trade risk

Canada's agriculture industry and policymakers must respond to a new environment; wherein Canadian producers more regularly face the brunt of geopolitically motivated market disruptions or closures. This, coupled with a growing disparity in Canada's support for agriculture versus the support seen in other countries, threatens their competitiveness at home and in global markets. Trade risk has become an ever-present reality to producers across Canada, frequently the result of policy reactions that are entirely outside the agriculture policy domain.

Despite this new reality where trade risk is ubiquitous and often disconnected from the rules of multilateral institutions or existing trade agreements, the potential risk of a trade challenge, however minimal, is often cited by policymakers as the sole rationale for rejecting otherwise worthwhile policy and program proposals.

Adverse trade actions remain a significant concern for producers, but the NPF requires a novel approach to managing trade risk in the design of BRM programs, which should be rooted in increased dialogue with industry. Risk management programs and the trade risks involved are multifaceted and their

designs are complex, requiring thoughtful, dedicated engagement between industry and FPT governments to inform the final design of NPF policies and programs.

Recommendation: When designing risk management programs under the NPF, the risk of adverse geopolitical trade actions must be assessed in close concert with industry, rather than used as a unilateral rationale to limit programming considerations. This novel approach must be reflected the NPF's principles moving forward.



d) Establish common objectives

The results laid out in the Calgary Policy Statement signalled a clear commitment to communicate program objectives, performance and related data both between governments and to industry stakeholders as a means of driving continuous improvement in policies and program delivery. These results are even more important to the efficacy of the NPF, as the Business Risk Management (BRM) review and calls for support during the COVID-19 pandemic have illustrated the critical need for governments and industry stakeholders to share a common understanding of the objectives and performance of programs.

The CFA recommends that the discussion of the NPF presents an opportunity to build this common understanding and implement new performance measurements that focus more explicitly on program outcomes in addition to the existing performance measurements which are more focused on aspects of program delivery. This process should simultaneously incorporate a lens focused on the reduction of administrative burden for program applicants, ensuring data requirements are limited to essential needs and transparent performance metrics.

For example, BRM programs must be assessed against their capacity to maintain producer viability when facing severe income losses. Strategic investments in Ecological Goods and Services (EG&S) should strive to achieve measurable outcomes in the adoption of certain practices and technologies and/or quantification of carbon sequestered. These outcomes and program objectives require further industry consultation in the lead-up to the next policy framework.

Industry stakeholders continue to find difficulties in accessing information regarding program performance. A structured and transparent reporting process framed around a common understanding of program objectives and outcomes is needed. Also, to inform the process of continuous improvement a transparent evaluation of the programs' performances midway and at the end of the NPF will be required. This would represent a critical means of demonstrating the value of investments to Canadians, a shared priority between industry and government stakeholders.

Recommendation: Develop a common understanding of program objectives, performance measures, and create formal structures to support more regular, evidence-based reporting and transparency.



e) Invest in on-farm climate solutions

Canadian agriculture faces an opportunity to position itself as a global leader in climate solutions. The ongoing emergence of both policy and market-based instruments to support carbon reduction, sequestration and avoidance, among other beneficial environmental outcomes, holds the potential to fundamentally affect the economics of adopting best management practices on Canadian farms.

Every day Canadian producers make decisions and investments into their operations that improve efficiencies, soil health, water management, and biodiversity while supporting habitat conservation in the process. Exciting new opportunities also continue to become available through process and technological innovations, which hold even greater potential to drive long-term nature-based climate solutions. However, producers continue to identify a host of financial barriers to making further investments or adopting practices that are not economically viable. Despite the assets on farm balance sheets, farm capital is tied up in lumpy, illiquid assets. Producers also continue to face challenges accessing capital for environmental practices or retrofits, particularly in the absence of a corresponding value in the marketplace.

Even where financial credits may be available in the future, such as through a greenhouse gas offset credit program, farmers often lack the financial capacity to make investments in climate solutions that would then enable them to leverage these credits. There is a continued need to collaborate across governments and the private sector to ensure greenhouse gas offset protocols are accessible, sufficiently flexible and tailored to on-farm realities.

Even with such credit systems in place, the NPF will be an essential tool in ensuring farmers can economically justify investing in the associated practices and technologies, such as transitioning away from fossil fuel use, etc. Through a robust suite of financial support and EG&S programming, the NPF can help induce producers into making otherwise unaffordable investments in environmental beneficial practices, while helping spur the continued development and adoption of new technology and innovations. By linking these programs to accessible credit systems and other policy instruments, the NPF can play a critical role in situating producers to make the continual investments required to implement innovative climate solutions.

However, it is essential that farmers maintain exclusive entitlement to, and ownership of, all GHG reductions resulting from projects supported through NPF programming to ensure they can qualify for relevant GHG offset credits. Without this, NPF supports will not be nearly as effective in driving the adoption of best practices, as the supports will not facilitate access to the economic incentives present in GHG offset credit systems. Positioning these supports to drive on-farm investment and leverage GHG offset credits must be an explicit focus of environmental programming under the NPF to maximize its efficacy.

These programs must also be flexible and adaptable to keep pace with innovations and evolving market demands, while accommodating regional variations in environmental priorities. This is best accomplished if they were developed and administered through regional and cross-commodity collaborations with producers, supported by multidisciplinary experts, to disseminate best practices and ensure they maximize environmental outcomes while sufficiently addressing farm-level barriers to adoption.

The success of these programs will not only be predicated on the support they provide, but the costs associated with accessibility and verification. In addition to farm-level financial support, the NPF should explore means of streamlining verification of environmental performance and practices through enabling technologies. Until such technologies are available and broadly adopted, the NPF must support provinces in developing streamlined on-farm verification systems that not only support NPF verifications but those required for broader provincial and federal environmental policy needs. By limiting the number of inspections, the NPF can significantly reduce verification costs and barriers to entry for associated programming. Where implemented by producers, provincial Environmental Farm Plans (EFP) could provide a vehicle to help these verification efforts.

Centralized data collection in the NPF can not only reduce administrative burden for farmers, but also plays a critical part in enabling platforms like the Canadian Agri-food Sustainability Initiative (CASI) and ongoing efforts to establish a National Agri-food Sustainability Index. These present critical opportunities for producers and the Canadian agriculture industry as a whole to meeting regulatory and private sector certification demands, differentiating products, and telling Canadian agriculture's sustainability story through evidence-based metrics. In addition to continued support for these platforms, the NPF must ensure verification data is consistently collected to meet the needs of such platforms and made available, with producer consent, to support these broader objectives.

Recommendation: Incentivize Canadian producers to invest in climate solutions through a robust suite of financial supports and ecological goods & services programming supported by streamlined verification systems. Position farmers to access other environmental incentives, such as those available through carbon credits.

f) Respond to geopolitical risk

Both the Barton Report and Canada's Agri-food Economy Strategy Table have identified the considerable opportunity Canadian agriculture has to expand its exports. Yet while new ambitious targets were being set for Canada's agri-food export sales, Canadian producers across a number of commodities have seen market access lost overnight due to technical barriers to trade that are often motivated by geopolitics rather than science-based decisions. Notable examples include durum wheat sales to Italy, canola sales to China, or pulse sales to India, but there are countless more examples where producers bear the brunt of lost sales after having invested considerably to expand production.

At the same time, Canadian producers continue to look south of the border and see unprecedented outlays of financial support to producers in the United States. This predated the billions of dollars provided to American producers in response to COVID-19, with US hog, grain and beef producers

receiving 93, 95, and 113% of their net income, respectively, from government payments in 2019.¹ However COVID-19 certainly exacerbated this, with a 107% increase in direct payments in 2020 alone². Meanwhile, EU producers continue to see more than 50% of farm income come from Common Agriculture Policy supports³. Regardless of the extent to which these supports conform to international trade obligations, they affect the relative competitiveness of Canadian producers and are not expected to abate in the near future.

These international developments require that the NPF prioritize developing a plan focused on ensuring Canadian market access remains accessible and is leveraged to the greatest extent possible by Canadian agri-food producers, particularly inside current trade agreements.

Recommendation: Establish a plan to address geopolitical barriers to trade and competitors' trade supports, prioritizing:

- **Anticipatory responses to trade barriers** – the Canadian government must strive to anticipate trade barriers and work proactively to address them by monitoring international regulators' activities and expediting access to new products and processes that could help farmers overcome associated barriers.
- **Regulatory alignment** – a clear and consistent policy investing in the resolution of technical barriers to trade through regulatory alignment, proactively where new market access is sought;
- **International competitiveness supports** – a policy priority to address competitiveness imbalances arising from unprecedented increases in domestic supports by major trading partners, including targeted support for Canadian producers to differentiate themselves in international markets; and
- **Programs that respond to trade risk** – targeted support to producers when facing market disruptions or closures that arise due to acute technical barriers to trade beyond their control.

g) Establish more inclusive risk management parameters

The increased attention on supply chain vulnerabilities due to COVID-19 and escalating consequences of climate change-related weather events highlight the need for targeted policies and programs capable of responding to acute risks that vary considerably from region to region and commodity to commodity.

The financial challenges arising due to processing plant closures, lost retail markets, acute production losses due to labour shortages, increased regularity of extreme weather events, and acute gluts in supply (often of time-sensitive, seasonally-dependent products) all present regional variations that require flexibility and targeted responses. Canada must adopt lessons from the COVID-19 pandemic and the growing body of evidence on the impacts of agricultural climate change in the design of risk management programs under the NPF.

Current programming designed to respond to disasters and catastrophic situations must be supplemented or amended to also address the costs borne by producers facing disruptions to supply chains and/or labour, including depopulation events. Given the acute and potentially devastating nature

¹ Dr. David M. Kohl. 2021. *2021 Mega Trends*. Available at: http://tepap.tamu.edu/wp-content/uploads/2021/01/Kohl_1.pdf

² USDA 2020 Farm Sector Income Forecast.

³ Publications Office of the European Union (2018). *CAP explained: Direct payments for farmers 2015-2020*.

of these situations, associated programming must provide clear triggers that enable timely responses to ensure farmers have support at the time of most urgent need. The AgriRecovery program is part of this solution, but needs to be overhauled if it is to meet any portion of these expectations as it has proven inconsistent and slow in responding, particularly to novel situations.

Recommendation: Provide risk management programming with more inclusive parameters and clear triggers to respond to the extraordinary costs and losses associated with supply chain disruptions and climate change.

h) Strengthen domestic supply chains

Under the NPF, research, value-added, and market development support must include an explicit focus on resilience and domestic food security, targeting opportunities to not only reduce vulnerabilities but capitalize on all market opportunities. The NPF should provide a continuum of support focused on realizing these opportunities, establishing a pathway through which research projects support implementation of value-added activities, with corresponding market development supports available, as required. To ensure capacity exists to foster this continuum, CFA would make the following recommendations specific to each objective:

Resilient domestic supply chains: By necessity, Canada's capacity to support cutting edge agri-food research and value-addition must extend well beyond the confines of the NPF. The NPF can play a part in raising awareness of opportunities in the sector, but must also aim to leverage external policy instruments such as the Strategic Innovation Fund and the Superclusters Initiative. Transformative, large-scale investments in food processing, capital modernization and agri-tech systems are important to the sector, however the scale of need for these investments dwarfs funding available in the NPF. The scale of demand for these investments mandates the development and leveraging of external programs and private sector interests to respond to these pressing needs.

With respect to research funding, producers continue to see considerable value in the research clusters under the AgriScience program as an effective interface through which industry, government and researchers can work collaboratively to identify pre-commercial priorities and support research into those that are national in scope. As research clusters continue to evolve, the NPF should facilitate opportunities for cross-sector collaboration on research activities where common priorities are identified.

Meanwhile, funding for research projects must be accessible to respond to regional vulnerabilities and opportunities identified through COVID-19. This requires dedicated research and value-added programs targeting, specifically, adoption of labour-saving technologies, adaptation to regional climates, and development of new value-added products in response to local market demands.

In this regard, the NPF must prioritize on-farm value-added activities and investments in regional processing infrastructure. These not only provide a platform to address vulnerabilities identified through COVID-19, but also opportunities for producers to address long-standing labour shortages, adopt new data-driven precision agricultural solutions, and develop new markets.

Domestic promotion of Canadian agriculture and food products: The COVID-19 pandemic saw the sudden closure and scaling back of many retail and food service markets in Canada. A gradual reopening of retail and food service markets is anticipated in the coming months and years; yet COVID-19 looks to

have a lasting impact on the importance Canadians give to a vibrant, domestic agriculture industry and food supply. This awareness provides a unique opportunity for the NPF to support domestic market development through both pan-Canadian and regional domestic promotion initiatives. Greater emphasis must be placed on these opportunities through programming that supports targeted promotions with matching government contributions, while continuing to support the current policy framework's market access and development objectives.

Facilitating market development at home: Facilitating development of local markets is multi-faceted and extends beyond just promotions. As stated previously, Canadian agriculture is directly implicated across government policy instruments as a potential driver of various public goods and services. For example, this has included industry-developed protocols that address areas of public concern such as antimicrobial resistance, animal care, and on-farm food safety. These protocols, in addition to the stringent regulations Canadian producers are held accountable to, come with considerable cost. Therefore, prioritizing the *uniform development and enforcement of nationally accredited standards* in the NPF – establishing uniformity of standards and regulations in Canada, while prioritizing enforcement to ensure imports are held accountable to them – is essential. Not only does this address broader policy objectives, the uniformity of standards strengthens the sectors capacity to respond to inter-provincial and international market demands.

Although outside the exclusive scope of the NPF, some domestic market opportunities are constrained by interprovincial trade barriers. CFA continues to advocate for dialogue and a clear action plan to address outstanding barriers to domestic trade.

Recommendation: Ensure research, value-added, and market development programming targets lessons learned through COVID-19, investing in:

- a. Resilient domestic supply chains;
- b. Domestic promotion of Canadian agriculture and food products; and
- c. Facilitating market development at home.

i) Focus public trust investments

Public Trust remains a critical issue for producers across Canada, with consumer preferences shifting and new perceptions often grounded in misinformation or without a clear evidence basis. While producers continue to adapt and innovate to meet these shifting demands, these adaptations come with new costs and threaten to reduce the tools farmers have available to them to manage production-related risks.

Industry is committed to collaborating wherever possible to address these challenges head on, but believe public trust must remain a lens applied to all aspects of the NPF and the strategic initiatives it supports.

Outside of this general lens, ensuring the NPF addresses public trust holistically, there are three primary objectives through which the NPF should target public trust. These objectives can be understood as distinct, with clear responsibilities specific to each order of government:

- 1. Differentiating Canadian agriculture and food products:** The federal government has a specific role in supporting the development of assurance systems and data platforms that ensure Canada's agriculture and food sectors can speak to questions of sustainability (environmentally,

socially and economically) through quantifiable metrics and a scientifically informed evidence base. This includes working closely with industry to recognize and support industry-developed protocols that address areas of public concern such as antimicrobial resistance, animal care, and on-farm food safety.

2. **Building trust and capacity in evidence-based decision making and regulations:** Both federal and provincial governments have a role in the maintenance of public trust through effectively communicating the merits of Canada's science-based regulatory regime. Be it in approval of farm inputs, food product labelling, or Canada's world-class food safety regulations, the NPF should support efforts, in collaboration with industry, to communicate the rigour of these systems and respond to misinformation in the public sphere. Support for initiatives that enable evidence-based production practices, such as the Canadian global Food Animal Residue Avoidance Databank (CgFARAD), are also critical to this trust.
3. **Public engagement:** Provincial governments and industry associations have a clear role to support community-level engagement efforts, providing a clear pathway to two-way dialogue with consumers. Provincial public trust programming must focus explicitly on this grassroots dialogue, supported through the public trust activities articulated above.

The benefit of this three-pronged approach is that each of the objectives build on the other. Increased dialogue at the community level encourages Canadians to engage more directly with their food and farming system, while creating new tools to inform their understanding of a system that has become distant from their everyday lives.

Recommendation: Apply public trust as a common lens for all policies and programs, while focusing strategic public trust initiatives programming on three objectives: public engagement, building trust and capacity in evidence-based regulations, and differentiating Canadian agriculture and food products.