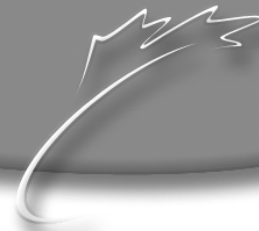




Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada



Canadian Agriculture Policy in a Global Context

Policy Disputes Information Consortium

April 23-26, 2003

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 ...

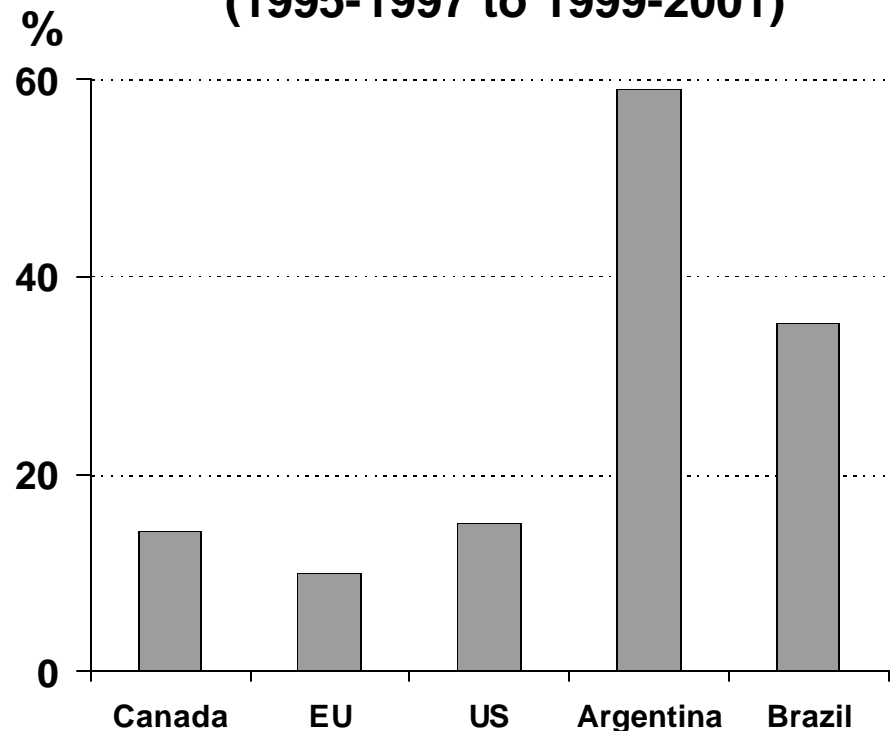
- **Advancing technology**
- **Changing consumer demands and increasing customer requirements**
- **Increasing global competition**
- **Increasing North American integration**

... 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)**

**Growth in Oilseed Production
(1995-1997 to 1999-2001)**

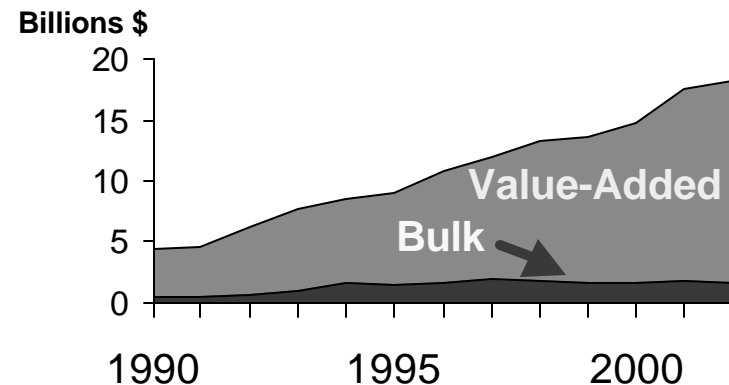


*...putting pressure on
commodity prices*

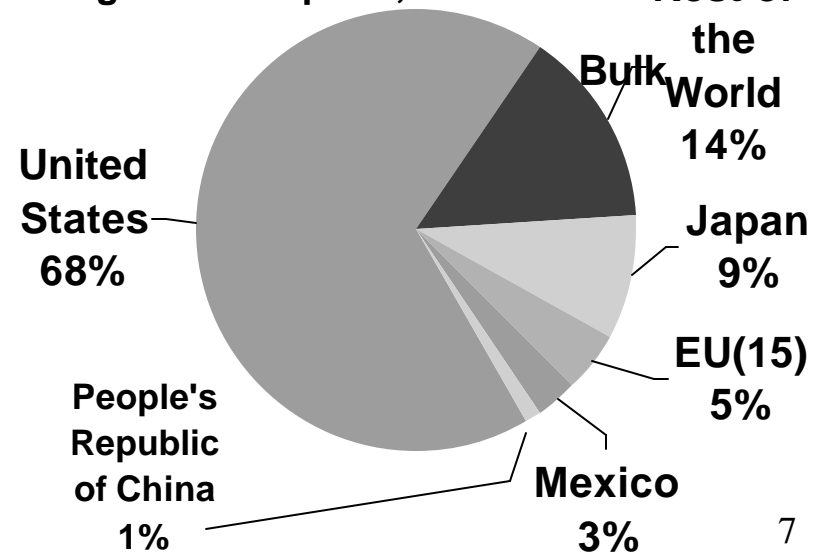
Growth potential of Canadian sector outside bulk commodities

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

Agriculture and Agri-Food Export to US & Mexico, 1990-2002



Destination of Canadian Agriculture and Agri-Food Exports, 2002



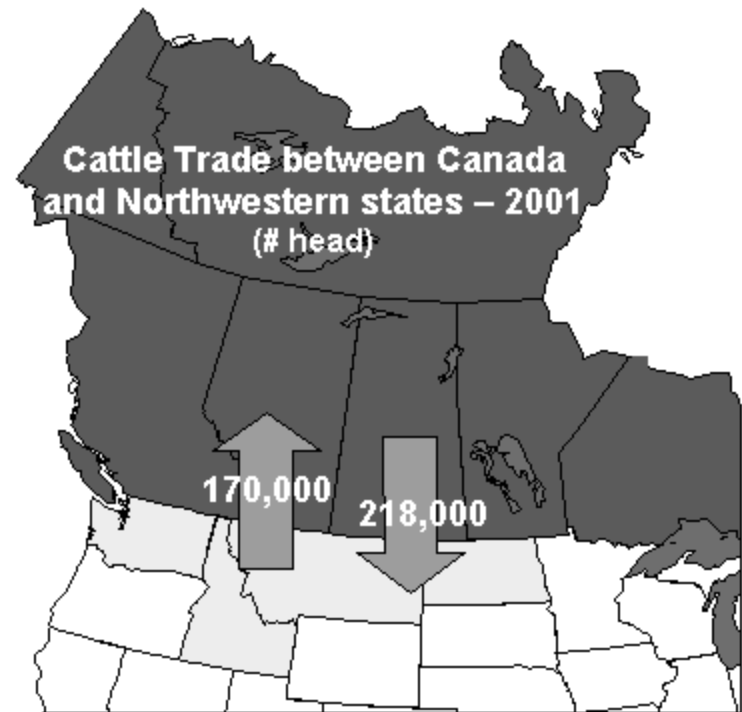
Policies have to recognize more integrated North American market in trade

...

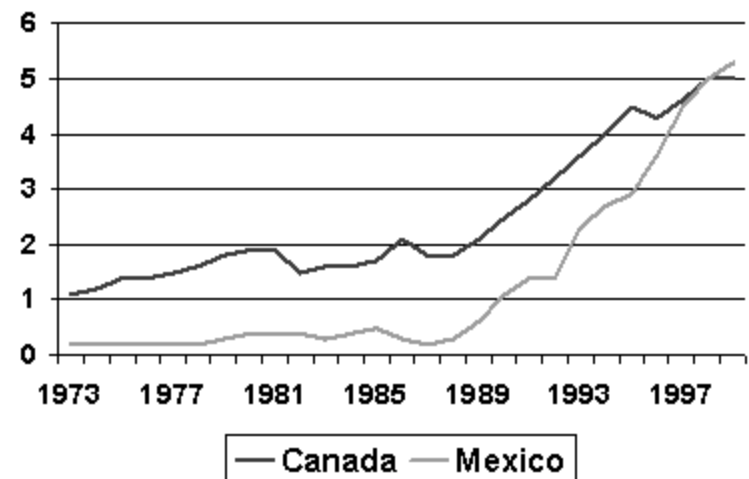
- Producers and processors on both sides of the border are becoming integrated

... and in investment

- Policies have consequences that cross borders



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
 - innovation
 - environment
 - renewal
- **\$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

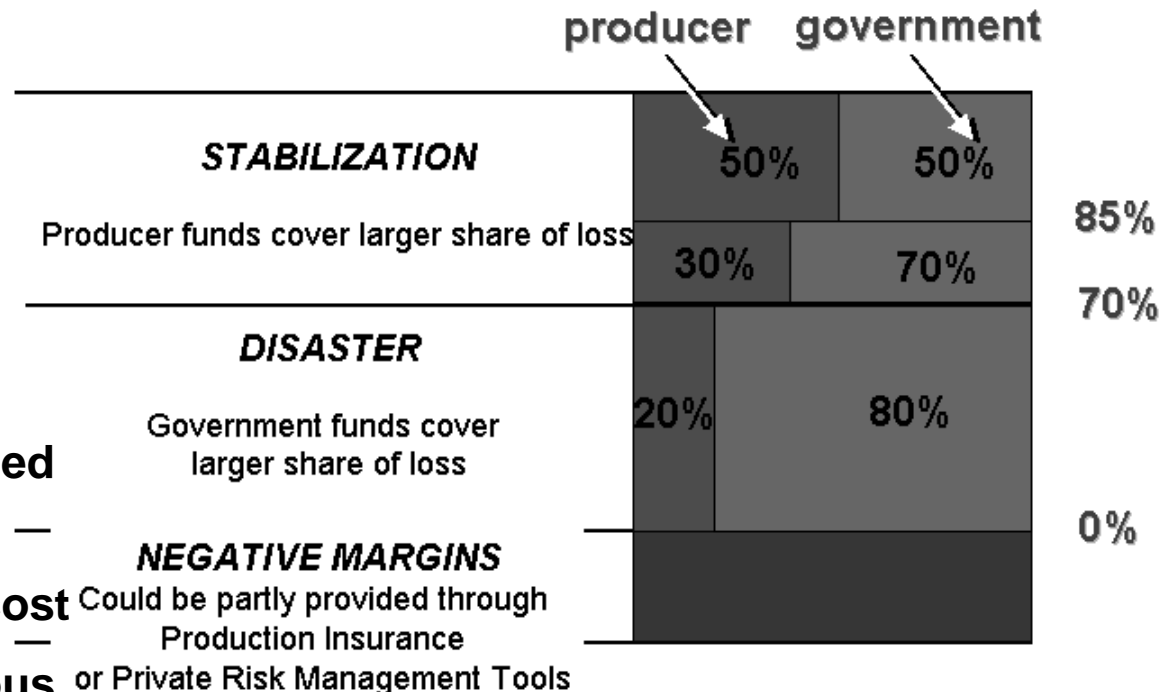
- Eligibility patterned after current NISA/Disaster

- Government funds accessed when need established

- Producer share program cost —

- Coverage based on previous olympic average production margin

- Margins include accrual adjustment



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