Achieving What's Possible for Canada's Agri-Food Sector

PART 3

FINAL REPORT

FEBRUARY 2016

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What we heard at the Forum on Canada's Agri-Food Future

At the Forum on Canada's Agri-Food Future in November 2015, we wondered "what is possible?" for the country's agri-food sector to achieve in the future.[1] To be provocative, we asked whether Canada could become "the most trusted food system on the planet."

Many countries are trying to sort out how to ensure the future economic growth of their food systems while addressing climate change and responding to a litany of evolving consumer concerns. Such consumer issues include health, nutrition, food safety, sustainability, ethics, food security and reliability of supply. As well, one of the "biggest" global issues will be how to produce more without depleting natural capital. All this relates to matters of trust. Trust is now the defining issue facing nearly everyone involved in food production and supply, both in Canada and among competitors and customers abroad. Some countries face more acute concerns than Canada, which fares relatively well on several aspects (although this success prompted discussions about complacency in Canada).

A singular idea emerged from the Forum: How we cultivate trust may very well be the key to future competitiveness. Securing trust requires greater transparency about food practices and their impacts, as well as credible national metrics that measure and demonstrate performance. This is the route to attain the sector's "social licence" to operate, express Canada's food brand, and improve productivity across the food system. This goal requires a new spirit of collaboration, one that includes a dramatic change in how scientists, policy-makers and industry collaborate and tackle innovation priorities.

We did not intend to resolve whether Canada should be "the most trusted food system." Some Forum participants embraced such an ambitious goal; others rejected it. The view emerged that consumers should confer such a label rather than see the sector or government declare it so; others felt Canada's aspirations as a food provider should be much bolder. For us, the pathway is clear: It is in Canada's best interest — both economically and for the well-being of its citizens — to see that the country's agri-food system delivers a strategy to enhance and retain trust. To be forward-thinking, we must produce safe food that enhances ecosystems and improves nutritional quality. (See Diagram 1, page 3.) This is the basis to reposition one of Canada's priority sectors.

This paper outlines what we took away from the Forum: Four key challenges, one big possibility, five "enablers" and a call to action. The appendix summarizes some of the deliberations.

Four big challenges to Canada's future competitiveness

While the agri-food sector faces many issues, four major challenges rose to the top at the Forum:

1. SECURING SOCIAL LICENCE

The consumer romance with food is unleashing unprecedented opportunity – witness the appeal of authentic and local food. But the global "consumer honeymoon" with food production may be coming to a close. In the developed world, an abundance of generally safe food is no longer enough. Consumers now expect higher standards of care at every stage of food production. People are expressing concerns with threats they believe are connected to how food is produced, such as antibiotic resistance, zoonotic diseases and environmental degradation. While obtaining "social licence to operate" (no unwarranted restrictions) is a clear priority, the process requires much more than merely communicating to consumers.

- *A new era of transparency and governance confronts Canada's and the global food system.*[2]

2. LEVERAGING OUR NATURAL ADVANTAGES WITHIN THE GLOBAL FOOD SYSTEM

Globally, governments' agricultural support programs have legitimate purposes. Yet most subsidies have unintended consequences, such as over-production, suppression of crop prices, intensifying animal diseases, resource depletion, pollution and climate change. The current food model reliably delivers an incredible array of safe food. However, social and environmental costs of production are not reflected in prices, as the global marketplace does not fully assess ecosystem impacts or assign values to protect it. Efforts to minimize negative effects are underway to some degree, but global subsidies perpetuate an agriculture and food production model that is sowing the seeds of consumer mistrust. Ultimately, we need to decide how to produce more without depleting natural capital.

- *Within this model, Canada can't fully use its natural capital advantages (land, water, biodiversity) as a major point of competitive advantage.*

3. COMPLACENCY ABOUT ADDING VALUE

Innovation has delivered big benefits to primary agriculture[3] but productivity growth is flattening. Some of Canada's commodities enjoy respectable shares of global trade, and we perform well in some niche food and beverage products. But Canada is often viewed as satisfied with remaining largely a commodity supplier, rather than doing more to add value to what it produces or enhance its processing potential. Canada is also criticized for low levels of public and private research funding.

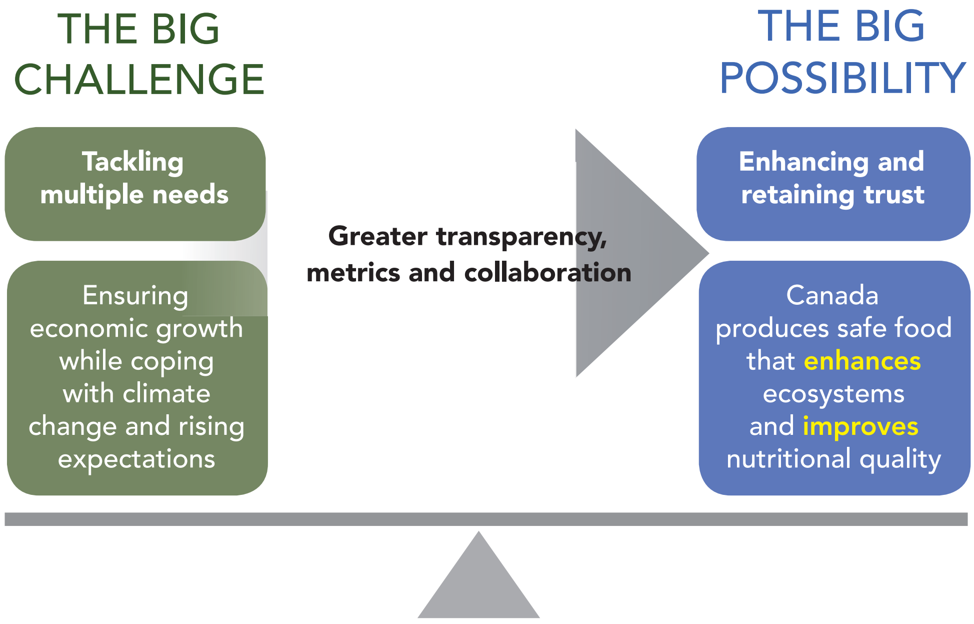
- *Canada may not be preparing enough for a world that is competing to add value at every stage in the food system.*

4. INFLUENCING RULES AND OUTCOMES

For some, Canada is seen as a mid-sized player unable to punch above its weight. We are home to few global head offices, are experiencing increasing foreign ownership of food processing, and have no global retailers promoting Canadian foods abroad. We are seen as a "rule-taker" instead of a leader, and we seem to lack the leverage, creativity or courage to influence global standards and trade rules. Domestically, the sector is highly fragmented, with each part narrowly defining what is in the "national interest," undermining the potential leverage required to attract greater support on important issues.

- *Lacking a vision that emphasizes our expressed competitive advantage, Canada's agri-food sector is neither seeking to raise the bar on competitors globally nor leveraging its position as a major economic engine at home.*

Diagram 1:
How can we transform challenges into possibilities, remain competitive and achieve prosperity?



The "big possibility" is within reach

Given these challenges, Forum participants weighed this question: What is possible? Developing an agri-food strategy focused on "trust" is a potentially powerful strategic driver. It speaks to the strengths of the agri-food sector and Canada at large. "Trust" links the entire sector, from how we manage soil and water to how we deliver food to the consumer's plate. Every player in the food system has a role to play in ensuring that trust.

The Canada food system is defined by genuine trust: Building on our reputation, a good governance record and a safe, highly respected food system, Canada can become known for producing and supplying food that actually enhances ecosystem health (i.e., quality of water, biodiversity, reducing carbon, etc.) and improves nutritional quality in our food. At its core, these are matters of trust that must be earned (demonstrated). The following inter-connected ideas are the route to (a) securing societal support, (b) remaining competitive, (c) improving productivity, (d) enhancing innovation and, (e) wielding greater influence:

a. SECURING SOCIAL LICENCE

No doubt, sharing the agri-food sector's positive story about the care it brings to food production has merit. However, marketplace signals are unequivocal: it's not about "tell me" but "show me." Earning a social licence to operate requires measuring care and being very transparent. Much is happening. Supply chains here and abroad are finding new ways to sustainably and ethically produce, source and supply food – and demonstrate it. These pre-competitive initiatives are at the vanguard of change.[4] There are also many worthy initiatives underway in Canada to build confidence and public support for the agri-food sector. Still, the evidence to support claims must be credible, validated and current.

- *"Securing" social licence depends on offering relevant and credible national metrics and benchmarks on key "trust indicators," such as how the sector is improving the environment and contributing to health outcomes. Getting the governance framework right is strategically important.*

b. ASPIRING TO BE THE SUPPLIER OF CHOICE

Canada produces some of the safest food in the world from an arable land base with one of the lowest densities of animals and people per hectare, and negligible impacts on non-renewable water. We must decide how to derive competitive value from this advantage. By not putting it on the table for discussion, we are potentially foregoing one of our greatest economic opportunities — and it is at our doorstep. Many consider the Canadian brand to be "safe," "clean" and "trusted." So what demonstrates this? Other countries are starting down this path (e.g., Ireland has pledged that its exports will be 100% sustainable[5]). Industry and governments must cooperate to identify credible metrics and targets consistent with point (a) that illustrate our responsibility and performance — and do so without jeopardizing our competitiveness.

- *Canada can aspire to be the "supplier of choice" for customers and consumers by demonstrating "authenticity" of its food production practices – the way to fully leverage our brand advantage and, over time, raise the bar on our competitors.*

c. VALUING NATURAL CAPITAL DRIVES PRODUCTIVITY

Sustainability and productivity are closely linked. It is well known that measures such as improving water use, optimizing fertilizer application, and lowering energy costs help drive down operational costs. Seeking ways to generate revenue opportunities from "waste" or outputs of the production process offers an additional "sustainability dividend." It can also inspire new products. For instance, reducing chemical residues is good for the environment and can be rewarded by retailers and consumers who make food selections on this basis.

- *Valuing and managing natural capital must be at the forefront of every business strategy. Demonstrating "ecological services" (e.g., cleaner water and air) "circles back" and helps the sector win consumer and societal support and reinforce the national brand.*

d. DESIGNING A NEW INNOVATION MODEL

Canada must remain a safe, reliable and high-quality food supplier in the face of climate change and environmental stress. Finding a way to grow economically while meeting new commitments on greenhouse-gas emissions, cleaner water, healthier soils and rising consumer expectations is a key objective. Setting common research priorities across scientific disciplines can help tackle major challenges facing agriculture and food, such as helping crops capture and sequester more carbon, enhancing nutrient density, and reducing chemical residues. To do so, we need a more strategic innovation system or network that coordinates publicly funded research and innovation capacity, engages the private sector, and links up with other sectors (e.g., health, environment and technology). A new spirit of collaboration could move us out of silos and can help make a compelling case for increasing investment. This is not a panacea for Canada's innovation shortcomings, but this system-wide effort must confer distinct advantages for Canada. Government regulators would also play a role, with input and analysis from academic-researchers, generating supportive regulatory practices and providing a "policy wrap" to help ensure success.

- *A far more intensively networked innovation system would enable the agri-food sector to respond to big cross-cutting scientific challenges, thereby adding value across the food system by producing more with less impact and improving what we eat.*

e. WIELD GREATER INFLUENCE

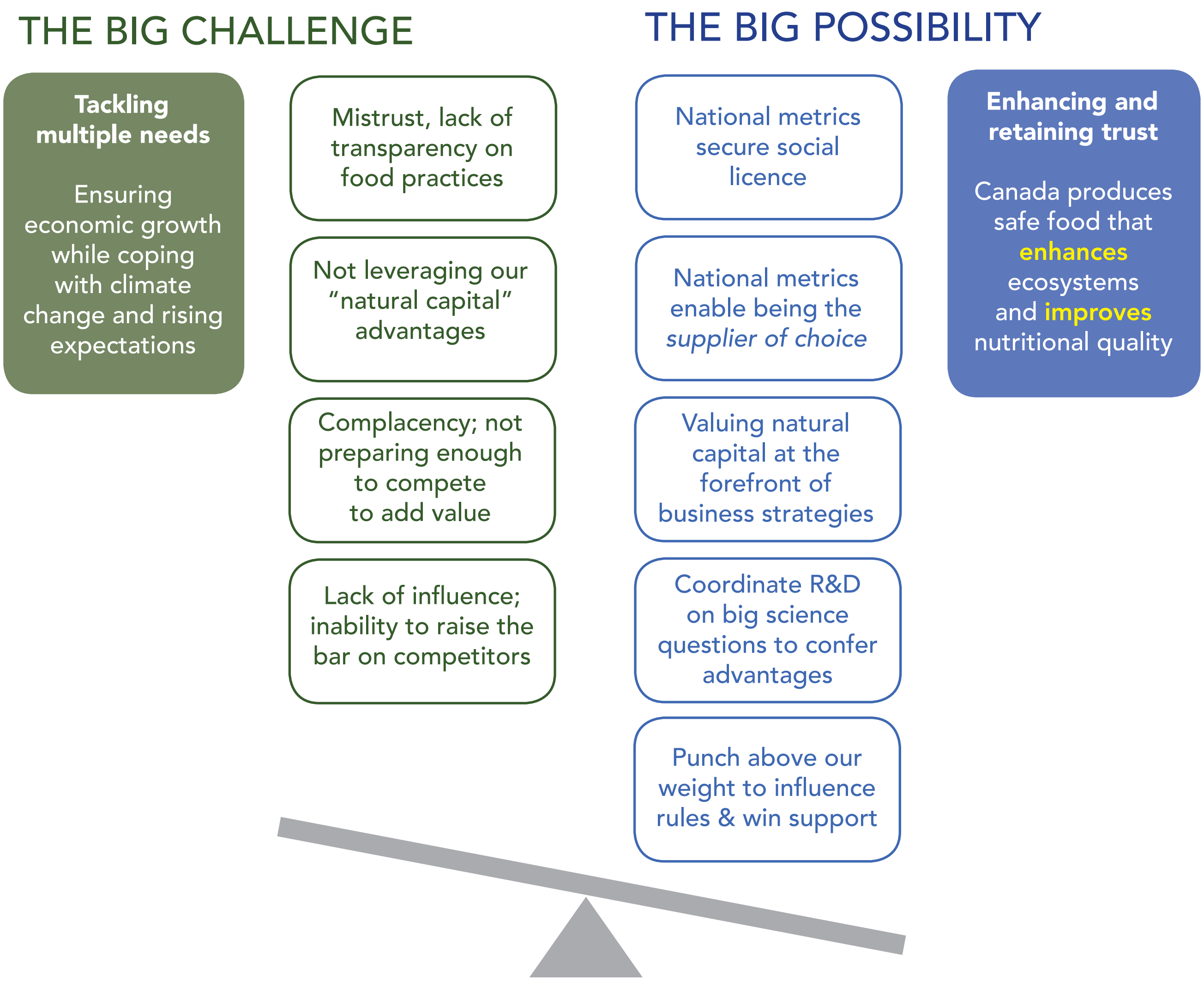
Canadian society and political leaders need to see the agri-food sector for what it is and could be. As one of Canada's leading economic engines,[6] the sector generates wealth and can play a vital role in improving the quality of our ecosystems, an increasingly attractive proposition. Being recognized this way could help transform the sector's status. Without this acceptance, the agri-food sector may be less capable of winning greater relative political support, including in adjacent areas where broader support is required, such as in labour, transportation and tax policies. There is also an opportunity to enhance Canada's influence abroad.[7] Canada could be at the forefront of building a global understanding for the management of natural capital. With credible metrics, we can use this track record to influence international rules and standards that reinforce our national interests and improve market access. As a trade-dependent nation, it is vital we deploy our diplomatic and political assets to support this initiative. Bringing greater attention to the deleterious impacts of global agricultural subsidies should be part of this discussion.

- *The agri-food sector's stature and influence domestically are linked to its leadership in demonstrating its dual value — it is both an economic engine and a contributor to the overall well-being of its citizens. This principle can also be adapted for a positive effect abroad.*

Diagram 2:

Which side will prevail?

Framing Canada's significant agri-food opportunity to remain competitive and achieve prosperity



Conclusion

The Forum's key question — whether Canada could become the most trusted food system on the planet — had the intended effect. "Trust," when broadly considered, is a lens to clarify important choices facing Canada's agri-food sector going forward:

- If we want consumers' trust, then we need to credibly demonstrate the care being taken to enhance food safety, improve food nutrition, address animal care, contribute to the planet's health and satisfy other expectations.
- If we want to be more productive or even produce more and remain competitive, then managing and enhancing natural capital needs to be at the forefront of everything we do.
- If we want to add more value to what we produce, then we need to collaborate differently across scientific disciplines and with the agri-food industry, among other sectors and governments.
- If we desire more supportive public policies for this sector, then we need to present agri-food's co-benefits as a wealth creator and contributor to societal well-being.
- If we want to more effectively advance Canada's interests abroad, then we need to leverage our credible performance on managing natural capital to improve our ability to shape the standards and rules that guide agri-food trade around the world.
- Indeed, if we aspire to become "the most trusted agri-food system," then this status must be conferred on us by our consumers based on the actions we collectively take — and not simply declared to be so by stakeholders.

Taking decisions and actions here could set up the "breakthrough agenda" needed for the sector to reposition itself for a changing food world and help fulfil its potential as a priority economic sector for Canada. However, "a coalition of the willing" must rally around one clear message: It is in Canada's best interest — both economically and for the sake of the well-being of its citizens — that we ensure our agri-food system delivers a strategy that enhances and retains trust.

Appendix 1: Summary of Forum deliberations

The Forum prompted the following observations (names in brackets reference Forum speakers as indicated in Appendix 2):

1. Social licence

The majority of Forum speakers left the impression that the global food system is working and generally trusted. Yet several recognized that intensifying competing interests for the biosphere are undermining social acceptance of agricultural practices. There was a general understanding that "social licence" is a function of trust. Many in the room wanted to establish "social licence" for agriculture and agri-food as it is practised today. However, it is becoming clear that a growing number of people will give no licence for the appropriation or destruction of natural capital, as they see that as an existential threat. Other matters of confidence include issues relating to human health, animal care and ethics. Companies (and supply chains) are responding to these expectations [Sahlstrom] and sustainability is now linked with firm-level productivity [Moreddu].

2. The capacity to add value

The Forum focused on the degree to which Canada can differentiate its food offerings, primarily by examining what is "pre-competitive" or proprietary. To avoid being placed at a cost disadvantage with other jurisdictions, we shouldn't compete on the basis of food safety regulations [McCain]. "Core" (common) objectives include food safety and supply reliability, while other attributes of trust (health and sustainability) can form a good basis for differentiation [Buckner]. Although food safety regulations are pre-competitive, innovations in food safety practices can be advantageous.

Canada is a leader in beef traceability [Buckner] and Canada is conducting innovative R&D to enhance food safety detection technologies, such as finding new ways to efficiently detect Salmonella in fresh produce [Goodridge]. Improving connections between scientists and the private sector presents significant opportunities [Vinet]. As new technologies and advances in science and understanding improve, there is considerable room for Canada to be a leader and add economic value to food practices that also enhance confidence in our food supply.

Discussions surrounding sustainability generated mixed views. Sustainable seafood initiatives reveal, for instance, that competitors need to work together to ensure viable fisheries when the very source of supply is under threat [Clay]. Speakers commented that there is no homogeneous way to demonstrate trust [McCain] and "no one type of consumer." But trust has value — it is "the most important commodity" [Ross]. California's agriculture is successful because it markets on the basis of quality, nutrition and sustainability and has become a leader in collaboration, transparency and accountability [Ross].

The very nature of food systems is changing in response to consumer desires and expectations. Local food systems are flourishing [Bays]. Food entrepreneurs are discovering ways to deliver authenticity by creating the new products, new food experiences, and transparency about food practices that key consumer segments are eagerly seeking out [Entrepreneur panel]. On-line food systems in China serve hundreds of millions of Chinese consumers. All are succeeding because consumers want to buy what is trusted [Evans]. (This is not to say that Canada should only serve China nor turn inward only to be a local supplier; the examples portray innovative ways to serve new markets.) The message was: Canada needs to embrace the opportunities. Alibaba's go-to-market strategy was revealing. The largest online retailer in China is looking to sell more quality food from countries and regions worldwide. It wants to source more from individual Canadian provinces (a "provincial strategy") and have this complemented by a Canada-China free trade agreement [Evans].

The next revolution in agriculture will be driven by data [Goedde]. Data mining is the basis for new ideas and should be a cornerstone of Canada's strategy [Goedde]. For instance, the nutritional quality of food is deteriorating worldwide as "yield" is given more attention; an analysis of the average nutritional content of a selection of 43 garden crops in the US revealed a drop in vitamin B2 levels of over 30% and calcium of 25% over the past several decades, among other measures [Goedde]. Improving nutritional quality is an innovation opportunity as the world seeks to produce more to feed itself.

Environmental sustainability could also become a key means to differentiate performance, but this does not mean boasting about it [Sumner]. Canada needs to value its biological capital and act on its ecological comparative advantage [Sumner].

3. The state of global food production

Production growth will continue to outpace global consumption as science and innovation are brought to bear. The fact that in large measure global production increases are also tied to rapid depletion of non-renewable natural capital at minimal cost to the production system did not deter some from suggesting sustainability should also be pre-competitive [Clay]. Global subsidies encourage this form of production; they are also stifling the innovation required to respond to it [Clay].

The Forum revealed that different rules govern food production practices. In areas of climate stress, rules apply to all, such as how water is managed in California [Ross]. But where stress is less acute, such as Idaho, standards are lower [Sumner]. This places these two states in competitive inequity. It is a scenario that plays out globally where different practices are adopted. Unfortunately, current data are not readily available to fully reveal what is happening.

In the face of considerable change, we also are witnessing declining government investments in agricultural research. In Canada, the budget allocated for research investments as a percentage of value-added spending has fallen considerably, from nearly 3.5% (1985) to less than 2% (2011), although this does not include private-sector spending [Moreddu].

Another facet of "trust" involves ensuring food security. Canada needs to put policies and practices in place to continue producing food as environmental stresses and competing demands mount. One speaker noted that Alberta could be a net importer of food if it doesn't manage its landscape carefully and strategically. The province is losing its best black loam soil to urbanization and other industrial uses, and water quality is declining [Stelfox]. And, while Canada's agricultural sector may be "sitting best" in terms of coping with climate change, the country still needs to develop a concerted plan to cope with it — an opportunity "not to be squandered" [Clay].

4. Being a leader

The degree to which Canada leads global practices elicited blunt assessments. Canada cannot be a leader because it must abide by rules set elsewhere, notably in the US, and must do nothing to upset this reality [McCain]. Others encouraged Canada to take a bigger role, but the country seems to be holding itself back. Many see Canada as having resources and a strong national brand but a commodity mindset. Canada is also suffering from a lack of decision-making authorities. It has a "decreasing number of globally relevant agriculture and food businesses," has "no world class agricultural universities" and lacks "urgency, commitment and investment" [Goedde]. As a result, "Canada is a laggard — meeting the bar but not setting the pace" [Goedde]. Canada doesn't "talk enough about winning" [Lang]. Indeed, agri-food sector leaders seem to do little to tell a compelling, common story ("not one single voice") about the sector's importance to Canada [Lang]. This prevents the sector from leveraging its position or focusing governments' attention on needed policy changes to remain competitive [Lang]. Getting macro-economic factors right and "policy coherence" are critical to improving innovation and attracting investment [Moreddu]. The only way to know if we are winning is to have good metrics in hand [Moreddu].

Appendix 2: Forum Moderators, Panellists and Speakers

Tim Barber, Co-Founder, Canada 2020 (Co-host of the Forum)
Joanne Bays, National Manager and Co-Founder, Farm to Cafeteria Canada
Dr. François Belzile, Researcher, Université Laval
Ted Bilyea, Chair, Canadian Agri-Food Policy Institute
François Bouchard, President, The Country Grocer
Bill Buckner, Senior Vice President, Cargill
Sabrina Caron, Producer, Ferme Roland Caron
Jason Clay, Senior Vice President, Food & Markets, WWF
Jean-Claude Dufour, Dean, Faculty of Agriculture and Food Sciences, Université Laval
Colleen Dyck, President, The Great Gorp Project
Michael Evans, President, Alibaba Group
Robert Greenhill, Executive Chairman, Global Canada
Dr. Lutz Goedde, Partner, McKinsey & Company
Dr. Lawrence Goodridge, Researcher, McGill University
Sidney Gordon, Grain producer
Paul Harber, Chef, Proprietor & Brand Manager, Ravine Vineyard
Douglas Hedley, Former Executive Director,
Association of Canadian Faculties of Agriculture and Veterinary Medicine
Amanda Lang, Business journalist and author
Chad Mann, Business Development Manager, Amalgamated Dairies Limited
Michael McCain, President and CEO, Maple Leaf Foods
Kim McConnell, Founder and former CEO, AdFarm
David McInnes, President & CEO, Canadian Agri-Food Policy Institute (Co-host of the Forum)
Catherine Moreddu, Senior Agricultural Policy Analyst, OECD
Dr. Ed Pajor, Researcher, University of Calgary
Karen Ross, Secretary, California Department of Food and Agriculture
Trish Sahlstrom, Vice-President, Purchasing and Distribution, A&W Canada
Dr. Brad Stelfox, Founder and Landscape Ecologist, ALCES Landscape and Land-Use Ltd.
Daniel Sumner, Frank H. Buck Jr. Distinguished Professor,
Department of Agricultural and Resource Economics, University of California Davis
Derek Tallon, Grain producer
Suzanne Vinet, Board member, Genome Quebec

Note: the complete program of the Forum is found at **capi-icpa.ca**.

Appendix 3: Forum Sponsors, Partners

Presenting Sponsors	Gay Lea Foods Co-operative Ltd. Genome Canada	Manitoba Agriculture, Food and Rural Development MNP LLP	Ontario Ministry of Agriculture, Food and Rural Affairs
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Partners	Canadian Federation of Agriculture Canadian International Grains Institute Canadian Pork Council Canadian Roundtable for Sustainable Crops Canadian Water Network Conseil de la transformation alimentaire du Québec Faculté des sciences de l'agriculture et de l'alimentation, Université Laval	Farm & Food Care Saskatchewan Food and Beverage Ontario Food in Canada Food Processors of Canada Glacier Farm Media Grocery Business McGill Centre for the Convergence of Health and Economics	National Research Council Canada Perry Caicco, Managing Director, CIBC World Markets Provision Coalition Pulse Canada The Food Institute of the University of Guelph

CAFF15 was presented by CAPI & Canada 2020. We also acknowledge a broad number of ideas submitted to us; see the Insights tab at www.CAFF15.ca for a list of contributors.

Endnotes

1. Leading up to the Forum on November 3-4, 2015, in Ottawa, CAPI and Canada 2020 published the discussion paper *Shaping Canada's Destiny: What is Possible?* We received stakeholder submissions on this paper and on the intent of the Forum. We held several "dialogue sessions" with stakeholders across Canada from June to October 2015. Immediately following the Forum, we held another discussion with a sub-set of Forum participants. In this report, the "Forum" includes the entire process. Stakeholder submissions, the notes from most dialogue sessions, the discussion paper and other materials are found under the Insights & Ideas tab of the Forum website, CAFF15.ca.

2. The broad "food system" includes players in supply chains, support sectors (such as equipment providers, transportation and financial services), adjacent sectors that have an interest in food (such as scientists, educators, the health community) and governments/regulators.

3. For example, the adoption of zero-till innovation and the commercial development of canola are highly recognized Canadian innovations.

4. For instance, various global food safety platforms and supply chain sustainability initiatives (sustainable seafood sourcing, sustainable crops and beef, etc.) reveal how supply chains are working together to improve food safety and sourcing practices. Proprietary metrics to measure and improve performance are also used by individual companies.

5. See the Irish Food Board's (Bord Bia) *Origin Green* initiatives.

6. Few Canadians may realize that food processing is the largest manufacturing segment in terms of GDP and employment, bigger than the auto and aerospace manufacturing sectors combined.

7. Canada has marked successes in advancing its interests abroad, such as recent accomplishments involving the Canada-EU trade deal (CETA), the WTO action on the U.S. COOL legislation and Canada's pulse sector involvement in the UN International Year of Pulses, 2016.