PUTTING CANADA FIRST: AN ARCHITECTURE FOR AGRICULTURAL POLICY IN THE 21ST CENTURY

The Government of Canada and the provincial and territorial governments are working with the agriculture and agri-food industry to develop an architecture for agricultural policy to contribute to the sector's growth and profitability in the 21st century. This new approach would support greater profits in the sector by ensuring it is positioned as the world leader in food safety, innovation and environmentally responsible production. It will also have considerable benefits for Canadians as it will promote increased environmental stewardship and more complete food safety and food quality assurance systems.

Governments have agreed in principle on the key elements of this integrated Agricultural Policy Framework (APF): food safety and food quality, environment, science and innovation, renewal, and business risk management. Securing for Canadian agriculture the benefits of this approach in world markets is also critical, and forms part of a complementary international strategy under development.

A national dialogue has been launched to seek input from stakeholders and interested Canadians about the development and design of the policy framework. A first wave of discussions addressed the general direction of the APF and the proposed common goals for each element. Participants generally agreed with the direction proposed, and largely supported the need for a comprehensive and integrated approach to the opportunities and challenges facing the sector. At the same time, participants also identified issues that were missing, areas of concern, and topics requiring further detail. Informed by the results of these consultations, governments have refined the common goals and strengthened proposed program directions, targets, and implementation measures across the APF elements.

As full partners in the development of the APF, it is important that stakeholders and interested Canadians continue to provide input as the framework evolves. Accordingly, the national dialogue will continue through a second wave of discussion. This wave of discussion will focus on the common goals, proposed program directions, targets, and implementation measures across the APF elements. This document is dedicated to that end. Future discussions will focus on the implementation details of the APF.

To obtain additional information and contribute to this important dialogue, visit www.agr.ca/puttingcanadafirst or call 1-800-O-CANADA (1-800-622-6232).

Building a more profitable agriculture and agri-food sector for Canada

The agriculture and agri-food sector has changed dramatically over the last half of the 20th century, both in Canada and internationally, and the pace of change is accelerating. New challenges have emerged to the continued success of the sector, as well as many new opportunities to increase farm income.

The most obvious challenge to continued success has been the sustained, long-term decline in most commodity prices. This decline has resulted from many factors, from productivity improvements based on advances in technology and management, to more intense competition from emerging low-cost producing countries, to reduced demand from traditional importing countries as they move toward self-sufficiency. In addition, the United States and the European Union continue to heavily subsidize the production of certain commodities – contributing to this downward pressure on prices.

Consumer preferences are evolving and the ability to deliver products that meet consumer expectations is becoming more critical. Recent high-profile events, for example, have raised the awareness and expectations of consumers about food safety. In addition, consumer interest in how agricultural products are produced is increasing, including potential environmental impacts. At the same time, consumers are becoming more discerning in their food choices and are demanding products with a greater range of attributes.

Markets are responding to these consumer demands. Major buyers of food and agricultural products are imposing more rigorous production and assurance specifications on their suppliers. And governments around the world are raising technical requirements for imports. These requisites are working their way through the entire agri-food chain. And if industry is to maintain existing markets, build profitability, and succeed in new markets it must accelerate the good work it is already doing to ensure it is producing and marketing products that stand above the competition in the minds of consumers, whether for their quality, safety, or the environmentally responsible manner of their production.

The individual elements of the Agricultural Policy Framework are not new. In fact, industry and governments have been strong advocates for action on these elements in the past. What is new is the linking of these elements in a comprehensive approach so that the Canadian agriculture and agri-food sector has a solid platform from which to maximize opportunities in the global marketplace, resulting in increased profitability through growth, diversification and value-added activity. But this policy framework is broader than just the agriculture and agri-food industry, it is also about benefits to Canadians. These benefits include greater food safety and quality assurance systems from the farm through to the grocery store, accelerated environmental stewardship initiatives on farms, and the positioning of the second largest sector of the Canadian economy for even greater growth.

This overview provides a brief introduction to the elements of the Agricultural Policy Framework and notes the feedback received during the first round of consultations.

Business Risk Management

The risks to profitability faced by farmers today are increasingly complex and broad in scope. Traditional risks from weather, pests, disease and global market fluctuations

remain important, but have been joined by new risks, such as the potential loss of consumer confidence – and thus, markets – from food safety scares or environmental concerns around production. Expanding risk management programs to allow farmers to effectively mitigate these risks is one of the goals of the APF.

Stakeholders have underlined the critical importance of risk management in agriculture – including the system of supply management for certain commodities. Governments understand this and remain committed to risk management policy and programs, to cooperatives, and to Canada's system for supply management.

Stakeholders also agreed that the current safety net system has shortcomings that underline the need for a better approach – one that would protect farmers' incomes from the inherent risks in farming, but would build on the best of existing programs to promote on-farm productivity improvements, investment and innovation.

Building on this stakeholder feedback and the work under way among governments, a more integrated risk management system is proposed based on two key elements: broad-based insurance and a stabilization-investment component. As in the past, producers will also be encouraged to complement government-sponsored risk management programs through private risk management strategies, as both play a fundamental role in mitigating adverse effects.

Expanded Insurance Coverage: Under the Agricultural Policy Framework, options are being considered that would expand and enhance the existing crop-insurance model to encompass a wide range of perils and agricultural commodities. In addition, public and private industry alternatives are being investigated to determine program options to address income losses related to the destruction of productive assets.

Stabilization and Investment: Within the existing program framework, the Net Income Stabilization Account (NISA) program is being considered as a vehicle for stabilization (its current role), as well as for its potential to support investments to increase producers' capacity to manage risk and promote profitability, growth, diversification, and value-added activity.

Overall, governments, in close consultation with industry, aim to promote the use of an integrated set of programs to address risks on a whole-farm basis by building on the strengths of established programs and developing new instruments for the risks that fall outside existing programs. Renewal of the sector, with proposed program directions discussed below, will be designed to work hand-in-glove with the proposed risk management system to form an integrated set of modern management tools for producers.

Renewal

Like other sectors of the Canadian economy, agriculture is rapidly becoming more knowledge intensive. Advances in science and technology are providing opportunities to address environmental, food safety and food quality pressures, and to create new products

that better address consumer demands across a wide range of requirements. These changes are presenting new management challenges and opportunities, and producers are increasingly having to engage in continuous learning to keep up with the pace of change.

Input from stakeholders confirmed the importance of training, skills development and the adoption of best practices in positioning the sector for profitability. In this context, they further recognized that different skills and tools are required by beginning farmers, mid-career farmers and retiring farmers to address their unique needs.

The APF proposes a variety of measures designed to help farmers better understand their situation and their options, and to make informed choices for the benefit of themselves and their families. These proposals include the enhancement of public and private business management and consulting services, along with making available benchmark management and marketing information to assist farmers to enhance their profitability.

Also proposed are the development of a public/private process to reach consensus on the skills and tools required in agriculture and to explore development and delivery options where required; the enhancement of learning opportunities in business management, environmental management and food safety and quality systems management; as well as the provision of retraining and support programs for farmers who choose to pursue off-farm options.

Further development and support for producer-owned co-operatives also represent an important approach to support the achievements of renewal goals. Co-operatives could be a key partner with governments in ensuring that farmers have the tools to address issues, be competitive and capture opportunities in the area of science, food safety and environmental stewardship. In order to maintain and grow this direct producer investment, various enabling strategies will have to be considered.

Other proposals would facilitate access to capital for farmers entering the sector, expanding their business or moving into value-added and diversified production. Governments also propose the development of networks along the value-chain that would better link scientific advances to the creation of new economic opportunities for farmers.

These proposed initiatives to ensure renewal of the sector, along with the proposed risk management programs discussed previously, are intended to provide a solid foundation from which producers can pursue increased profitability.

Food Safety and Food Quality

Through the strong commitment of industry and governments, Canada's agriculture and agri-food sector enjoys a global reputation for consistently delivering safe, high-quality food. It is recognized by both industry and government that this reputation can be leveraged for greater profitability in the sector, particularly in today's market environment where consumers are expecting and demanding greater assurances about the safety and quality of the food they eat.

Industry is moving to meet these demands. Governments recognize the need to foster and support industry's initiative, while incorporating it into a broader policy framework aimed at securing greater profitability for the sector.

Discussions with stakeholders on the proposed APF confirmed solid support for a Canadian food system that can offer documented evidence of safety and quality. It was widely recognized that strengthening food safety and food quality systems throughout the agriculture and agri-food chain will yield profitable marketing opportunities for the sector.

Proposed APF actions would facilitate industry-led development throughout the agri-food chain of food safety systems, food quality systems as appropriate, and traceability systems. Government recognition of industry food safety and food quality systems where appropriate is also proposed, as is research to advance food safety, food quality and traceability systems. In addition, the APF would strengthen the food safety surveillance and information systems governments currently have in place.

Environment

Environmental stewardship is key to both the industry's long-term sustainability and its profitability, and was so noted in input from stakeholders. Public concerns about the environment and agriculture's role in stewardship are increasing. In response to these concerns, buyers of agriculture products are starting to require evidence of responsible production practices.

Farmers are stewards of the land, and the industry is already taking action to manage known environmental risks. The industry has indicated a desire to improve its stewardship, and the APF proposes five key areas where governments can provide help.

To enhance awareness and information about the environmental issues in agriculture and the sector's performance in addressing them, it is proposed that common agri-environmental indicators be used along with analytical tools that track and predict environmental performance.

Additional research, to improve our understanding of the linkages between agriculture and the environment and to develop best management practices, is also proposed.

To identify environmental priorities, it is proposed that governments work with the sector towards the eventual goal of every farmer completing a basic agri-environmental scan. Where environmental issues are identified that would benefit from further action, environmental farm plans, or equivalent environmental plans, could be developed and implemented to address these priorities. The emphasis would be on voluntary action and assistance to the sector to put this approach in place.

Finally, in order to leverage the above-noted activities for increased market share and profitability for the sector, governments propose to work with industry to develop and make available to producers a voluntary and recognized farm environmental certification program.

Science and Innovation

Advances in science and technology have long been associated with success in Canada's agriculture and agri-food sector and one of the goals of the APF is to make the sector a world leader in innovation. In order to attain this goal, new knowledge and technology must be developed and put to use by industry at a more rapid pace. Science and innovation improve productivity and are also the key to creating a whole new range of food and non-food products that will garner new markets at home and abroad. And staying ahead of the competition will, in turn, accelerate the pace of science and innovation in Canada, and help to attract even more R&D, new investment and expertise.

Current proposals for science and innovation under the APF emphasize priority setting, realigning investments in science and innovation to support the other elements in the framework, and coordinating efforts across governments, the sector and private research institutions to achieve maximum return on our investments.

Among other measures, a proposed essential first step would be to undertake benchmark studies of science and innovation investments in priority areas as a prerequisite to development of an action plan aimed at realigning our efforts. A joint information base on technology adoption is also proposed to improve coordination in science and innovation. It's also important to note that research and development play vital roles in garnering new knowledge for the agriculture and agri-food sector in the areas of food safety and food quality and environmentally-sustainable production.

Gaining Recognition at Home and Abroad and Maximizing International Opportunities

Building the infrastructure to make Canada the world leader is the first step. The next step is gaining recognition at home and abroad for our efforts to be the world leader – in food safety and food quality, environmentally responsible production and creating innovative agri-based products and services that meet or exceed market demands. This is the key to reaping maximum benefit from the APF for the sector and for Canada. And discussions with stakeholders clearly underlined that trade and international issues are critically important to sector success.

In order to take this next step, current proposals include the development of consistent messages to form the basis of a comprehensive branding campaign aimed at achieving recognition for the capacity of the Canadian sector to meet the sophisticated and fast-changing demands of both the domestic and international marketplace. The messaging would focus on the concrete progress made by industry to deliver quality for customers.

In addition, the Government of Canada would continue to work to advance the trade interests of the sector by using the Canada Brand to develop targeted market development strategies for key, fast-growing country markets.

The following sections provide more detail on each of the five components of the APF, including the main elements that will compose the agreement between governments in making the APF a reality. These are: common goals, targets and indicators, and implementation measures.

BUSINESS RISK MANAGEMENT

Working with industry, governments are developing a new, forward-looking approach to risk management. This new approach will aim to protect farmers' incomes from the vagaries of weather, pests, and global markets, while at the same time encouraging risk mitigation strategies for emerging risk areas, and supporting growth, diversification and increased value-added activity in Canadian agriculture. Two integrated program elements make up the proposed approach – insurance and stabilization-investment. These proposed changes reflect a strong desire expressed by stakeholders to address the shortcomings of the existing safety nets while building on their foundation. The proposal is described in more detail below.

PROGRAM PRINCIPLES

There are a number of principles proposed to guide program design. These principles reflect program objectives, as well as trade and economic considerations. Proposed program principles include: minimizing countervail risk; minimizing distortion of farmers' production and marketing decisions, including moral hazard; focus on the management of risks related to the stability of the entire farm entity; encourage the use of risk management practices and contributing to the use and development of private sector risk management tools; be relatively simple to administer and transparent for participants; minimize the capitalization of program benefits into farm asset values; contribute to profitability through encouraging innovation and improved environmental stewardship and food safety; focus on stabilizing the incomes of farmers, while renewal programming would focus on enhancing the income of those with inadequate income levels; and facilitate long-term planning by farmers.

PROPOSED COMMON GOALS

The following goals are being considered:

- to increase the capacity of the farm sector to manage business risk;
- to work towards increased profitability, growth, diversification, and value-added activity;

- to develop a common approach to programming across Canada whereby program eligibility and payment calculation provisions for business risk management programming are jointly agreed to by governments, cost-shared with producers on a federal-provincial-territorial basis, and implemented nationally.

PROPOSED TARGETS AND INDICATORS

It is proposed that targets and indicators be established relating to the risk management program principles in order to allow governments to report to producers and citizens on the effectiveness of risk management programs.

The following are proposed targets and indicators:

- comparing farmers' aggregate sector margin to the five-year average, to determine the extent to which farm incomes have been stabilized by risk management programs;

- analyzing commodity mixes, to determine the extent to which diversification has strengthened profitability and competitiveness;

- tracking the use of private and public risk management tools and strategic planning practices by farmers, to determine the extent to which whole-farm risks are being covered; and

- analyzing administrative procedures, to monitor improvements in the administrative efficiency of risk management programs.

PROPOSED IMPLEMENTATION MEASURES

The proposed approach to business risk management is based on two ways in which governments can work with producers to strengthen farm viability and profitability.

First, governments will continue to work with producers to help protect them against catastrophic risks to income to enable their businesses to continue operating after setbacks.

Second, governments could work with producers to help support future profitability in their farm business. This can be done in a number of ways, including: promoting good production management practices to increase productivity and reduce costs; by encouraging investments in food safety and the environmentally responsible production to reduce income risks and improve marketability; and by supporting the development of new value added opportunities and product markets.

In some cases, where producers are experiencing particular difficulties in managing their businesses, governments could work with producers through specialized renewal type programs, including skill development and access to capital (discussed below) to better address the individual needs of the producer.

To simplify adjustment from both a producer and an administrative perspective, it is proposed that the new business risk management framework be built on existing programs, namely *Crop Insurance* and the *Net Income Stabilization Account* (NISA) program.

Insurance

It is proposed that *crop insurance* be expanded to cover a wider range of production perils and agricultural products to ensure that farmers have broadest possible protection against catastrophic risks to income. Crop insurance agencies across the country could review potential gaps in coverage (e.g., forage and horticulture) and plan ahead to address those gaps where demand exists. Similarly, to widen coverage and strengthen program efficiency, governments will examine opportunities to utilize, where appropriate, technologies such as satellite imaging and instruments such as weather derivatives. Special efforts could be undertaken, to provide risk coverage for new business ventures where adequate information is not always available.

How would this proposal address gaps in insurance coverage?

To help increase coverage and maintain attractive premium rates, while maintaining flexibility for individual producers, a whole farm crop insurance option could be developed which provides insurance protection for the impact of production perils across specific crops for the whole farm entity. This option would be offered in addition to crop specific insurance. In addition, governments will examine methods to provide benefits to farmers that invest in good management practices relating to food safety and environmentally responsible production.

What would producers find attractive in a "whole farm" crop insurance option?

To increase choices available for farmers to help manage insurable risks, it is proposed that governments work with the private sector to develop new risk management instruments and protocols, especially in the area of business interruption insurance, where producers may wish to seek protection against income losses related to the losses of productive assets for specified perils (e.g., the destruction of chickens due to salmonella disease).

How could coverage be expanded to include business interruption insurance?

Stabilization and Investment

It is proposed that NISA be reformed into a more dynamic stabilization and investment program for risk management.

To broaden and deepen NISA as a stabilization tool, it is proposed that the current contribution methods and limits be reviewed to ensure producers have sufficient flexibility and opportunity to build accounts capable of stabilizing significant negative fluctuations from time to time. This could also include kick-starting low accounts for producers who did not, or could not, participate in the last few years.

> *If NISA matching contribution levels were significantly increased, do you think that NISA could become a much more effective stabilization tool?*

To promote equity and accessibility for the NISA program, it is proposed: that the contribution formula be reviewed to address potential biases across commodities to deal with farms (like potato farms for example) where the gross revenue of even modest sized operations is usually well above the current cap; and that the situation of beginning farmers be examined to ensure they have adequate capacity to utilize the program.

> *Could adjusting the current contribution formula based on 3% of ENS to include as well a percent of the whole farm margin, adjust the program to today's farm business realities?*

To ensure the program is used effectively as a stabilization vehicle, it is proposed that the withdrawal triggers and related incentives be reviewed.

> *How could NISA be strengthened for use as a stabilization tool?*

To encourage and support investments in the capacity of the sector to manage risk and innovate, it is proposed that farmers be given the opportunity to utilize government matching funds through a new investment trigger. Investments made by farmers which support policy goals set out in the new Agricultural Policy Framework, within specified limits and other conditions, could be made permissible and possibly at a higher than a $1 for $1 producer - government matching rate. Given the importance of investing in the future, governments could consider providing limited access to the supply managed sector for government matching on qualified investments.

> *For a farm business facing a potentially major business risk, how would you assess giving a producer the flexibility of using NISA not only for stabilization (<u>should</u> the business begin to decline), but also for investment <u>now</u>, to improve the future viability of the operation?*

<u>Other</u>

It is proposed that governments continue to help farmers through advance payment programs to help manage cash flow over the course of a year.

It is proposed that governments consider the termination of the Canadian Farm Income Program (CFIP) and the array of federal-provincial-territorial companion programs dedicated to risk management in the context of proposed reforms to broaden and strengthen risk management coverage through production insurance and NISA. A review of potential gaps in coverage in differing scenarios could be examined with the perspective of recommending further adjustments to the two major risk management programs.

Administration

To provide efficient and effective service to farmers through continuous improvement, governments could share knowledge and information and work together on the development and delivery of products and services.

Governments could collaborate, coordinate and share information to design and deliver risk management programs through an integrated, client-focused approach.

Governments could develop a business risk management database to promote the sharing of data among governments or agents for the implementation and delivery of business risk management programming and the integration with related programming under this agreement.

RENEWAL

Governments are interested in working with industry to develop goals and measures designed to help ensure producers have access to capital and to the information and knowledge they need to make the best management decisions for their operations. Renewal programs would be designed to work in tandem with risk management programs and to allow farmers to continue to meet more rapidly evolving market and consumer demands. A multifaceted approach to renewal programming, one that would provide benefits for all Canadian producers – be they beginning, mid-career, or retiring farmers – is described below.

PROPOSED COMMON OUTCOME GOALS

Governments could set the following goals to assist farmers:

- to increase their profitability;
- to enable them to make choices about sources of income;
- to help them meet market and consumer demands respecting food safety and food quality and environmentally-responsible production; and
- to help capture opportunities from science and innovation.

PROPOSED COMMON MANAGEMENT GOALS

It is proposed that government would ensure farmers have access to public and private sector programs and services that could help:

- beginning farmers acquire the required skills, knowledge, tools and risk management opportunities to be successful farm operators;
- farmers upgrade management and technical skills, particularly as these skills relate to environmental management, food safety and food quality, new products and markets, and science and innovation;
- farmers choosing to pursue alternative income opportunities develop the required skills to do so;
- farmers planning a farm transfer have the skills and options necessary to ensure a successful transition out of farming; and

- allow farmers to assess the performance and potential of their farm business, enhance their ability to make business management decisions, and explore and develop market opportunities.

The targeting of programming may vary according to the composition of the agricultural sector in different provinces, territories and regions.

PROPOSED TARGETS AND INDICATORS

It is proposed that governments establish targets and indicators for the above renewal outcome and management goals that may vary by province and territory to reflect the differing composition of the agricultural sector in each jurisdiction.

PROPOSED IMPLEMENTATION MEASURES

Proposed implementation measures could include governments supporting and developing networks relating to scientific and innovative advances so as to create new economic opportunities for farmers by:

- promoting research to increase the transfer of technology resulting from advances in science and innovation;

- improving the dissemination of information relating to science and innovation; and

- establishing or further developing programs to foster new economic opportunities through to commercial feasibility.

Further proposed measures could include, governments facilitating access to capital for beginning farmers and farmers expanding their business or moving into value-added and diversified production by:

- improving access to, and awareness of, services that assist farmers in securing financing for farms and other agri-business ventures; and

- encouraging private investors to engage in farm and agri-business opportunities.

It is also proposed that governments could support the enhancement of public and private management and consulting services providing business and succession information. Support may be provided by:

- using contracted expertise or public expertise, or any combination thereof, to deliver services;

- creating greater awareness of advisory services in the private sector; and

- improving access to advisory services and training, including the possibility of implementing a voucher system to access both public and private advisory services.

Governments could consider options to respond to situations where farmers may not otherwise qualify for, or be adequately covered by, risk management programs.

Governments could make benchmark management and marketing information available to assist farmers in enhancing their profitability.

Governments could establish a joint public and private process to develop a consensus on the types of skills, including regional and sector specific skills, and other labour market information that are needed for the future development of the agriculture sector. However, if those processes already exist in a province or territory, the roles and responsibilities of that province or territory would be respected and any new skills programming would support already-existing private and public sector mechanisms.

Governments could promote greater use of advice and business planning by making a follow-up service available to assist farmers in making decisions on their future and increasing awareness of renewal programming by measures such as:

- supporting mechanisms such as farm management clubs, “syndicats de gestion” and beginning farmer networks;

- developing access to peer support, mentoring and networking; and

- providing access to available information regarding best practices used by the most profitable farms identified by region and sector.

Governments could promote learning opportunities in business management, environmental management, food safety and food quality in order to meet the objectives of the APF.

Governments could provide access to training and support programs for farmers who, in their pursuit of off-farm options, choose to further develop and apply their skills to other career-related activities.

FOOD SAFETY AND FOOD QUALITY

Industry has recognized the changing nature of consumer expectations with respect to food safety assurance and food quality systems, and has been moving to meet these emerging demands. In June 2001, federal, provincial and territorial governments endorsed a process to provide government recognition for on-farm food safety systems, an important first step in meeting consumer and market needs, and consequently in ensuring the long-term profitability of the sector.

But more needs to be done if industry is to continue to stay one step ahead of evolving consumer expectations. Below are proposed goals for governments that were developed in consultation with industry. Proposed targets and indicators and implementation measures provide more information on how the proposed goals would be achieved and on how governments would report to progress to Canadians.

PROPOSED COMMON OUTCOME GOALS

It is proposed that governments work with industry and consumers on the following food safety and food quality common outcome goals:

- to protect human health by reducing exposure to hazards;
- to increase consumer confidence in the safety and quality of food sold in Canada or exported from Canada;
- to increase industry's ability to meet or to exceed market requirements for food safety and food quality; and
- to provide value-added opportunities through the adoption of food safety and food quality systems.

PROPOSED COMMON MANAGEMENT GOALS

It is proposed that governments work with industry towards the development and implementation of food safety and food quality process control systems throughout the agri-food continuum.

Working together, governments could:

- increase significantly the quality, quantity and availability of data or other information to support the development of risk management strategies and industry-led food safety and food quality process control systems;

- establish governance systems to allow for integrated policy development and legislative harmonization; and

- provide governmental oversight for industry-led food safety and food quality process control systems.

PROPOSED TARGETS AND INDICATORS

It is proposed that governments work with industry to achieve the following food safety and food quality targets by 2008:

- all production sectors will develop or participate in government-recognized process control systems;

- all other sectors of the agri-food continuum requesting government-recognized process control systems will develop or participate in such systems;

- all sectors requiring a national system for quality to meet marketing requirements will develop or participate in government-recognized process control systems; and

- 80 per cent of domestic products available at the retail level will be traceable through the agri-food continuum. All products or commodities for which process control systems are being developed will include some form of traceability.

It is proposed that governments work to:

- increase the rate of transfer of technology arising from publicly-supported research and development to support hazard detection and control; and

- share and make readily available among governments and, where appropriate, with industry and other partners, relevant data and information to support public health and food safety systems.

IMPLEMENTATION MEASURES

<u>Food Safety</u>

Governments could work with industry and other involved stakeholders to:

- offer programs, funding and technical assistance to facilitate industry development and implementation of government-recognized process control systems;

- introduce measures to facilitate the development by industry of food safety training materials and appropriate training courses;

- establish a national, credible and coordinated governmental oversight system for food safety process control systems, including the completion of the design for a national oversight system for on-farm food safety programs by the end of 2003 and the expansion of government oversight to other sectors in the agri-food continuum as requested;

- work with their health ministers towards a national mechanism for integrated decision-making on food safety matters;

- enhance public health surveillance systems as they relate to food safety within their jurisdiction by:

    - completing an inventory and analysis of existing information gathering and dissemination systems by the end of 2003;

    - identifying any legal implications associated with information gathering, sharing and dissemination, and develop a proposed strategy for addressing these implications by the end of 2004;

    - developing a proposed strategy and implementation plan for improved public health surveillance, information sharing and dissemination by 2005; and

    - working towards improving the legislative framework and decision making process for food safety, including outcome-based national standards, and legislative harmonization. Government could jointly develop a work plan for model legislation for consideration by June 2003 and to work towards incorporating model legislation into their legislative systems by 2008.

Food Quality

It is proposed that governments promote international acceptance of Canadian agricultural and agri-food products. And, where requested by industry and where appropriate, it is proposed that governments establish national, credible and coordinated programs to facilitate the development of government-recognized food quality systems including, where appropriate, funding and technical assistance.

Traceability

It is proposed that governments facilitate the implementation of traceability systems by industry throughout the agri-food continuum, possibly by means such as:

- assisting the agriculture and agri-food industry in the development of data management standards for traceability systems;

- continuing to support the development of traceability systems at the retail level; and

- providing funding and technical support for development of traceability and Identity Preservation systems, along the agri-food continuum.

Research for Food Safety and Food Quality

It is proposed that governments work with the industry and other institutions to coordinate research activities and promote technology transfer to:

- improve food safety hazard detection and control methodologies;

- identify risks and develop intervention strategies for the management of risks; and

- support and improve the development and implementation of more effective industry-led food safety, traceability, and food quality systems.

ENVIRONMENT

Producers have long recognized that agriculture's long-term vitality and profitability go hand-in-hand with its ability to co-exist sustainably with the natural environment. As a result, farmers have long been admirable stewards of Canada's land and water resources. Today, agricultural producers have an opportunity to use their good environmental practices to increase profitability, as consumers are increasingly basing buying decisions on their desire to see the production and manufacture of products done in an environmentally-sustainable way.

Working together and with stakeholders, governments have developed the following proposed approach – one with meaningful and measurable goals – to improve environmental performance on farms across Canada and secure the benefits of improved performance for the sector. Details of the proposed approach are described below.

PROPOSED COMMON OUTCOME GOALS

Governments, in collaboration with the agriculture sector and other stakeholders could work to achieve the following proposed goals:

- reduce agricultural risks and provide benefits to the health and supply of water, with key priority areas being nutrients, pathogens, pesticides and water conservation;

- reduce agricultural risks and provide benefits to the health of soils, with key priority areas being soil organic matter and soil erosion caused by water, wind or tillage;

- reduce agricultural risks and provide benefits to the health of air and the atmosphere, with key priority areas being particulate emissions, odours, and emissions of gases that contribute to global warming; and

- ensure compatibility between biodiversity and agriculture, with key priority areas being habitat availability, species at risk, and economic damage to agriculture from wildlife.

PROPOSED COMMON MANAGEMENT GOALS

It is proposed that governments work in collaboration with the agriculture sector and other stakeholders towards the goals of:

- the voluntary completion of a basic agri-environmental scan on all farms so as to identify farms and regions requiring corrective action;

- the voluntary completion of an environmental farm plan or voluntary participation in an equivalent environmental plan for all farms identified as requiring significant corrective action under the basic agri-environmental scan; and

- the implementation of environmental farm plans or equivalent environmental plans and improved stewardship through the adoption of environmentally beneficial practices in the management of nutrients, pests, land and water, nuisances, and biodiversity, as appropriate to the needs and circumstances of individual farms.

PROPOSED TARGETS AND INDICATORS

It is proposed that while governments would work together and with industry towards the common goals, the targets under each goal could vary across Canada given that the scope of the environmental challenge is different in different regions, as are the natural ecosystems.

It is proposed that governments would use common indicators to measure progress in achieving the proposed common environmental outcome and management goals.

Indicators could be reported within the timeframe of the APF on a frequency over which meaningful change can be detected and on which measurements can be made.

PROPOSED IMPLEMENTATION MEASURES

Sectoral Information and Understanding

Governments could develop and use common agri-environmental indicators and other appropriate analytical tools as may be required to track and predict agri-environmental performance, increase public awareness, support policy and program development, and report to the public.

Governments could also develop and use environmental monitoring networks to identify regional environmental conditions and trends attributable to agriculture, contribute to agri-environmental indicators, and increase public awareness.

Stewardship Tools and Capacity

Governments could conduct research and development to increase understanding of relationships between agriculture and the environment, develop and evaluate environmentally-beneficial agricultural production and management practices, and establish agri-environmental standards that support the environmental common goals.

Governments could identify and assess emerging and innovative technologies and systems for environmentally-responsible agriculture production and to provide this information to stakeholders in the agriculture sector.

Governments could make available to land-use decision makers decision tools and environmental information to support and inform local and regional agricultural land-use planning and management.

Agri-environmental Scans and Environmental Farm Planning

Governments could support the voluntary completion of a basic agri-environmental scan on farms so as to identify farms and regions requiring corrective action.

Governments could support the development and widespread use of environmental farm plans to increase farmer environmental awareness, assess environmental risks and benefits from agricultural operations, and mitigate environmental risks and realize environmental benefits from agricultural operations.

Governments could support the development and use of regional, community or multi-farm planning to facilitate the co-ordination and integration of environmental planning and management at the farm level.

Incentives for Accelerated Action

Governments could establish cost-shared programs to provide incentives to address identified environmental risks from agriculture and enhance environmental benefits from agriculture. Payments made under these programs could be guided by an environmental farm plan, equivalent environmental plan or another means of ranking the expected environmental benefits of the actions proposed for funding.

Governments could conduct a study of the way in which jurisdictions regulate agriculture as it affects the environment with a view to sharing best practices.

Securing Benefits for the Future

Governments could develop and make available to farmers a voluntary and recognized farm environmental certification program.

Governments could promote the development of agricultural goods and services that have recognized environmental benefits and market opportunities for such goods and services.

SCIENCE AND INNOVATION

Science and innovation are the cornerstone of efforts to make the Canadian agriculture and agri-food sector the world leader in food safety, innovation and environmentally responsible production and to support its future success and prosperity. With input from stakeholders, governments have developed a range of proposals to meet these goals and increase sector profitability. Governments will take into account social and ethical considerations when making decisions in the area of science and innovation.

PROPOSED COMMON GOALS

Realigning Public Science Resources

It is proposed that governments work more closely with industry and other institutions to achieve the following goals:

- realign and increase investments to support science and innovation in the priority areas, as well as in biomass, bio-product and bio-process research;
- increase the level of investment in innovation in agricultural and bio-products from non-agricultural sources within Canada and elsewhere;
- expand and strengthen linkages between the agriculture and agri-food sector and the science and innovation community both within Canada and internationally;
- improve technology transfer, coordination, communication and collaboration across market, policy and scientific disciplines, research organizations and throughout the value chain;
- accelerate the development and adoption of innovations in the agriculture and agri-food sector while maintaining an effective science-based and transparent agriculture and agri-food regulatory system;
- ensure that the human resources and infrastructure needed for science and innovation in the agriculture and agri-food sector are available in Canada;
- foster a supportive climate for investment, technology transfer and commercialization in Canada; and
- better utilize intellectual property from publicly-supported research to enhance the growth of the agriculture and agri-food sector.

PROPOSED TARGETS AND INDICATORS

It is proposed that progress in relation to the common goals would be measured by indicators that would include:

- the levels of investment by governments and academic institutions in science and innovation in the APF priority areas and in bio-products, and levels of investment in science and innovation in the APF priority areas and in bio-products from non-agricultural sources;

- the degree of coordination along the whole value chain; and

- the extent of science and innovation activity in agriculture.

PROPOSED IMPLEMENTATION MEASURES

Realigning Public Science Resources

Governments could undertake a benchmark study on the current levels of investment in science and innovation in relation to the priority areas and bio-mass, bio-products and bio-processes.

Governments could devise and implement an action plan that would realign public sector investment in agriculture and agri-food research and science innovation in a manner that is consistent with the goals of the APF.

Governments could communicate the action plan to the various bodies responsible for funding scientific research and will encourage greater collaboration among disciplines so that the APF goals may be promoted in the science and innovation community.

Coordinating Along the Whole Value Chain

Governments could encourage public and private sector institutions to align their science and innovation priorities in a manner consistent with the proposed common goals for science and innovation.

Governments could develop a common information base about selected commodities and the adoption of technology within the value chain. The information would identify the stakeholders in the value chain, including government departments.

Governments could develop a strategy to build stronger links throughout the value chain. The tools to be used in the strategy may include:

- a science/policy/market/innovation summit;

- pilot projects with industry and academic and research institutions;
- web sites;
- research coordination; and
- life cycle cost analysis on bio-products.

Creating an Innovation Climate

Governments could facilitate the adoption of new economic opportunities based on innovative bio-products and knowledge, as well as the development of opportunities in the priority areas, through initiatives such as:

- promoting business climate policies that will encourage access to capital for research, development and innovation;
- promoting the establishment of practices in a manner that will facilitate success by Canadian enterprises in new and premium markets;
- supporting mechanisms and infrastructure, including business-mentoring techniques, centres for innovation, incubators and physical infrastructure; and
- encouraging the establishment and growth of research facilities that attract world class scientists and advance innovation in the agriculture and the agri-food sector.

Governments could assess the human resource and related infrastructure needs of enterprises, institutions and governments necessary to develop science and innovation in agriculture and agri-food sector.

Governments could undertake consultations as needed with business, government and academic institutions to develop approaches on the management of intellectual property to better serve the agriculture and agri-food sector.

Governments could develop a strategy to increase investment in Canada's agricultural bio-based economy.

GAINING RECOGNITION AT HOME AND ABROAD AND MAXIMIZING INTERNATIONAL OPPORTUNITIES

The success of Canada's agriculture and agri-food sector has been founded on its ability to seize opportunities in the domestic and international marketplace. Both industry and governments recognize that sustained growth and increased profitability in the 21st century will depend critically on the sector's ability to continue to compete in an increasingly challenging marketplace both at home and abroad.

Canadian producers face increasing competition from foreign companies in our home market. And in seeking growth through export markets, they face new challenges and a more complex global trade environment. As traditional barriers to trade decline, animal and plant health and food safety and food quality standards will increasingly dictate market access.

Together, all the elements of the proposed Agricultural Policy Framework are designed to provide the infrastructure to help the sector innovate to build on past successes in the marketplace and stay ahead of the competition. It is designed to allow Canada to gain recognition as the world leader in meeting the demands of a highly segmented and rapidly changing world market.

A Comprehensive Strategy

Co-operation between governments and industry is both desirable and necessary if Canada is to translate the full potential of the APF into enhanced prosperity for the sector. It is proposed that governments and industry co-operate on a deliberate and co-ordinated strategy to translate the APF into gains in existing markets and to secure new ones.

In October 2001, governments agreed in principle to a comprehensive strategy to build on the APF by:

- gaining recognition at home and abroad of the industry's capacity to supply safe high quality food produced in an environmentally-responsible manner, and to innovate; and
- improving global market access opportunities for Canadian agri-food products to maximize the potential of the sector to use a stronger Canada Brand.

In stakeholder consultations, stakeholders affirmed this direction, telling governments that an international strategy to promote the goals and accomplishments flowing from the APF is a fundamental factor for their success in the 21st century.

Gaining Recognition at Home and Abroad

Implementing the APF would position the Canadian agriculture and agri-food sector to build on its existing reputation and to brand itself as the world leader in supplying high quality, safe food produced in an environmentally-responsible manner, and in responding to the rapidly changing demands of an increasingly complex marketplace.

Gaining recognition at home and abroad for Canadian agricultural products will necessarily be a multi-year process, and would be a partnership between all parts of the sector and federal, provincial and territorial governments. It would require marshalling and focussing of a wide array of activities to ensure that the sector's reputation for enhanced food safety systems, environmental stewardship, innovation and quality is translated into increased opportunities, sales and profitability.

In building Canada's reputation even further in world markets, governments would work with the agriculture and agri-food sector on a number of fronts to ensure that:

- all players have a clearer understanding of the rapidly changing marketplace, including consumer demands in global markets, the sourcing requirements of corporate food buyers in terms of food safety and food quality, and the constantly evolving regulatory and import requirements in foreign markets;
- the APF is implemented in a way that will continue to respond to the demands of the marketplace;
- messages are developed and delivered in a consistent fashion to gain recognition in the marketplace for Canada's leadership in food safety and food quality systems, environmentally responsible production, and product innovation; and
- the sector takes full advantage of its enhanced reputation in both established and rapidly emerging markets.

Maximizing International Opportunities

To secure the benefits derived from gaining recognition for the quality of Canadian agricultural products at home and abroad, governments would work in consultation with industry to ensure that its enhanced reputation leads to increased opportunities in foreign markets for Canadian agricultural products, expanded sales and profitability. It is proposed that this be achieved through a strategy to connect international activities to one another and to focus them on opportunities being created through the APF by:

- improving global market access opportunities for the Canadian agriculture and agri-food sector through international trade negotiations and management of irritants;
- Canada will continue to exercise a leadership role in international organizations and fora to influence and shape discussions and outcomes on technical trade issues in a manner that furthers Canada's agriculture and agri-food interests and the APF direction;

- promoting Canada's leadership in the developing world through enhanced capacity-building technical assistance aimed at improving the ability of developing countries to fully participate in a global agriculture and agri-food trading system;
- advancing Canada's international interests through establishing strategic alliances and partnerships; and
- increasing foreign sales and investment opportunities through a national partnership to use the Canada Brand in targeted marketing campaigns in key countries.

Working in Partnership

Gaining recognition for Canadian quality would require a national effort. Governments would commit to work closely with all parts of the agri-food chain, including producers, processors, distributors and exporters, to build a Canada-wide campaign to brand Canada as the world leader in meeting the changing demands of the global food market.

Maximizing international opportunities requires ongoing input from a broad range of Canadians. Governments would continue to consult and collaborate with the agriculture and agri-food sector and a broad range of other interested Canadians as Canada continues to advance its objectives in international fora, including the WTO agriculture negotiations.