



Enhancing Food Security and Rural Life Insights from Canada

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Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada




Welcome to Canada!





Canada's Dynamic Agri-food Sector

- Diversity of agricultural production
 - » Grains, oilseeds, horticulture, livestock
- Diversity of consumption
 - » Ontario: 31% population lived their for <15 yrs
- Rapidly changing retail sector
 - » Three businesses own ~75% Canadian retailing
 - » Channel blurring in a cost-conscious market
- Food processing capability
 - » ~50% of Canada's processing capacity in Ontario
- Export growth, traditionally US-focused
 - » Fueled by value-added processing
- Proximity to key markets
 - » 1 days drive to 1/3 U.S. population



Weaknesses of Traditional Risk Management and Funding Programs



“If not thinking about the consumer, you are not thinking” *Theodore Levitt (1925 – 2006)*

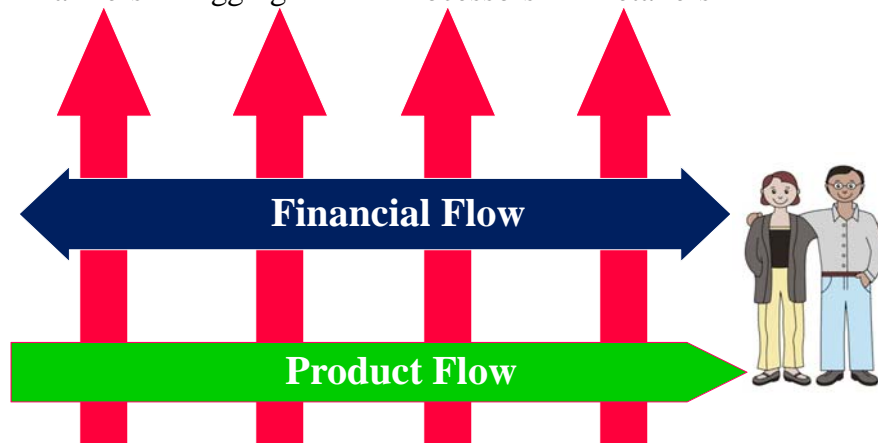


Businesses Do Not Operate In Isolation

Most operations and finance are delivered vertically

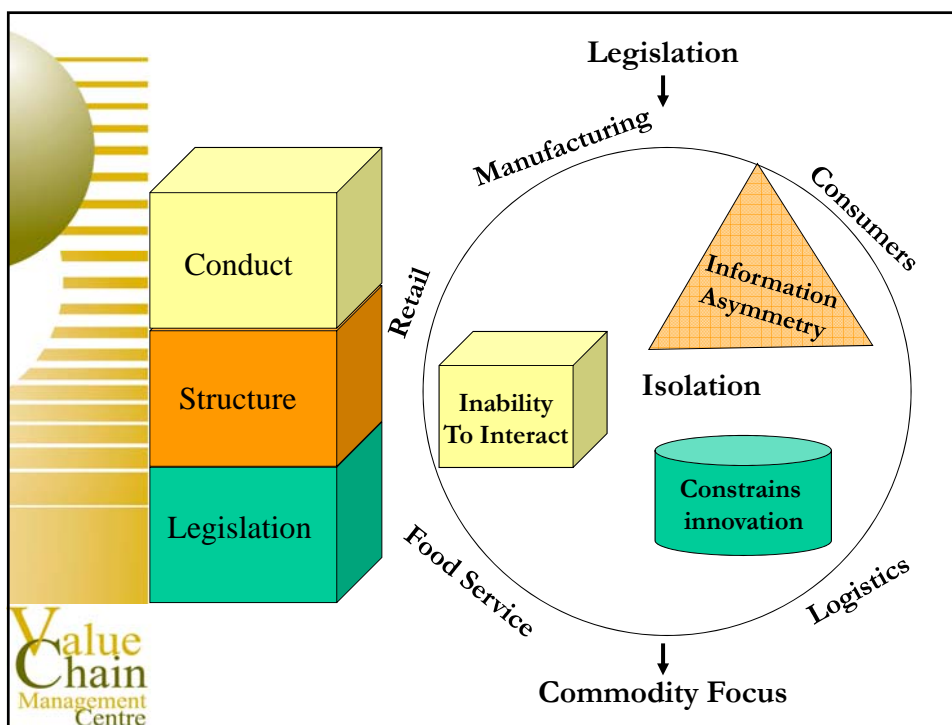
Key processes and structure occur HORIZONTALLY


Farmers Aggregators Processors Retailers



Disconnect between much of agriculture and rest of industry

- Traditionally, agriculture has focused on developing resources or access to resources
- Resources per se do not offer sustainable competitive advantages...
 - » The **manner of their use** does
- Legislation and policy traditionally considered agriculture in isolation
 - » Exacerbates disconnects along value chain






Financial Risk Management and Funding Initiatives

- Risk Management
 - » Agricultural Income Stabilization
 - » Marketing Boards
 - » Advanced Payments
 - » Crop Insurance
- Finance
 - » Capital
 - » Innovation grants
- ‘Touch’ on value chain governance issues
 - » Impact of industry level factors and initiatives

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History: Farm Income Stabilization

- Canadian Confederation – 1867
 - » Confederation namely an Eastern Canada event
 - » Western provinces evolving
- 1910-1930’s
 - » Economic crisis and severely fluctuating prices
 - » Attempts to establish Cooperatives
 - » 1935: Prairie Farm Rehabilitation Administration
 - » 1939: Prairie Farm Adjustment Act
- 1958: Agricultural Stabilization Act
 - » First extensive farm income support effort
 - » Intervened if prices fluctuated, not farm income
- CAIS (~2000) whole of farm approach

Hedley, 2009

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Marketing Boards

- Supply Management
 - » Dairy
 - » Eggs
 - » Broiler (hatching eggs)
 - » Broiler (meat) chickens
 - » Turkey
- Non supply managed
 - » Largely provincial
 - » Canadian Wheat Board an exception
 - » E.g. Vegetable (fresh & processed), fruit, grapes,
 - » Most don't have authority to 'set' prices

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Advanced Payments

- First introduced 1959
 - » Originally federal in specific crops (grains)
 - » Soon repositioned as provincial
- ACC Farms Financial (1997)
 - » Ontario (plus a number of Western Provinces)
 - » Established by a group of visionary farmers
- Advance payments of <CAD\$400,000
 - » Crops and livestock
 - » Government 'absorb' interest on portion of loan
- Future considerations
 - » Improved terms for collaborative marketers
 - » Enabling private investment in agri-businesses
 - » Increased interaction with farm mngt efforts

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Provincial Crop/Livestock Insurance

Ontario

- Agricorp
 - » Provincial Crown Corporation
 - » Ontario Ministry of Agriculture, Food, and Rural Affairs (OMAFRA)
- Range of insurance programs
 - » Crops and livestock
 - » Government and industry
 - » Financial, food safety, environmental, market security.
- Shared Federal (60)/ Provincial (40) funding
 - » Producers pay approx 40% of cost of premium



Tax Credits

- Accelerated Capital Cost Allowance (CCA)
 - » 30% annual deduction of capital equipment value
 - » Productivity-enhancing capital investments
 - » Small and medium enterprises
 - » Provincial policies can hamper implementation
- Science and Research Experimental Development (SRED)
 - » Post project tax credits
 - » Administered by Canada Revenue Agency
 - » Historically been more hi-tech than agri-food



Finance: Farm Credit Canada

- Crown corporation
 - » 1927 - The Canadian Farm Loan Board (CFLB)
 - » Operate 100 regional offices across Canada
- Traditionally dedicated to agriculture
 - » ~2004 expanded into agri-business
- Longer term investment
 - » Not current accounts
 - » CAD\$17 billion portfolio
- Four arms to the 'business'
 - » Lending
 - » Insurance
 - » Learning and Knowledge Centre
 - » Communication

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Policies Increasingly Chain Focused

Growing Forward


- Announced May 2009
 - » Preceded by Agricultural Policy Framework I / II
- \$1.3 billion five year program
 - » 60% federal 40% provincial
- Risk management remains a program pillar
 - » Long term emphasis on reducing share of \$\$\$
- Greater focus on innovation and marketing
 - » Designed to allow local / regional flexibility
- Value Chain Roundtables
 - » Enhanced role in 'Growing Forward' program



AgriStability (Growing Forward)

- Calculated on income margins
 - » Whole of farm income safety net
 - » Reflects diversity of Canadian agriculture
- Built on previous programs
 - » Canadian Agricultural Income Stabilization
 - » Gross Revenue Insurance Program
 - » Net Income Stabilization Program
- Program replaced Agric Policy Framework
 - » Risk Management, Renewal, Environment, Food safety and quality, Science and innovation
- Payments based on reference year margin
 - » Kick-in when margins are <85% reference year







Value Chain Roundtables

- Enhance Cdn competitiveness & profitability
 - » Strategic orientation evolved over time
- Broad, solutions-based approach to facilitate industry led solutions to identified problems
 - » Roundtable Chairs meet periodically with the Deputy Minister to share lessons learned
 - » Identify areas where they can work together in pursuit of common goals
- All Roundtables have developed industry-led strategies/action plans to improve long-term competitive position and profitability
 - » Deputy Ministers from relevant other government departments also participate in these meetings
- Certain Roundtables (Beef and Pork) have even developed formalized strategic frameworks that help to structure the work of the Roundtables.

AAFC, 2009

Value Chain Roundtables

Sectors with active VCRTs


- Beef
- Food Processing Industry
- Grains Innovation
- Horticulture
- Organic Sector
- Pork
- Seafood
- Special Crops

Sector implementing a VCRT

- Sheep

Sectors that wish to implement VCRTs


- Bio-products
- Health and Nutrition
- Animal Nutrition





Grant Programs
Supporting and enabling innovation
- partly through reducing risks


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Federal / Provincial Grant Program



- Canadian Agricultural Adaptation Program
 - » Advancing CdnAgriculture and Agri-Food (ACAAF)
 - » Cdn Agricultural & Rural Development (CARD)
- Five year, CA\$163 million
 - » Administered at two levels
 - » Federal
 - » Provincial
- Three categories
 - » Seizing opportunities
 - » Responding to new and emerging issues
 - » Pathfinding and piloting solutions to new and ongoing issues


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Ontario Provincial Grant Council



- Agricultural Adaptation Council (1995)
 - » Not for profit supporting industry-led initiatives
 - » Coalition of 73 organizations spanning the chain
- Delivered funding whose primary aim
 - » Long-term growth, self-reliance, profitability, viability, and employment opportunities
 - » Catalyst for innovation, growth, collaboration
- Funding available for wide range of activities
 - » Soft costs rather than infrastructure and capital
 - » Results exceed invested funds, including ROI
- Not confined to delivering one program
 - » National Soil and Water Conservation Program







Value Chain Initiative (Ontario)


- Formal Agric Adapt Council program (2002)
 - » Advisory Board representing the entire chain
 - » Led to change in parent organization programs
- Three funding categories
 - » Awareness
 - » Workshops, seminars, chain mapping, research etc.
 - » Development
 - » Partnership development, feasibility studies, etc.
 - » Implementation
 - » Process improvements, marketing, pilot research, etc.
- Applications encompassed >3 links in chain
 - » Reflected specific market knowledge / research
- Other provinces since followed suit
 - » Though many do not fund implementation



Examples of Projects Funded

- Process improvement in vegetables
- Veal
- Organic beef
- Sea Buckthorne
- Meat producing
- Fruit mead
- Gourmet pasta
- Edamame
- Organic pet foods
- Sliced apples
- Integrity protected soybeans



VCMC Purpose & Activities

- Formed in 2008 with ACAA seed funding
 - » Enables proportion of services to be subsidized
 - » Priority given to Ontario industry / businesses
- Canada's only dedicated value chain research, training & awareness initiative
- Provide trusted objective information
 - » Stemming from research and analysis
 - » Provincial, national, international
- Disseminate non-proprietary information gathered from research and analysis
- Develop and deliver education and awareness materials



Conclusions

- Policies can compromise promising initiatives
- Traditional financial support often benefits intermediaries more than producers
- Most commercially significant innovation occurs at the business, not industry, level
- Programs commonly do not influence the changes in chain structure (and relationships) necessary to sustain improvements
- Government / industry cost sharing practices can be highly effective
 - » Particularly if they incorporate learning elements
- Value chain approaches increasingly common
 - » Australia, Canada, United Kingdom



