

## Event Report Charlottetown – June 18, 2002

### 1. Statistical Summary

1.1 Overview										
<b>Number of Break-outs</b>	<b>2</b>		<b>Number of Participants</b>			<b>36</b>	<b>Number of Observers</b>			<b>11</b>
<b>Participants by Category</b>	23 Producers	3 Processors	0 Distributors	0 Retailers	1 Trade	0 Consumers	2 Academics	0 Biotech	1 Environmental Representative	6 Others

1.2 Break-out Session Attendance Summaries		
<b><u>Break-out # 1</u></b> 1. Business Risk Management 2. Renewal 3. Food Safety and Food Quality 4. Environment 5. Science and Innovation	<u>17 participants</u> 10 producers 2 processors 1 trade 4 other stakeholders	<u>5 observers</u> 4 federal 1 provincial
<b><u>Break-out # 2</u></b> 1. Food Safety and Food Quality 2. Environment 3. Science and Innovation 4. Business Risk Management 5. Renewal	<u>19 participants</u> 13 producers 1 processor 3 academics 1 environmental representative 2 other stakeholders	<u>6 observers</u> 3 federal 2 provincial 1 portfolio

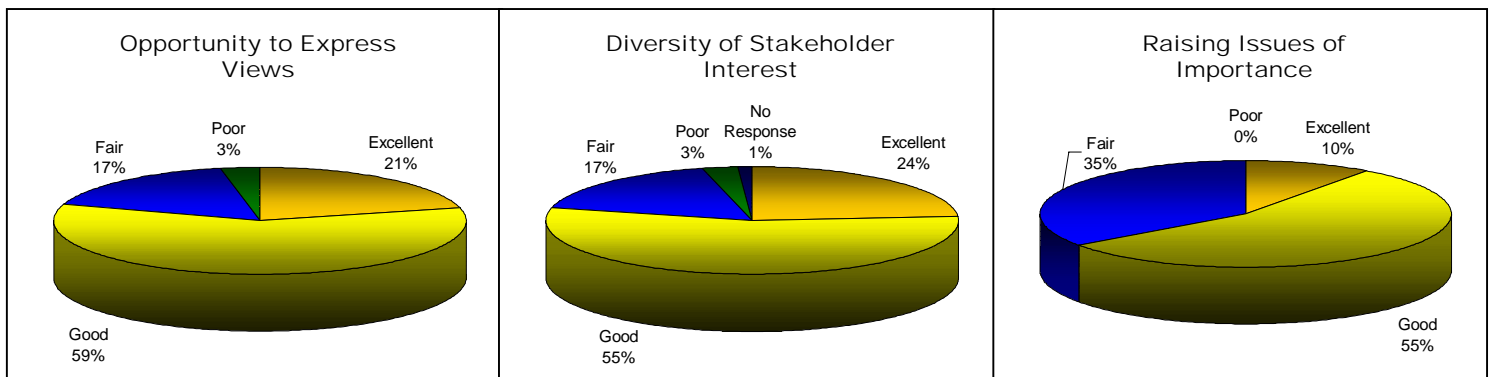
## 2. Participants’ Evaluation

### 2.1 Views on the Consultation Process

- Participants were pleased to see their input from Wave One reflected in the proposed policy, but continued to express concern that the Agricultural Policy Framework (APF) was being designed without clear linkages to trade and international marketplace issues.
- There was general support for the Framework’s goals and principles. Many participants felt that the targets and indicators could be improved and that there needed to be an opportunity to review and discuss more detailed proposals.
- Although there was a genuine willingness to work cooperatively with the federal and provincial governments on issues facing the agricultural industry, there was some skepticism that the results would be “too little, too late” to maintain Canada’s agricultural capacity.

### 2.2 Views on the Consultative Meeting

- Participants were asked to complete an Exit Survey at the end of the day, with the following results:
- When asked to rate the value of the meeting:
  - 80% rated the event GOOD or EXCELLENT as an effective forum for providing them with an opportunity to express their views;
  - 79% rated the event GOOD or EXCELLENT as an effective forum for bringing together diverse stakeholder interests; and
  - 65% rated the event GOOD or EXCELLENT as an effective forum for raising issues of importance to them.



### 2.3 Changing Views on the APF

- Participants were asked to indicate to what degree their views on the APF had changed as a result of the consultation. Twenty-seven percent indicated that their views changed “somewhat or a great deal”, with less than 66% indicating “not very much or not at all.” Seven percent of respondents did not answer the question.

### 3. Discussion Summary

3.1 Synthesis from the Chair	
<b>Conclusions and Consensus</b>	<p>The importance of the agricultural sector to the PEI economy extended well beyond the direct benefits to the sector and contributes to the vitality and health of rural and urban communities. Governments needed to be strong advocates, both at home and abroad, to ensure a healthy agri-business climate.</p> <p>Profitability underpinned all aspects of the APF. Current levels of profitability were insufficient to attract required investment and young people. Although the agricultural industry was committed to providing competitively priced, safe, high-quality products in an environmentally sound manner, producers needed a reasonable return on their investment (human and financial). Government support was, therefore, required.</p> <p>While the Framework’s five elements were supported in principle, further analysis and details of proposals needed to be shared before the agricultural industry could assess the benefits.</p> <p>There was a sense from some participants that the APF focused too much on producers and not enough on the other links in the food chain.</p> <p>Impacts of international trade actions could not be isolated from the APF, given the dependence of agricultural sector on market-based commodity pricing and access to international markets.</p>

### 3.2 Business Risk Management

Participants requested more detailed information on the proposed strategies in order to provide informed comments on them. It was suggested that governments set out various business risk management options for consideration by stakeholders before program details are finalized.

#### Principles and Goals

There was support for the goals identified in the APF. A note of caution was raised in that an emphasis on growth in a specific sector could make Canadian farmers more vulnerable to trade actions.

Participants also emphasized that stabilization of incomes at current levels would not be adequate.

#### Targets and Indicators

There was general support for the proposed indicators. It was observed that the effectiveness of risk management strategies could only be fully assessed based on experience. Therefore, there was a consensus that the timeframes for evaluation should be lengthened and made commodity and region specific.

## **Implementation Measures**

There was a view among many participants that programs should be “market neutral” so that they did not create an incentive for increased production levels of a specific commodity, as this could flood the market and depress prices. It was thought that a national, level playing field was important, provided there was sufficient flexibility to meet the needs of the industry across commodities and in different geographic areas. The measures should also be flexible enough to support differing scales of operations and a wide-range of products.

Participants generally believed that participation should not be tied to compliance in other programs.

## **Insurance**

It was observed that current crop insurance programs did not adequately address the circumstances experienced by PEI producers in that the impacts of partial crop losses, commodity price fluctuations or market access were not taken into account.

The proposal to extend coverage to include a wider range of agricultural activities was supported. Production insurance for livestock operations was viewed as critical to managing business risk.

It was also pointed out that participation rates were low, in part, because of the administrative complexity. Simplification of the administration of risk management programs was strongly endorsed. Affordability of insurance based on “actuarial” soundness was also seen as barrier to participation. Government assistance in crop insurance was felt to be critical to address this problem.

## **Stabilization and Investment**

There was solid support in principle for the enrichment and expansion of the existing Net Income Stabilization Account (NISA) program. Specific suggestions included:

- Indexing of account caps, increasing contribution levels and a carry-forward provision for unused contributions;
- Tax changes to make contributions deductible and to allow withdrawals to count against farm income or losses;
- Changes to the eligible net sales calculations for the red meats sector to enhance contribution levels;
- More flexibility in the triggers for accessing NISA accounts in order to meet producers’ immediate cash needs; and
- Faster processing of payments so that money flows quickly.

The need for some sort of accelerated account building for new entrants or for producers who had depleted accounts in response to an income crisis was recognized. An alternative approach was to allow the accounts to go into deficit.

There was concern about the withdrawal of other risk management programs that were tailored to local or regional needs. It was suggested that government matching contributions under NISA may have to be increased significantly if other programs were phased out.

There was considerable concern that the investment proposals in the APF would undermine the value of the safety net provisions of NISA over time. The worry was that producers may find themselves in an income crisis, having already depleted the stabilization funds due to investments in capital projects.

There was also concern expressed that this investment funding would be used to offset investments in food safety, quality, environmental performance and diversification that should be funded separately.

The option of a separate investment fund was also seen as preferable given that some producers could prefer to participate in one program and not the other.

### 3.3 Renewal

There was a strong consensus that renewal of the agricultural industry would be driven by profitability. The federal government's role in getting the fundamentals right with respect to international trade, access to new products and technologies and availability of investment capital were believed to be crucial if any renewal programs were to be successful.

Attracting and retaining young people in the agricultural industry was seen as a pressing issue.

There was an interesting observation that the likelihood of renewal was based on the attitude of individuals within the sector and how Canadians view and value this part of the economy. The suggestion was made that if future prospects were improved, the attitude about pursuing agricultural activities as a livelihood would be enhanced.

#### **Principles and Goals**

There was general support for the renewal goals. Many participants felt that the APF should have a clear focus on helping people be successful in agricultural endeavours and that less effort should be placed on securing off-farm income.

#### **Targets and Indicators**

As with other elements of the APF, clear targets and indicators were needed to measure the effectiveness of any measures that may be undertaken. It was suggested that the APF needed to clearly define what a farm was for purposes of the policy. It was also suggested that the number of farms/farmers may not be a good indicator of the health of industry, as some rationalization and restructuring might be inevitable.

#### **Implementation Measures**

Access to capital was seen as a critical issue for people who want to enter the industry and for farmers who wanted to change or diversify their operations. The opportunity to “start small” was seen as very limited given the consolidation in many segments of the industry and presented a real barrier to entry. As well, with margins as slim as they were, the capacity for risk taking with respect to new practices was constrained.

Governments were seen as an important source of capital for critical, future oriented investments. One suggestion was that governments should re-introduce a “land bank” system to allow new farmers to

secure the land base necessary for their operation, to keep land in agriculture and allow retiring farmers to realize the value of their asset.

Although diversification was generally supported as an important renewal strategy, it was felt that experiences – successes and failures – needed to be shared amongst the farming community.

Cooperation at all levels of the production, distribution and marketing chain was seen as an important strategy for strengthening the agricultural industry. It was recommended that any programs to encourage or support cooperation amongst producers be flexible enough to apply to a range of differing cooperation models or arrangements.

### 3.4 Food Safety and Food Quality

The importance of consistent food safety and food quality was accepted by the agricultural industry in general and many segments have already implemented appropriate systems. The Canadian food system was one of the safest in the world and producers have generally been responsive to market preferences.

It was felt that international markets were driving the demand for more stringent safety standards and quality improvements as it was believed that Canadians, in general, have confidence in the current systems. This consumer confidence should not be taken for granted and educational efforts are key to supporting informed choices on the part of Canadians.

Unlike food safety, it was generally believed that food quality would be driven by consumer demand and their willingness to pay for it.

#### **Principles and Goals**

There was general support for the goals set out in the consultation document. It was pointed out, however, that there are a number of factors related to the agricultural industry (socio-economic contribution to local communities and regions, rural lifestyle, infrastructure) that contributed to human health, and that these should be reflected in the APF.

There was a clear consensus that governments should ensure that imports meet the same production and product standards.

#### **Targets and Indicators**

Although there was support for national standards, there was a need for governments to ensure that the targets were achievable by smaller producers so as to avoid the standards becoming barriers to diversified production.

There was some concern expressed about the practicality and/or benefit of achieving the targets suggested across 80% of the industry by 2008. There was a view that targets should be based on a more detailed analysis of where the greatest risk/benefit exists.

There was some discussion about whether the industry will, in fact, increase its profitability as a result of enhanced food safety and food quality measures. It was suggested that government should share its

analysis of this opportunity with producers and that the actual costs and gains along the value chain be closely monitored and analyzed.

### **Implementation Measures**

There was a strong feeling that the industry should lead in the development of the required systems and that any proposals should build on the existing commitment and investments of the sector. It was felt that government could play a valuable role in confirming the effectiveness of the measures taken and the systems put in place.

It was also indicated that governments could play a role in the assessment of the balance between reduced risk and increased cost of food safety measures as well as the development of science-based methodologies for tracking products and assuring their safety. It was recommended that a national approach be adopted, perhaps through the strengthening of existing agencies like the Canadian Food Inspection Agency (CFIA).

Consistency, transparency and cost effectiveness of the food safety and food quality systems were seen as important in maintaining the confidence of buyers and consumers. It was recognized that the practicality and effectiveness of traceability and identity preservation programs needed to be considered in order to avoid building consumer expectations that could not be met.

It was recognized that the consumer was an important link in the food safety chain and it was recommended that the government be actively involved in targeted public education programs.

There was concern about the ability of producers to capture a return on their investments and related to food safety and food quality. Both of these attributes were seen to be in the public interest and therefore, it was suggested that governments should fund much of this activity. These costs were not limited to what happens on-site, but also included the measures required to maintain the credibility of the program such as certification, verification and audit.

## **3.5 Environment**

Participants indicated that development and implementation of environmental plans need to be integrated into the overall business plan for the farming operation.

Given current levels of profitability, transitional funding might be needed to allow farmers to make the necessary investments. Governments needed to ensure that the programs and fiscal support was targeted at producers who were the stewards of much of the land and fresh water resources in PEI.

### **Principles and Goals**

Participants were generally supportive of the goals outlined in the APF, with many emphasizing that soil was a critical resource that must be taken care of.

It was agreed that the APF should reflect that environmental quality, benefiting all of society.

Securing competitive advantage in markets should be identified as a goal given that the basis of much of the proposed action was deemed to be in response to consumer demand.

### **Targets and Indicators**

There was general agreement that although indicators of environmental quality and good agricultural practices might be developed on a national basis, it was important that targets be set at a local level to reflect the specific environmental circumstances.

It was suggested that environmental management was a longer-term strategy and that the targets should be both short and long term (20 year).

### **Implementation Measures**

Although most operations in PEI have already developed an environmental management plan, full implementation could be encouraged with incentives and recognition for good performance.

Coordination, cooperation and consistency between federal and provincial departments and agencies was critical to achieving cost effective, measurable environmental improvements. Governments should work with industry to educate the public so that decision-making was based on sound science, not on fear or emotion.

Additional analysis needed to be undertaken by governments in cooperation with the industry to confirm the cost-effectiveness of specific measures and to establish mechanisms for recovering the costs from the public and/or markets.

## **3.6 Science and Innovation**

It was felt that continued innovation and advanced scientifically sound practices were key to attracting and retaining young people in the agricultural industry.

It was generally agreed that governments had an important role to play in science and innovation and that the private sector alone could not be relied upon to pursue these activities.

There was concern expressed about the loss of critical expertise within the government scientific community that compromised its ability to serve the agricultural industry and support the interests of Canadians.

### **Principles and Goals**

In general, there was support for the identified goals.

There was a sense that priorities need to re-emphasize research and innovation in support of the primary producer. There was also a view that it needs to reflect both domestic and international priorities if we were to improve our competitiveness in global markets.



## **Targets and Indicators**

In order to determine the effectiveness of science and innovation in supporting a competitive agricultural industry, more clearly defined targets and indicators needed to be developed. In evaluating the progress in science and innovation within the agricultural sector, outcomes should be linked to the performance and profitability of Canadian farming operations.

## **Implementation Measures**

The issue of the management of intellectual property was raised with a concern expressed that in order to capture the full benefit of scientific work that the knowledge needed to be transferred to the agricultural community. There was a concern that the current scientific effort was being driven by commercial interests that did not necessarily reflect the public interests.

It was recommended that the federal government seek the advice of producers and others in the agricultural industry when establishing research priorities, perhaps through the establishment of a national advisory committee.

It was suggested that a national library, index or archive of research that had been done, was underway or for which funding is being requested, be maintained, so that collaboration can be encouraged and new ideas are readily accessible.