

APF Review Panel (2005)

Assessing Progress:

APF Review Panel Technical Report

May 31, 2006

Disclaimer: The APF Review Panel is independent and operates at arm's length from government and industry, although members are drawn almost exclusively from these groups. The recommendations follow from the activities of the Panel as a whole. However, not every member of the Panel is necessarily supportive of every recommendation.

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Letter from the Chair

Dear Ministers,

On behalf of the APF Review Panel, I am pleased to submit this technical report, entitled *Assessing Progress: APF Review Panel Technical Report*. This report consists of an introduction and 7 chapters on the APF evolution, governance, activities, evaluations of the program, future directions, and conclusions and recommendations. We have also produced a much shorter “Policy Report” under a separate cover, which includes a brief APF Overview and the Conclusions and Recommendations.

This was the first APF Review Panel, and consequently we spent considerable time establishing a “process” for the Panel as well as generating an information base before any meaningful review could be undertaken.

Given the time and resource constraints imposed on the Panel, much of the “analysis” in this Review was based on readily available sources. These sources included presentations by government officials and other experts, examples, literature reviews, and accounts of first-hand experiences. Panel members raised many questions that could not be adequately answered in the allotted period. Yet we feel we have identified important considerations for future Review Panels, and for the evolution of the Agricultural Policy Framework or whatever future incarnation it takes.

Overall, the APF has helped improve relations among governments and the agricultural industry in Canada. The APF is contributing to the efforts of farmers and government support agencies to pursue common goals. Yet much work remains to be done before a truly effective framework will be in place. The APF must strive to put a greater emphasis on profitability for the agricultural value chain, especially at the primary agriculture level. As well, partnerships between producers and governments require greater attention. Despite widespread consultations in the evolution of the APF, many producers and other members in the value chain felt excluded from the process.

I wish to commend my fellow Panel members for their dedication to the Panel process, given other commitments, and their contributions and counsel in the deliberations and preparation of the report. I appreciate their professionalism in generally “checking their guns at the door” as we deliberated and debated the myriad of issues raised in this review.

The Panel wishes to express its gratitude for the dedication of experts consulted for this report, and for the high quality and informative nature of the presentations we heard. We are very appreciative of the support of staff from Agriculture and Agri-Food Canada. They were most helpful in arranging the logistics of Panel meetings and preparing and distributing background material. We acknowledge

the superb writing and technical skills of David Wylynko of West Hawk Associates and Heather Gregory of Agriculture and Agri-Food Canada in the preparation of the Panel's reports. Their assistance was invaluable.

This has been a challenging exercise and a collective learning experience. For the most part it has been an enjoyable one. The Panel thanks Ministers for the opportunity to participate in this review. It has been my privilege and pleasure to chair this important consultation.

Respectfully,

A handwritten signature in cursive script, reading "Ed Tyrchniewicz".

Ed Tyrchniewicz, Chair
APF Review Panel

Chapter 1 - Introduction

1.1 Background to the APF Review

Agriculture is integral to Canadian life. Farming and the agri-food sector are central to the economy and rural society. The sector accounts for one in eight jobs and 8% of the gross domestic product. It generates roughly \$25 billion in annual exports, or 7% of the value of total Canadian exports. Yet the industry faces many challenges. Globalization and rapid advances in agricultural science, technology, and business practices pose challenging new issues for the industry.

In June of 2001, the Federal, Provincial, and Territorial (F-P-T) Ministers of agriculture met in Whitehorse to address these challenges. They agreed that Canadian agriculture required a new vision, and formalized this conclusion in the Whitehorse Accord.

The Accord set the groundwork for the unveiling, in June of 2002, of the Agricultural Policy Framework (APF). The APF is a partnership of the two levels of government and has a budget of nearly \$9.4 billion over five years (2003-2008). The APF objective is to secure the long-term profitability of the sector by making Canada a world leader in food safety, innovation, and environmentally responsible agricultural production.

The APF is based on a national consensus built around several key principles:

1. Partnership:
 - National policy reflecting common federal, provincial and territorial goals, with flexibility to respond to local priorities
 - All elements of the agriculture and agri-food value chain are engaged
2. Integration: Integration of policies across all elements of the value chain
3. Stability: Stable, long-term funding to sustain the framework (60% federal, 40% provincial-territorial)
4. Transparency: Regular progress reports to Canadians on results achieved

Under the APF, five pillars were established:

1. **Food safety and quality:** to make Canada the world leader in producing, processing and distributing safe and reliable food to meet the needs and preferences of consumers.
2. **Environment:** to help producers as resource stewards, and to respond to consumer demands regarding environmental performance.
3. **Science and Innovation:** to support sustainable development, support innovation that generates profit, and instill confidence in food safety and quality.
4. **Renewal:** to help farm families develop skills to succeed in the knowledge-based economy.

5. **Business Risk Management:** to encourage producers to be proactive to reduce business risks.

On April 29, 2005, the Ministers of Agriculture established the APF Review Panel to review the progress of the APF. The Panel was tasked with providing advice to the ministers on how well governments and the agriculture industry in Canada are progressing on shared objectives under the APF.

1.2 Mandate

The APF Review Panel was mandated to review all elements of existing APF programming against the common goals set out in the Framework Agreement on an annual basis, and provide advice on changes to programs that would enhance their performance.

1.3 Principles

The APF Review Panel is based on several key principles:

1. **Partnership:** the review process must be acceptable to the federal, provincial, and territorial governments and industry in order to ensure that investments in APF programming meet the goals and principles of both industry and governments.
2. **Transparency:** to maintain credibility, the review process must be an open and transparent process.
3. **Independence:** the review process must be at arm's length from government and industry in order to ensure the objectivity of the review.
4. **Expertise and Objectivity:** the methodology for the review process must be sound and based on expert, objective and unbiased assessments of program performance.
5. **Minimal complexity:** the review process must be straightforward and easy to navigate.
6. **Breadth:** the review process must be capable of covering any issue of concern to governments and/or industry.

1.4 Process

Former Agriculture and Agri-food Minister Andy Mitchell appointed Ed Tyrchniewicz as the chair of the Panel. Dr. Tyrchniewicz is an agricultural economist at the Asper School of Business at the University of Manitoba. The Panel consisted of a Steering Committee (Appendix A) and an Executive Committee. The Steering Committee was appointed by Ministers for a term of one year. The membership had representation from Federal, Provincial and Territorial governments and the primary agricultural sector. Panel members were expected to serve as individuals and not as representatives of organizations or interest groups. The six member Executive Committee was drawn from the Steering Committee, and included one Federal government representative, two

Provincial government representatives, and three non-government representatives (two producers and the Steering Committee Chair). Its mandate was to guide the overall direction of the review.

1.5 Work Plan

The Steering Committee met five times in person and the Executive Committee met an additional five times by conference call. Experts were invited to make presentations at Steering Committee meetings, and a questionnaire soliciting views on the APF was distributed to approximately 100 organizations and individuals (Appendices C and D). The conclusions and recommendations in this report are based on: these presentations, a synthesis of questionnaire responses, the views of individual Steering Committee members, and considerable debate and deliberation by the full Steering Committee.

Chapter 2 – Evolution of Canadian Agricultural Policies¹

In Canada, agricultural policies have come about for the most part as pragmatic responses to particular problems and issues within the industry. Some policies have been developed through a logical decision-making framework. Others have been initiated as a matter of political expediency. The 2002 Agricultural Policy Framework (APF) is the first real attempt to bring about a comprehensive, overall plan for agricultural policy. It remains to be seen whether the APF will truly become such a master plan.

In the history of agricultural policy, a number of key threads arose that persist to the present day. In identifying these themes, this chapter calls on many sources and experiences, but particularly the writings of, and conversations with, the late Dr. Clay Gilson. The threads include:

1. Before Confederation, agriculture was not export oriented. The new territories exported fish, timber and furs, but not agricultural products. In fact, Canada was a food deficit region; England and France wanted the territories to move toward food self-sufficiency.
2. Following Confederation, agriculture was seen as an instrument of national development, a source of cheap food for the population, and a market for manufacturing industries. To a large degree, farmers were left to work out their problems in a mainly open market environment. These circumstances gave rise to the cooperative movement, especially in Prairie Canada, where farmers felt they were at the mercy of powerful grain companies and railways.
3. The economic hardships of the great depression caused many to challenge the suitability of free markets and the implications of these markets for farm income. It became apparent that public policy had a role to play in farm incomes and stability, and expansion and productivity. A number of emergency relief measures were introduced that still exist today, such as the pooled marketing of wheat through the Canadian Wheat Board and conservation measures through the Prairie Farm Rehabilitation Administration (PFRA).
4. During World War II, agriculture was used to serve the demands of the war effort. This period saw the introduction of policy instruments, other than price incentives, to influence agricultural production decisions, such as controls on wheat acreage and feed freight assistance to encourage livestock production in feed deficit regions. Many of these “emergency war time” measures persisted for decades.

¹ This chapter is adapted from *A Vision and Strategic Direction Options for Canadian Agriculture*, by Ed Tyrchniewicz and Allen Tyrchniewicz, A Report for the Canadian Agri-Food Policy Institute (CAPI), October 2005.

5. Post-war agricultural policies have been characterized by a tangle of the threads from the past, constrained by structural and regulatory rigidities, and often driven by the philosophical leanings of the Minister of Agriculture of the day. Farm policy debates became bitter and divisive; policies and programs were considered ineffective in addressing the fundamental problems of low and unstable incomes in agriculture.

In September of 1967, the Government of Canada established the Task Force on Agriculture. It was mandated to assess agricultural goals and policies in Canada. The Task Force consulted widely and submitted its report in December of 1969. It included over 180 recommendations on almost every aspect of the agricultural industry. Some of the major recommendations, particularly those relating to the grain industry, formed the basis for far-reaching policy changes. However, many significant recommendations were not implemented.

One of the recommendations was to broaden the mandate of the then-Federal Department of Agriculture to reflect agribusiness and food system developments. This recommendation was never adopted, primarily because of the farm politics and bureaucratic rigidities associated with the traditional system. Notably, many recommendations which appeared justified on purely economic grounds were not implemented, primarily because agricultural policy includes many other considerations, namely constitutional, political and social factors.

In the early 1970s, Canada adopted the system of supply management for industrial milk. This system was established to address the unstable markets, uncertain supplies and highly variable producer and processor revenues common of the 1950s and 1960s. The policy later expanded to include chicken, turkey and egg producers (paraphrased from the Canadian Dairy Commission (CDC) website: www.cdc.ca/cdc/index_en.asp?cald=812).

A series of events and circumstances during the 1970s and 1980s exacerbated the industry's troubles. Some of these included:

1. Widespread financial distress among Canadian farms as a result of greatly inflated land values from the 1970s, the highly debt-leveraged position of many farmers, falling grain prices, several major droughts on the prairies, and a tight monetary policy that led to high, unprecedented interest rates.
2. An accelerating agricultural trade subsidy battle between the US and the European Union, particularly following the US introduction of its Export Enhancement Program.
3. A government preoccupied with the need to reduce a substantial and growing budget deficit, which targeted major federal government ad hoc payments during the latter 1980s. It was during this time that the export

grain transportation subsidy (the “Crow rate”) came under increasing pressure from a variety of sources.

4. With the launch of the GATT Uruguay round and the adoption of a tariff policy to manage imports on sensitive products, Canada increased the exposure of its supply management programs to global trade negotiations.

These events and circumstances revealed serious shortcomings and weaknesses in existing agricultural policies and programs. Despite large ad hoc expenditures on agriculture, farmers were dissatisfied that a growing portion of their income came from ad hoc government payments. At the same time, both federal and provincial governments were displeased to be faced with unplanned expenditures in the midst of growing budget deficits. Worse still, the ad hoc programs were costly, inefficient, cumbersome, complex and replete with political controversy. With both the federal and provincial levels experiencing budgetary constraints, it was not possible to “buy out” the problems of agriculture. Solutions would have to be found in the face of greatly constrained financial resources.

In 1989/90, the National Agricultural Policy Review was established. The review began with the release of a major discussion paper entitled “Growing Together – A Vision for Canada’s Agrifood Industry.” After broad-ranging consultations and many task forces, the policy essentially emphasized the following:

- reduce production costs;
- dispense with regulatory burdens;
- remove inter-provincial trade barriers, and;
- reduce a patchwork of provincial stabilization programs.

The policy reviews of the late 1980s and early 1990s produced several significant insights. These included:

1. Domestic agricultural policy issues cannot be dealt with in isolation from international agricultural trade policies.
2. It is not possible to deal with farm policy issues in isolation from macroeconomic policies such as monetary policy, interest rates and foreign exchange rates.
3. The constituency for farm policies has changed drastically over the last several decades. Farm organizations have become more commodity and region specific, making it more difficult to develop a consensus across commodities at the national level. Other interest groups, including consumers, lenders, processors, input suppliers, transporters and environmentalists wanted to be part of the process of policy development.
4. The concentration of production and processing was altering the structure of the agricultural sector. For example, in the grain sector, 20% of the producers grew 80% of the crop commodities, and the handling of grain was consolidated in the hands of fewer grain companies. Many of these companies were multi-nationals rather than the original farmer-owned cooperatives.

With the implementation of the Uruguay Round Agreement on Agriculture in 1995, Canadian agricultural policy has moved in the direction of reduced levels of support and increased market orientation. This policy shift has been reflected in a number of key changes, including:

1. A shift from commodity price support to whole farm income stabilization;
2. Decreased use of subsidies for inputs and services;
3. Enhanced support for farm investment and diversification;
4. The demise of export grain transportation subsidies (the “Crow rate”), and;
5. New emphasis on cost-sharing measures among governments and producers.

Throughout the 1990s, federal and provincial Ministers of Agriculture sought to achieve a program set that would foster more stable and predictable expenditures and reduce continuous ad hoc demands. The current whole farm programs are meant to be responsive to all risks in income variability. But a weakness of these programs is that they cannot, in fact, respond to the level of income issue². The question must be asked: should they be expected to deal with the level of income issue?

The first decade of the 21st century found Canadian agriculture, especially primary producers, facing predicaments similar to those that have plagued the sector for much of the post World War II period. In addition, globalization and rapid advances in agricultural science, technology, and business practices all pose new challenges for the industry.

In June of 2001, the F-P-T governments met in Whitehorse to address agricultural issues. They agreed that a new vision was required. In June of 2002, they announced the new Agricultural Policy Framework (APF). The vision of the APF is to secure the long-term profitability of the sector by making Canada a world leader in food safety, innovation, and environmentally responsible agriculture.

Operationally, the APF has five elements or chapters: Business Risk Management, Food Safety and Quality, Environment, Science and Innovation, and Renewal. The Ministers agreed on goals for each of these elements. By December of 2003, all provinces and territories had entered into implementation agreements with the federal government. Although many APF initiatives have been launched, most of the attention and funding has been directed towards the business risk management element. In April of 2005, the Ministers of Agriculture established the APF Review Panel with a mandate to review the APF and make recommendations by March 31, 2006. These recommendations are contained in the present report.

² Freshwater and Hedley. *Canadian Support for Agriculture: The Evolution of Income Stabilization as a Basis for Policy*. Background report for the Organisation for Economic Co-operation and Development (OECD). Paris: 2004.

Chapter 3 - Evolution of the APF

3.1 Canadian Farm Income Issues and Drivers of the Early 2000s

The federal, provincial, and territorial governments developed the Agricultural Policy Framework (APF) in response to a number of issues and drivers that were impacting the agricultural industry in the early 2000s. These issues and drivers are summarized in this chapter.

1. Declining competitiveness and lower incomes

The declining competitiveness of bulk commodities and lower real farm income has been a significant concern. In South America, some countries experienced exponential growth in agricultural production as they opened up new lands and adopted new technologies. Brazil and Argentina became major competitors in the international marketplace. These countries' export growth resulted in declining prices for bulk grains, and forced Canada's farmers to compete against these lower cost suppliers.

US producers were less affected because (a) they were less reliant on export sales for farm income and (b) the US Farm Bill provided specific commodity support, unlike the Canadian support system that uses a commodity basket approach. In Canada, the basket approach has resulted in an averaging of losses and gains from individual products, thus triggering smaller payouts on a less frequent basis than the payouts US producers have realized. Similarly, EU farm subsidies increased the challenges faced by Canadian exporters.

2. Rising Farm Input Costs and Consolidation of Suppliers

In response to increased competition in the global marketplace, a number of major logistical, processing and retail players in the supply chain consolidated their operations to gain economies of scale. In addition, declining farm prices lead to fewer but larger farms. Despite the increased efficiencies experienced at the farm level, producers saw other segments of the agricultural supply chain capturing these gains. Producers associated this downstream consolidation with rising farm input costs and the cost/price squeeze situation faced by producers.

3. Restrictive Market Access

Access to some world markets has become more restrictive. With ongoing WTO negotiations not expected to conclude in the near future, many trade issues and concerns continued to plague the marketplace. With reductions in tariff rates being implemented under the WTO, countries used sanitary and phytosanitary regulations, food safety issues and other factors to restrict access to their domestic markets. These technical barriers were becoming major market access issues. Changes in the attitudes of local producers were also occurring in many

countries. American commodity organizations pursued their trade rights on a more frequent basis in order to restrict imports to their market. The Byrd Amendment, by allowing duties collected to be distributed to the “injured” American industry, further encouraged these actions.

4. Public Desire for Food Safety and Environmental Protection

The Canadian consumer has demonstrated little knowledge or interest in agricultural issues. With globalization, the array of choices in the marketplace has increased and consumers have become more discriminating, demanding safe, environmentally sustainable products at a competitive price. Consumers have appeared unwilling to pay the full costs associated with implementing measures to ensure food safety and environmental conservation.

5. Adapting to New Economic Realities

With globalization, farmers have increasingly had to acquire new skills and education to cope in a knowledge-based economy. Larger, more complex and specialized farm operations have created further demands on the farmer’s skill set. Farm families recognize that they need to improve their skills and education to address income issues. Some farmers have recognized that to survive, they would have to seek off-farm employment. This transition required new skill sets for use in both the agricultural and non-agricultural sectors. To meet these needs, new demands will be placed on post-secondary educational institutions.

3.2 Moving Forward

At the turn of the century, the federal, provincial, and territorial governments undertook discussions to develop a more strategic approach to farm income support and the positioning of agriculture in the 21st century. These negotiations were initiated when the grain sector lobbied for an additional \$2 billion of ad hoc payments to complement existing safety net programs.

Although producers were not satisfied that a growing portion of their income came from ad hoc payments, they viewed it as a necessary short-term remedy to the farm income crisis. Governments, on the other hand, were finding it increasingly difficult to respond as budget deficits were only made worse by these unplanned expenditures. The federal, provincial and territorial governments concluded that it was impossible to “buy their way out” of the situation, particularly when Canada’s competitors had larger financial resources and a smaller proportion of their production was destined for the export market.

Both levels of government, and industry, recognized the need to shift agricultural programs and policies to better position Canada in the international marketplace. They saw that this shift would require a collaborative approach of federal, provincial, and territorial governments and industry partners to address the

challenges and strategize on future directions. In June of 2001, a breakthrough was achieved at the annual Agriculture ministers' conference, held in Whitehorse. The Whitehorse Accord laid out the vision for an integrated Agricultural Policy Framework (APF).

Cabinet approved the APF in November of 2001, and the federal government committed to providing stable long-term funding for the APF. But no federal monies were clearly earmarked until June of 2002, when \$5.2 billion over five years was committed by the federal government for its 60% funding portion. The provinces had to guarantee their 40% financial commitment prior to signing on to the APF. The agreement came into force in December of 2003. Before the APF could be enacted, a sufficient number of provinces had to sign on. As new administrative processes were worked out, the implementation of many programs was delayed until well into 2004.

3.3 The Agricultural Policy Framework (APF)

Goals, Principles and Objectives

The APF was intended to address a multitude of issues through a comprehensive approach. The key elements of the new strategy included: incorporating better risk management tools, branding Canada to sell products based on food safety and environmental stewardship, and using science and innovation to create new opportunities.

The partners concluded that the challenge was to make Canada a world leader in the global market by:

- (a) enhancing environmental performance through an accelerated action plan;
- (b) strengthening on-farm food safety and encouraging international recognition;
- (c) encouraging and helping farmers to adapt to a dynamic marketplace by initiating programs to help farm families adapt to changing circumstances;
- (d) providing the necessary supports from income declines by improving risk management, and;
- (e) using science in a strategic and responsible way to realize new opportunities/innovation for farmers.

These five pillars – Environment, Food Safety and Quality, Renewal, Business Risk Management, and Science and Innovation – formed the basic framework of the APF. They provide an integrated platform for sustainable future growth and profitability. For an overview of the key goals and actions of the five pillars, please see Appendix E.

To achieve the APF goals, the federal, provincial, and territorial Ministers adopted the following principles to guide the APF:

- (a) common goals must have some flexibility to respond to unique needs and, at the same time, respect federal and provincial/territorial jurisdictions;
- (b) approaches must be developed in partnership with farmers and other stakeholders;
- (c) any actions taken must be consistent with Canada's international trade obligations;
- (d) leadership on food safety and the environment would be used effectively to Canada's advantage in export markets;
- (e) funding for each element must be shared among governments and the private sector, and;
- (f) there must be regular, consistent and relevant reporting to Canadian citizens who fund these programs through tax dollars.

As agriculture is a shared jurisdiction between federal and provincial/territorial governments, the funding arrangements under the APF incorporate the following principles:

- (a) to provide long-term funding to advance the mutually agreed upon goals (60% federal and 40% provincial);
- (b) to respect jurisdictions and the roles of governments;
- (c) to ensure consistent treatment of clients in different parts of the country;
- (d) to recognize existing efforts/programs where these efforts/programs were consistent with the goals, and;
- (e) to be structured to create accountability for results.

Under the APF, partnerships were essential to avoid conflicting federal and provincial policies and programs, to ensure all parties were addressing the issues at hand, and to make the best use of available resources (financial and staff). The APF approach necessitated a refocusing of government business lines to better integrate the policies and programs both within the federal system and with the provincial and territorial partners. The partnerships would involve looking at the whole value chain from farm-to-fork rather than at individual components. The APF established specific objectives in each bilateral federal and provincial or territorial implementation plan, recognizing the priorities and needs of each province and territory.

3.4 Current Farm Income Issues and Drivers

Since the implementation of the APF, few dramatic changes have occurred in the farm income issues and drivers that impact agriculture. Farmers and their organizations continue to express concern about numerous issues, including: poor farm returns from the marketplace, low-priced grains from lower cost competitors, rising farm input costs, consolidation of the food chain, technical

barriers to trade, and the unwillingness of the consumer to pay for food safety regulations that producers must provide. Governments continue to be concerned about timeliness of program payments, administrative burdens, program affordability, and the need for equitable treatment of producers in a transparent and accountable manner. Current issues and drivers are divided below into 4 categories.

1. Farm Income and Prices

Nominal aggregate net cash income has been increasing over the past four decades, but in real terms it has declined. At the same time, the portion of farm income coming from the market has declined while the portion coming from program payments has increased. Aggregate net worth has been increasing over time whether viewed in nominal or real dollars.

Declining real farm prices have led to fewer but larger farms that are producing more on each farm. Increased efficiencies at the farm level have generally been captured by other parts of the agricultural value chain and consumers rather than by the primary producer. The long-term trend of decreasing real farm product prices is driven by the fact that the supply of global subsidized exports is increasing faster than demand.

2. The Economy and Domestic Conditions

Rising oil prices driven by increased demand – in particular China's demand for oil – is increasing Canadian production costs as well as international freight costs. It should be noted that other countries face the same rising fuel costs, perhaps even more severely than Canada. A higher valued Canadian dollar, brought on by a strong Canadian economy, may further impact future sales of Canadian products abroad. Meanwhile, an ever-greater proportion of the Canadian population has little knowledge of, or interest in, agricultural issues. But people are very interested in the quality and safety of their food, as well as environmental protection and stewardship.

3. Exports

Canada depends heavily on exports. Over 50% of red meats, grains and oilseeds are exported. This dependency contrasts sharply to the US and the EU, where the bulk of farm production is consumed domestically. The increasing levels of US and EU farm subsidies have created challenges for Canadian exports of competing products. As well, the rising value of the Canadian dollar, relative to the US dollar, is making Canadian exports more expensive. Moreover, Canada has become increasingly export-oriented in some commodities, and these commodities are all prone to farm income troubles. At the same time, farmers have become specialized, increasing the risk of farm income fluctuations.

Canada, like other traditional exporters, has to compete with new lower cost suppliers, such as China, India, Brazil, Malaysia, and Turkey. Even traditional exporters of wheat (Canada, US, EU and Australia) are losing their market share to China, Russia, Argentina, and the Ukraine. Brazil, for example, has grown to become the largest exporter of beef (25%) and chicken (40%), the second largest in soybeans (35%) and soybean oil (32%), and the fourth largest in pork (14%).

Considerable debate has arisen as to how much of the growth in competitors' market share has come at the expense of less stringent environment and food safety standards, and how long these competitors can maintain their low cost advantages.

4. WTO Obligations

The US government has become more aggressive in availing itself of trade rights in its agricultural trade with Canada. As a result, a variety of trade disputes have arisen. As well, American commodity organizations are becoming more forceful in their efforts to protect their own markets.

In terms of general support services to agriculture, called the General Services Support Estimate (GSSE), the content of program support varies widely in different countries. These services include expenditures on research, agricultural schools, marketing and promotion and infrastructure. According to OECD data for 2003, expenditures on general support services were 15.4% of cash receipts in the U.S., 7.9% in Canada, 4% for the EU, and less than 2% for New Zealand.

Canada doesn't take advantage of some of the GSSE options permitted under the WTO. For example, a wide range of service fees are applied to producers in the grain sector; these would be viewed as permissible government services under WTO rules. Government expenditures on agricultural research are also WTO acceptable.

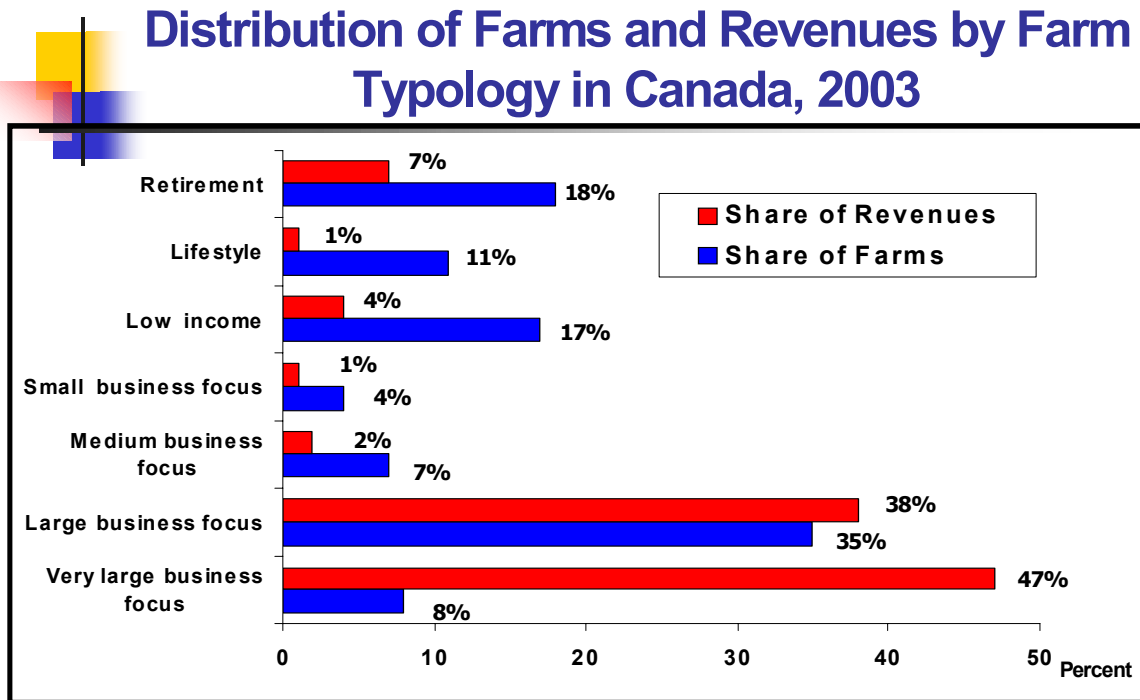
3.5 Farm Typology Analysis

In Canada, significant variations exist in farm incomes; these are masked by the use of averages. The farm typology classification was developed by Agriculture and Agri-Food Canada (AAFC) in 1998 to better describe the diversity of Canada's farm sector. Farms are categorized into groups, using factors such as age of the operator, financial situation, and size. For a definition of the categories, see AAFC, *Farm Income Issues Data Source Book*, February 2005.

The distribution of farms and revenues by farm typology in 2003 is shown in Figure 3.1. Large farms, with sales over \$500,000, accounted for 8% of farm numbers and 47% of farm revenues in 2003. If farms with sales of more than \$100,000 are included, they account for 43% of farms, 85% of revenues, and 76% of direct government payments. Small and medium business farms made up

11% of the farms, 3% of the farm revenue and 5% of direct government payments. Lifestyle and low income farms accounted for 28% of the farms, 5% of farm revenues and 8% of direct government payments. Retirement farms (operator at least 60 years of age and receiving some pension income, and no children involved in the operation) represented 18% of the farms, 7% of farm revenue and 10% of direct government payments.

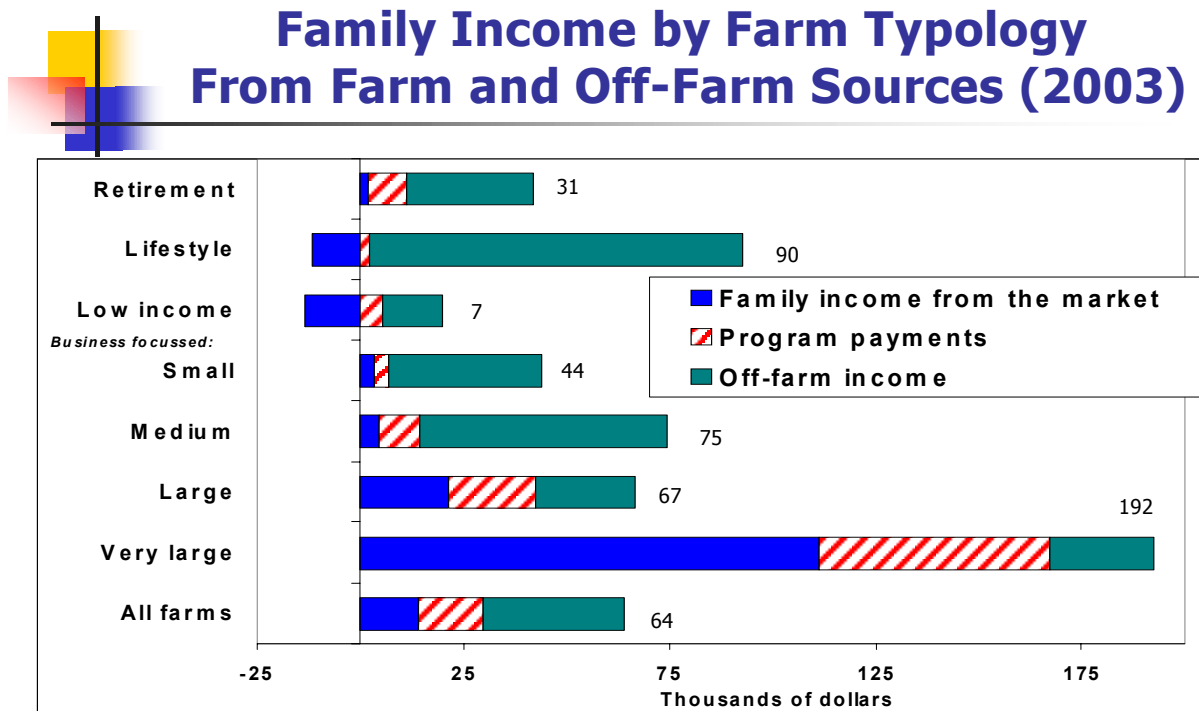
Figure 3.1



Regarding farm family income, 53% of farm family income came from off-farm sources. In fact, all farm categories have a significant portion of family income from off-farm sources. Figure 3.2 shows that lifestyle and low income farms had negative income from farm operations; off-farm income and government payments were being used to offset farm operation losses. Retirement farms and smaller farm operations are heavily reliant on off-farm income, and less reliant on the market and government program payments. Large and very large farms generate more income from farm operations, yet are more dependent on government program payments.

The structure of assets and liabilities also varies across farm typologies. The average very large business held assets that were over three times as much as the average farm, and liabilities were almost five times more. Lifestyle and retirement farms had about 2/3 of the assets, and only 1/5 of the liabilities of average farms. The resulting debt equity ratio ranged from a high of 29% for very large farms to a low of 7% for retirement farms. For the average farm it was 21 percent. This data shows that the characteristics of farms vary widely across typologies. Typology should be considered in developing a vision for agriculture.

Figure 3.2



Chapter 4 – Governance of the APF and Performance Measures

The Agricultural Policy Framework (APF) is a policy document that goes beyond specific programs. It is based on common, nationwide policy goals, integrated program designs, a coordinated program delivery, and collaborative projects, all within an overall governance structure. To manage this approach effectively, a cooperative governance system between the federal, provincial, and territorial governments is required that:

- strikes a balance between simplicity and comprehensiveness;
- maintains a strong linkage between policy and programs, and;
- facilitates decision-making to improve program design and delivery by allowing resources to be shifted between priority areas.

4.1 Key Components of the Governance System

The APF governance system seeks to manage federal, provincial and territorial investments strategically and cooperatively. It realizes the goals and objectives as outlined in the Framework Agreement, and reports to Canadians on the progress made.

The key components to the governance system include:

- (a) program delivery structure and mechanisms;
- (b) clear identification of responsibilities and accountability;
- (c) a performance report and assessment process, and;
- (d) a joint Federal-Provincial-Territorial oversight and decision-making process that allows the parties to review progress and modify plans as needed.

The joint process (d) will ensure:

- (a) that the governance support function links back to the APF;
- (b) bilateral and multilateral relationships are managed effectively;
- (c) an effective and efficient delivery of the cost-shared programs;
- (d) course corrections and shifts that can be implemented to maximize the return on investment;
- (e) performance reporting and an assessment process, and;
- (f) a mechanism to assess progress and support decision-making.

4.2 Implementation Agreements (IA)

The policies contained within the APF are executed through Implementation Agreements between the Government of Canada and each province or territory. Each Implementation Agreement (IA) sets out individual terms and conditions, including:

- how programs will work;
- the cost-sharing arrangements between federal, provincial and territorial governments, and;

- inter-governmental cooperation in areas of joint jurisdiction.

4.3 The Federal-Provincial-Territorial (F-P-T) Governance Structure

In terms of governance, federal, provincial, and territorial Ministers are responsible for the following tasks (see Appendix H):

- reviewing the overall progress in relation to goals and objectives;
- assessing the state of the industry;
- reporting progress to Canadians;
- identifying and removing any barriers to collaboration;
- setting the mandate for negotiations on new issues, and;
- approving policy changes and budget reallocations (as required).

The National CAIS Committee, an advisory group made up of producers appointed by the federal and provincial ministers, monitors the operations of CAIS and reports any suggested program changes directly to Ministers. The mandate of this committee may be expanded to include the monitoring and reporting of other business risk management programs. Currently, however, its mandate is limited to CAIS.

The Multilateral Process

The multilateral governance process has three components: governance of the implementation agreement, program integrity, and program coordination.

(a) Implementation Agreement Governance

The F-P-T Governance Committee is composed of Deputy Ministers. This committee:

- considers proposed policy changes and makes recommendations to the Ministers;
- identifies any changes in the F-P-T priorities and implementation for the IA that require Ministerial approval;
- reviews the “Report to Canadians”;
- reviews performance and evaluates priorities, and;
- verifies the budgets allocated.

(b) Program Integrity

The F-P-T Assistant Deputy Ministers (ADM) Policy Committee provides support to the Deputy Minister Governance Committee. This group is responsible for program integrity, ensuring the goals and objectives are accomplished, identifying and resolving policy issues, suggesting program changes and/or budget shifts within a province, and reviewing and approving the Report to Canadians.

(c) Program Coordination

The F-P-T APF ADM Program Implementation Committee provides oversight of APF program implementation and removes barriers to implementation. The committee achieves this goal by sharing information and practices and identifying program issues that require resolution. The Committee assists provincial Management Committees in ensuring consistency across Canada. The Committee's Program Implementation Team is composed of the Regional Directors as APF Leads in each province and territory, as well as provincial and territorial Co-Chairs.

The F-P-T National Working Groups consist of F-P-T representatives and other government departments, as required by each Management Committee for each APF element. They are responsible for:

- developing the details required for implementation of the APF programs and activities;
- identifying and recommending effective delivery practices;
- identifying and resolving technical issues and providing advice on operational matters, and;
- linking with other federal and provincial programs.

These working groups make recommendations to the provincial Management Committees and assist with program coordination.

The federal Program Planning, Integration and Management directorate is internal to AAFC. It consists of financial planning and reporting, program performance and practices, strategic program planning and issues coordination, with linkages to communication for overall support. This group facilitates effective program administration and the process for delivering programs that support the corporate priorities. It is also responsible for coordinating the identification and resolution of program issues in support of the bilateral Management Committees and the National APF Implementation Team. It develops, coordinates and disseminates tools and best practices, and leads the coordination of the Report to Canadians.

The Provincial Level

At the provincial and territorial level, bilateral Management Committees are in place to oversee the delivery of the APF within the given province or territory. The federal and provincial ministers appoint the co-chairs of the Management Committees in each province/territory. AAFC co-chairs are the Regional Directors, while the provincial co-chair depends on the particular province. All Management Committee decisions must be unanimous.

The Management Committee's responsibilities include:

- initiating and approving requests for shifts in funding (up to 20% of the total amount);
- making changes to operational program content;
- making recommendations for policy changes for the F-P-T ADMs Policy Committee to consider;
- ensuring program delivery within the province is consistent with national programs;
- addressing issues across priority areas in an integrated way;
- identifying and disseminating information on best practices, and;
- coordinating and approving specific communications.

The Management Committees in each province/territory have working groups identified for each of the APF chapters. These working groups are responsible for the implementation of the APF and reporting progress made or problems encountered to the Management Committee. Membership of the working groups includes federal and provincial employees responsible for the implementation and operation of the various chapter components at the provincial/territorial level. The working groups may, on an as-needed basis, have sub-groups with broader membership from the federal and provincial agricultural departments, other departments and/or related agencies to deal with specific issues or concerns.

4.4 APF Performance

Performance Reporting

Performance reporting and the assessment process allow one to determine the progress made to date and to support decision-making.

The specific reporting requirements are identified in Section 9 of the Implementation Agreements. This section states that parties are to use a template to report:

- common outcome and management goals as identified in the Framework Agreement;
- specific implementation measures undertaken in the province or territory as set out in the IA (or other measures that they wish to note);
- specific targets and indicators from the Framework Agreement as well as those agreed to in the IA;
- the results achieved for the time period in question, which could include a quantitative change or a narrative on results achieved;
- next steps (i.e., a narrative on future actions planned based on the results achieved to date).

All parties to the IAs are required to report the results achieved in the previous fiscal year (ending March 31st) by the end of October each year. These results are consolidated into the annual “Report to Canadians.”

A companion document to the Report is the “APF FPT Programs Book” which describes all programs (objectives, nature, funding and contacts) available under the Implementation Agreements.

The APF Review Panel

In addition to the various working groups, management committees, teams, and committees, the Ministers agreed that an APF Review Panel should be struck. Its mandate is to review all the elements of the existing APF programming against the common goals identified in the Framework Agreement, and provide advice on the changes required to enhance program performance. This process will facilitate continuous improvement in the APF, so that an ongoing assessment can occur of whether government and industry are moving closer to their shared objectives.

Chapter 5 - APF Activities

5.1 Categorizing the Programs

The APF programs consist of cost-shared and non-cost shared programs. The cost-shared programs have 60% federal and 40% provincial and territorial funding. The non-cost shared programs are federal only. Since they involve only federal funding, the federal programs are not contained within the Implementation Agreements (IAs). In some instances, these “federal only” programs may pre-date the APF agreement.

Table 5.1 summarizes the programs that are cost-shared and those that are “federal only” funded.

Table 5.1: APF Cost-Shared and Non-Cost Shared Programs

Chapter	Cost-Shared (in IAs)	Non-Cost Shared (Federal Only; not in IAs)
BRM	-CAIS -Production Insurance -Province-based Programming *	-Spring Credit Advance Program -Enhancement to Program Service Delivery -Private Sector Risk Management Partnership Program -Production Insurance Research & Development
Food Safety & Quality (FSQ)	-Canadian FSQ Program -Systems Development -Food Safety Initiative -On-farm Implementation	-On-farm Implementation
Environment	-Environmental Farm Planning -National Farm Stewardship Program	-Greencover -National Land and Water Information Services -Farming Systems Research -Technology Assessment -Water Quality Surveillance -Study of Regulations -Standards Development -NAHARP (Environmental Indicators) -National Water Supply Expansion Program
Renewal	-Canadian Farm Business Advisory Services (CFBAS)	-Canadian Farm Business Management Council (CFBMC) -4-H

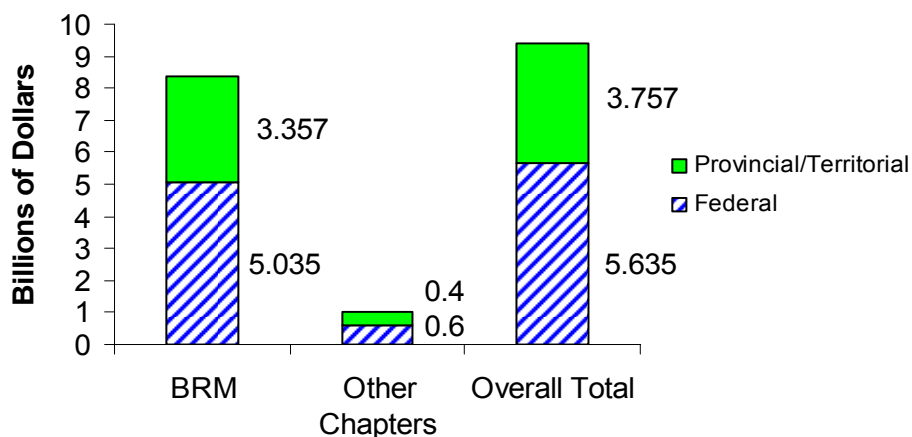
	-Farm Business Assessment (FBA) -Specialized Business Planning Services (SBPS) -Planning and Assessment for Value-Added Enterprises (PAVE) -Canadian Agricultural Skills Services (CASS)	-Canadian Young Farmers Forum (CYFF) -Canadian Agricultural Safety Association (CASA)
Pesticide Risk Reduction & Minor Use Programs	n/a	-Pesticide Risk Reduction Program -Minor Use Program
Science & Innovation	-Broker Program -Agri-Innovation Program	n/a
International	n/a	-Canadian Agriculture and Food International (CAFI)

*Province-based programs are to have been phased out by March 31, 2006. Unused funds from the previous framework were also allocated to these initiatives and totaled \$74.89 million.

5.2 Funding the Programs

For the APF cost-shared programs, the federal government committed \$5.635 billion over a five-year period (2003-08). The provinces/territories provided an additional \$3.757 billion, for a total of \$9.392 billion. Almost 90% of the total cost-shared funds under the APF was allocated to the BRM programs.

Figure 5.1: Federal and Provincial/Territorial Funding, billions of dollars



Although all the programs are demand-driven, BRM is unique in that the funds are provided on an “as needed” basis with no yearly limit. However, the sum of the BRM expenditure over the five years cannot exceed the total BRM commitment for the five-year period.

For the non-BRM chapters, the maximum funding for a chapter in any given year is limited to its annual allocation. The allocation of non-BRM funds among the provinces is based on a fixed formula [50% of the province’s proportionate share of past market receipts from farming products + 50% of the province’s proportionate number of farms with revenue in excess of \$10,000 based on the 2001 Census]. In recognition of the need for some flexibility, a portion of the non-BRM funds can be re-allocated between pillars.

The dollar figures committed by the federal government as its contribution for the cost-shared programs are (see Appendix G):

Pillar	(\$000s)
• Environment:	\$264,900
• Renewal:	\$175,762
• Food Safety and Quality:	\$134,610
• Science and Innovation	\$24,720
• BRM:	\$5,035,000

5.3 The Performance of Each Pillar

Overview of Expenditures

In general, the APF cost-shared spending for the Business Risk Management chapter has been much higher than anticipated, while uptake of the other pillars has been lower than anticipated.

This situation arose for several reasons. In the case of Business Risk Management, the programming is focused on developing tools to help producers manage business risks. These include stabilization risk, production risk and financial cash flow risk. Issues such as BSE, avian influenza and flooding/drought have caused much emphasis to be placed on the BRM chapter and the need to provide financial support to farmers. 2003-04 marked the transition year from the previous safety net programs to the BRM programs. Unlike the other chapters/pillars, the BRM chapter had a significant infrastructure already in place and programs could be implemented with relatively minimal delays.

For the non-BRM chapters, the lower spending can be attributed to:

- the delays associated with obtaining the signatures of the necessary critical mass of provincial/territorial partners;
- the industry’s focus on dealing with income/cash flow problems;

- the need to create new programs and delivery mechanisms including the negotiation with many partners and third party delivery agencies;
- the need to develop and train resource personnel to deliver these services, and;
- the need to increase producer/industry awareness of the new programs to ensure uptake.

Business Risk Management

The two core programs under the BRM pillar are the Canadian Agricultural Income Stabilization program (CAIS) and Production Insurance (PI). Other programs include the cash advance programs and Private Sector Risk Management Partnerships (PSRMP). The total amount for the BRM chapter is \$8.392 billion over five years with PSRMP receiving \$15 million of this allotment.

The BRM is the only pillar for which monies are drawn down on an “as needed” basis with no maximum dollar payout per year. With the exception of the transition funds known as “wedge,” BRM funding is not allocated by province/territory but flows to those producers most in need.

Several negative occurrences have contributed to declines in farm income and an increased demand for support from BRM programs:

- closure of export markets to Canadian beef related to BSE;
- discovery of avian influenza and consequent slaughter of poultry;
- rapid appreciation of the Canadian dollar, and;
- drought and flooding on the prairies.

As the new BRM programs unfolded, producers were encouraged to learn about the programs and participate. In 2004, improvements to the CAIS program in two areas – deposit requirements and the provision of negative margin coverage – showed that the program was responding to producers’ needs. It was providing effective income stabilization and disaster protection.

To date, BRM spending has been much higher than anticipated and has exceeded the federal target of \$1 billion per year since the introduction of the APF. The spending was higher than expected both in 2003/04 and 2004/05, at 41% and 22% higher respectively.

This situation has proven difficult for the provinces and territories, since their annual budget allocations have not accurately reflected their portion of the program funding requirements. Provinces have had to either seek supplementary allocations or adjust their level of participation in the components of the APF. Over the long term, the program parameters will be adjusted to take into account this overrun situation. This will occur following the review of an independent committee in 2006.

Environment

APF environmental policies and programs have been designed to enhance the sector's sustainability. Environmental sustainability can be judged by two main criteria: how well the sector manages and conserves natural resources that support agricultural production, and how compatible agricultural systems are with natural systems and processes.

The APF has identified priority areas related to water, soil, air and biodiversity. During bilateral negotiations, the federal government agreed to specific targets with the provinces and territories that would help position Canada as the world leader in environmentally responsible agricultural production. The strategic goals have been supported by:

- policy and strategy development;
- knowledge and information, and;
- on-farm results.

Policy and strategy development has focused on:

- the creation of science-based agricultural standards (where required) to support progress in the key outcome areas;
- the development of an environmental certification program to provide a framework for environmental farm certification, including the identification of best practices supported by regulations, and;
- the development and implementation of a suite of programs to help the industry assess the current situation and adopt environmentally sound practices.

The policy and strategy development programs include:

- the National Land and Water Information Service (NLWIS), designed to provide access to the best available geographic information and decision support tools using the internet and other technologies.
- Environmental Technology Assessment for Agriculture (ETAA) Program, which assesses innovative environmental technologies that maintain and enhance the health of natural resources associated with agriculture.
- Specific assistance for pesticides through:
 - The Minor Use Program, which will increase access to minor use products and new management technologies for Canadian farmers to improve their competitiveness in domestic and international markets.
 - The Pesticide Risk Reduction Program, which is aimed at supporting the development and implementation of risk reduction strategies for specific crop systems. The program helps increase the availability of alternative pest management tools through research, and encourages farmers to adopt these practices.

The knowledge and information component includes such activities as the National Agri-Environmental Health Analysis and Reporting Program (NAHARP). The NAHARP will measure the environmental performance of agriculture, compare it against the APF targets, and report the results. Other programs are also in place to help establish baselines for standards of environmental performance.

The on-farm results component of the Environment chapter includes:

- The National Environmental Farm Planning (EFP) Initiative. This program encourages producers to develop farm plans, implement best management practices and continuously evaluate their environmental performance.
- The National Farm Stewardship Program (NFSP). This program provides financial support for farmers who have completed an EFP to undertake environmental improvements.
- Greencover Canada. This program helps farmers improve their grassland management practices, protect water quality, reduce greenhouse gas emissions, and enhance bio-diversity and wildlife habitat. The program distributes extension information and provides incentives to: convert land from annual to perennial crops; better manage land near water, and; encourage tree planting.
- The National Water Supply Expansion Program (NWSEP). This program secures water sources for agricultural use, and encourages sustainable water use in rural Canada. Rural residents will receive benefits in three ways: on-farm infrastructure, multi-user water infrastructure, and strategic studies and other activities that enhance producer knowledge of the limitations of water resources.

EFP and NFSP are cost-shared, while Greencover Canada, NWSEP and the pesticide related programs are “federal only” programs.

To date, activities under this chapter have focused primarily on training farm planning advisors, developing workbooks for use by these trained advisors, and staging workshops to present farmers with information on best management practices.

Environmental programming is not yet fully operational in all provinces. By March 31, 2005, approximately 10% of the total allocation for the Environment pillar had been spent.

Table 5.2 summarizes the environmental program actual outputs for 2003/04 and 2004/05 and projections for 2005/06. To date, the Greencover Canada program has achieved 44.4% of its target while the Environmental Farm Plan and National Water Supply Expansion Programs have been in the range of 13% to 17 percent.

Table 5.2: Environmental Program Activities and Outputs, 2003/04 to 2005/06

Activities	2003/04	2004/05	2005/06 estimated
Environmental Farm Plans No. reviewed (completed)	N/A	APF-- 9,139 Wedge/APF- -942	APF-- 15,630
National Farm Stewardship Program No. of BMP projects completed	APF--N/A Wedge--175	APF--1,046 Wedge--675	APF--827 Wedge--210
Greencover Canada No. of hectares converted to perennial cover	88,415	42,417	43,895
National Water Supply Expansion Program No. projects completed	1,017	905	1,376

Food Safety and Quality (FSQ)

The Food Safety and Quality pillar will help the industry develop and implement government-recognized food safety, food quality and traceability systems from field-to-fork. Food safety will focus on reduction exposure to hazards and ensure that food quality focuses on meeting non-safety market specifications.

The federal, provincial, and territorial governments and industry have collaborated to enhance national, integrated agricultural and agri-food safety and quality policies and programs. To ensure that other federal partners participate in the process, in December of 2003 AAFC signed a Memorandum of Understanding with Health Canada (HC), the Canadian Food Inspection Agency (CFIA), and the Canadian Grain Commission (CGC).

The system development component of the FSQ chapter was launched in December of 2003 while the on-farm implementation was announced in April, 2004. The collateral agreements for the food safety initiatives were not signed until November and December of 2005.

The FSQ program builds on the success of previous on-farm and post-farm programs. It promotes an integrated approach to food safety along the agriculture/agri-food continuum. About 20 national commodity organizations that participate on the Canadian On-Farm Food Safety Working Group have cooperated to develop common tools for their respective on-farm safety programs. Some producer associations are currently implementing these food safety systems at the farm level. Industry has overseen and dictated the progress of the program at the national level. Progress also has been made on traceability

systems through the Canadian Livestock Identification Agency and the Canadian Cattle Identification Agency. Many associations are involved in the development of traceability systems that are tied to the Can-Trace and/or livestock identification activities.

Government and industry efforts have resulted in the publication of the Can-Trace Roadmap. This plan identifies the industry action plans for adopting a harmonized approach to food product traceability from field-to-fork. In addition, AAFC has initiated a virology program, strengthened resources in food microbiology and molecular genetics, and linked scientists nationally to work together on strategic initiatives in support of the national food safety activities.

Table 5.3 shows the activities completed for the system development, on-farm implementation, and food safety components of the FSQ chapter. In terms of total funds spent to date, about 10% of the budget allocation has been dispersed.

Table 5.3: FSQ Activities and Outputs, 2003/04 to 2005/06

Activities	2003/04	2004/05	2005/06
System Development			
-On-Farm Food Safety	0 projects	22 projects/\$3.69M	5 projects
-Off-Farm Food Safety	\$0	6 projects/\$1.23 M	\$1.39M
-Traceability		14 projects/ 2.79 M	2 projects
-Multi-associations		6 projects/\$1.17 M	\$0.3M
Total System Development	0 projects \$0	48 projects/\$8.88M	2 projects \$0.17M 3 projects \$0.4M 12 projects \$2.26M
On-Farm Implementation	--	--	2 projects \$8.7M 6 projects under CFIA Technical Review
Food Safety Initiative	--	--	\$20M for Ontario \$22.8M for Alberta \$2.6M for BC \$2.5M for Manitoba \$0.37M for NS All collateral

			agreements with provinces/territories signed.
Total FSQ	0 projects/\$0	48 projects/\$8.88M	14 projects \$10.96M

Renewal

Renewal programs provide producers with access to public and private sector services that will help them develop business and succession plans, employ beneficial management practices, and participate in learning activities to increase farm profitability.

To guide the process, an initial benchmarking survey was undertaken in the winter of 2003/04 to assess the learning practices, business management practices and goals of 2,000 producers. From this survey, a Benchmarking for Success CD-ROM was developed to provide producers with information on how to assess the performance and potential profitability of their farm. The CD-Rom would help producers compare their farm to farms of similar type, size and specialization within the region.

This information was subsequently made available on the Renewal website along with links to other management tools. A second survey will be conducted in the winter of 2006/07 in conjunction with a client impact assessment survey. The survey will determine the impact of renewal programming and how clients have used and reacted to the programs. This information will be used to guide future programming.

At the federal level, the Canadian Farm Business Advisory Services (CFBAS) program is now operational in most provinces and territories. CFBAS has two components:

- Farm Business Assessment (FBA), which provides producers with access to five days of consulting services to prepare a farm business assessment.
- Specialized Business Planning Services (SBPS), which provides financial assistance to producers to purchase specialized consulting services for developing comprehensive business plans.

In addition, the Planning and Assessment for Value-added Enterprises (PAVE) program also falls under the Canadian Farm Business Advisory Services category. This program helps producers access business planning professionals to develop comprehensive business plans to pursue value-added activities. It is available to producers in provinces that have launched their farm business advisory services.

Renewal initiatives also address human resource issues. Canadian Agricultural Skills Services (CASS) is designed to help producers and their spouses increase family income from on and off-farm activities by helping them access the financial support they would need to pursue further education.

To meet Renewal pillar objectives, producers also need to establish collaborative partnerships with groups such as the Canadian Farm Business Management Council, the Canadian 4-H Council, and the Association of Canadian Community Colleges. The “federal only” programs that support skills and development initiatives include the Agricultural Sector Council, the Access to Capital program, and the Young Farmers Program. In June of 2003, the AAFC announced a \$12.5 million contribution over five years to support the Canadian Farm Business Management Council.

An organization has been established to address a variety of human resource concerns in the agriculture sector. Called the Agriculture Human Resources Sector Council, the organization is lead by the Canadian Federation of Agriculture, and has representation from a broad group of producer organizations.

Human Resources and Skills Development Canada (HRSDC) is helping to fund the Council. In addition, a Memorandum of Understanding was signed with HRSDC in September of 2006 to deliver the CASS program. As a result, CASS is now available in all provinces except Quebec and the Northwest Territories.

These initiatives will be complemented by the Capturing Opportunities program, which will help producers and communities capture new opportunities from science and innovation. Finally, the Farm Debt Mediation Services program provides insolvent farmers and their creditors with mediation services.

Provincial and territorial programs are essential to the success of the Renewal pillar. Provincial and territorial renewal activities have focused on:

- developing industry strategies;
- enhancing extension services;
- building private sector advisory capacity with public sector initiatives and resources;
- providing management training;
- developing business management tools and information;
- supporting the capturing of opportunities, and;
- building the industry base.

In some provinces and territories, renewal activities have emphasized beginning farmer support, farm succession, human resource management and farm labour.

Table 5.4: Renewal Program Activities and Outputs, 2003/04 to 2005/06

Activities	2003/04	2004/05	2005/06 estimated
Canadian Farm Business Advisory Services			
-Farm Business Assessment	1,091	1,798	3,095
-Specialized Business Planning Services	N/A	148	317
Planning and Assessment for Value-added Enterprises	N/A	22	76
Canadian Agricultural Skills Services	N/A	N/A	2,016
Farm Debt Mediation Services	580	554	611

Program awareness continues to be a challenge in optimizing producer participation. As a result, a comprehensive communications work plan has been developed and approved for all provinces. Activities are now underway to implement it.

Science and Innovation

Recent scientific innovations promise to radically alter agriculture. New applications for agricultural commodities such as nutraceuticals, bio-plastics, renewable fuels and plant-based industrial products are being developed. These applications will present a new range of opportunities for producers and rural communities. Taking advantage of these new opportunities could allow farmers to increase farm profitability through: diversification; improved environmental practices; reduced non-renewable energy use, and; access to new markets.

The Science and Innovation chapter seeks to strengthen existing linkages and create new relationships. These objectives are meant to encourage a supportive investment climate and new innovations through technology transfer and commercialization, resulting in new agricultural and rural value-added opportunities. The funding is expected to leverage the equivalent of 10 times its value in annual public agri-innovation activities over the same timeframe.

The Science and Innovation chapter seeks to realign public sector resources through the involvement of academic institutions and industry. The objectives include expanding and strengthening linkages between groups, and accelerating innovation using intellectual property for publicly supported research.

The initial focus of the Science and Innovation chapter has been on re-alignment, coordination and program development. To achieve this goal, developing strong linkages between all the players in the value chain has been necessary.

The re-alignment of the public sector resources component includes financing a benchmarking study to determine science capacity. It also includes developing: an intellectual property strategy; a bio-based economy investment strategy, and; a human resources strategy for science. The benchmarking study has been completed to determine existing agriculture-related science capacity. This study will be repeated every three years to evaluate the extent of the re-alignment that has occurred as a result of the APF. The intellectual property strategy is currently being developed.

Funds also have been allocated to facilitate coordination throughout the value chain, with the remaining monies allocated to the accelerating innovation component.

The accelerating innovation component has two programs:

- The Broker Fund, which provides monies to strengthen market chain linkages and encourage the adoption of new innovations. It funds brokering between governments, universities and industry to: bring technology to market; move producers and communities up the value chain; create new value chains, and; differentiate commodities into a wide range of new products and markets. Examples of projects under the Broker Fund include Soy 20/20, Flax 2015 and BioProducts Canada.
- The Agri-Innovation Fund, which: provides start up help (such as centres of innovation, business mentoring and pilot processing); integrates the bio-products sector across scientific disciplines, facilities and systems, and; provides research planning and realignment incentives for bridge funding of key science positions, facility planning and transition initiatives. Program delivery is just beginning.

To date, 17 proposals valued at \$15.1 million have been approved for funding, seven proposals worth \$4.1 million are being developed and letters of intent have been received for four projects valued at \$7.1 million.

International

Under the international component of the APF, several key initiatives have been developed:

- Value Chain Roundtables (VCRT). These have brought together industry leaders along the value chain to build a consensus on government policies. VCRTs have been established for beef, pork, oilseeds, cereal grains, special crops, horticulture and the seafood sectors. F-P-T governments have been active partners in the roundtables. The effectiveness of the VCRTs is illustrated by the valuable input provided by the beef industry roundtable in managing Canada's response to BSE.

- Branding Canada. AAFC has been developing an international branding strategy for Canadian agriculture and food to help leverage the Canadian image abroad. Extensive research has been undertaken in selected markets to provide intelligence on our global customers and their image of Canada. A new “look and feel” Canada Brand is under development for use by industry partners to market their products abroad by promoting Canadian quality, safety and traceability.
- The Canadian Agri-Food International (CAFI) program. CAFI provides matching assistance to Canadian agriculture, agri-food and seafood industries to develop marketing strategies to brand Canada. It promotes generic, industry-wide brands, supports technical marketing, and supports industry-lead advocacy initiatives. Projects funded fall into two categories: short-term projects that are used to address new opportunities, and long-term international strategies to gain recognition and facilitate long-term, sustainable export sales. Since its launch in March 2003, CAFI has provided over \$50 million of support.

To provide an enhanced presence in key international markets, AAFC has staffed four new positions in the US market and added 10 new specialist positions to complement the 22 agri-food specialists in other key international markets. This staff provides “on-the-ground” connections to local buyers, gathers market intelligence, and assists in building the Canada Brand image to maximize opportunities for the Canadian agriculture and food sector.

In support of global marketing efforts, AAFC continues to work on improving market access, addressing technical barriers to trade, and negotiating bilateral and multilateral trade agreements.

Chapter 6 - Evaluating the APF

6.1 Synthesis of Responses to Questionnaire

The APF Review Panel solicited views on the impact of the APF through a questionnaire (Appendix C). It was distributed to approximately 100 agriculture-related organizations and individuals, asking them to provide their opinions on an array of topics. The Panel received 50 responses (see Appendix D for a list of respondents).

Many of the respondents generally supported the APF vision:

“To secure the long-term profitability of the sector by making Canada the world leader in food safety, innovation and environmentally responsible agricultural production”

Several respondents indicated that profitability needs to be emphasized as a stand-alone priority that is independent from food safety, innovation, and environmental responsibility. Society’s hope for food safety and environmental concerns may not always line up with producers’ expectations of profit.

Respondents cited several factors that make the Canadian agricultural sector profitable and competitive, including an agriculture policy that helps make producers competitive with other countries. Factors that affect competitiveness include the regulations and subsidies in other countries, currency values, and our ability to develop competitive product streams. The APF could enhance competitiveness by putting more emphasis on innovation and investment in research and infrastructure.

So far, the APF has not generated many measurable outcomes. If profitability is an outcome, the outcomes are negative. However, the development of numerous Environmental Farm Plans (EFPs) is a positive outcome, resulting in sustainable and environmentally conscious farming practices.

APF implementation has been uneven between its five pillars. The emphasis on the Business Risk Management pillar has far outweighed the others, which have suffered for lack of resources. Moreover, implementation may have been stymied by producers’ perceptions that they weren’t suitably consulted before the APF was put in place. Greater producer involvement is a key requirement to improve APF implementation. As well, the complexity and burdensome nature of APF administration needs to be reduced.

The APF must better integrate the five pillars. The Science and Innovation pillar, in particular, needs more resources, as this pillar can contribute significantly to competitiveness. The current system puts too much emphasis on financing the safety net for producers. Asked how they would allocate additional resources,

many respondents said more funding is needed for research, particularly for alternative energy sources. New technologies also need to be developed to reduce the costs of production.

1. Vision and priorities for Canadian Agriculture

APF Vision

This part of the questionnaire asked whether the APF vision for Canadian agriculture reflects society's current and future expectations, or how the vision could better reflect a common government, industry and societal vision. Respondents expressed a generally broad acceptance, and in some cases enthusiasm, for the vision. However, a wide consensus emerged that more emphasis must be placed on profitability.

A dichotomy seems to exist between society's expectations regarding the environment and food safety, and industry's expectations of profitability. Several respondents suggested that although the vision may reflect "society's" expectations, it isn't a given that these expectations should be the goal of the agriculture sector. These respondents stressed the point that the APF vision is a lofty goal that comes with a price, and as long as society is unwilling or incapable of paying more for food safety or environmental protection, the price will be paid in farmer profitability.

Profitability is already impacted by many factors, including costs, revenues and markets. These factors are greatly affected by international policies on trade, agricultural subsidies and support programs. If profitability was the primary focus of the vision, farmers might show more enthusiasm for other aspects of the vision.

Canada's effort to become a world leader in food safety and environmentally responsible production raises producers' costs. It also impedes competitiveness and profitability. Instead, many feel Canada should focus on the value chains.

Within the industry, a dichotomy is also apparent between "family farmers" and agri-business. The vision needs to be more specific, and perhaps should promote the long-term economic and social viability of family farmers and rural communities.

As well, more emphasis needs to be put on the Science and Innovation pillar, sustainability, and the connection between food and human health. The Business Risk Management (BRM) pillar has been too heavily prioritized. Although respondents often want to prioritize "sustainability," some may take this to mean sustained production while others view it as environmental and economic compatibility.

Stakeholder participation

The Panel asked whether various stakeholders in the agriculture sector are able to participate effectively in the APF process. Responses were mixed. Though some felt farmers were able to participate, many felt they did not have sufficient opportunity. One respondent stated that farmers were not consulted “in any way” before the APF was publicized and another said they felt “shut out.” Another said the APF seemed to be “written in stone” before consultations could occur at the primary producer level. Most respondents concurred that stakeholders should be given the chance to contribute to the process. Stakeholders need to be involved from the beginning, rather than being asked for comments in reaction to decisions in which they have no say. However, many farmers do not have the financial resources or time to participate in bureaucratic policy-making.

Rural Issues

The Panel asked if the APF should address rural issues as well as agricultural issues. The majority of respondents favoured APF involvement in rural issues; some suggested the issues are inseparable. One said agriculture is the “main engine” of rural development. In turn, rural policy issues – concerning transportation, water, infrastructure, and alternative energy sources – exert a significant impact on agriculture. At the farm family level, some respondents felt the APF focus should be on the profitability of the agriculture sector, rather than alternative forms of employment.

Some respondents cautioned that rural issues are so numerous, complex, and diverse that they cannot be combined with one industry such as agriculture. Instead, agriculture should be addressed as a stand-alone issue separate from rural concerns at large. One respondent said rural issues involve many other government ministries, such as those responsible for health, education, and transportation. The APF would “bog down” if it tried to address all the multi-jurisdictional rural issues. Rather, the APF should stick to agriculture and not become sidetracked by all rural concerns.

Success

Finally, the Panel asked: how do we recognize success. Respondents overwhelmingly agreed that the key determinant is profitability at the farm level. But no clear consensus emerged on how to measure profitability. Other measures that were popular among respondents included:

- The development of successful value-added products;
- A halt in the reduction of the number of family farms;
- Respectable farmer incomes;
- More young farmers;
- Less need for ad hoc policies and programs.

2. Profitability and competitiveness

The Panel asked respondents to list the factors that make the Canadian agricultural sector both profitable and competitive in the long run. The two are not synonymous: you can be profitable without being competitive, and vice versa. The concepts may apply differently to a sector as compared to an individual.

Respondents pointed to several factors:

- A network approach to the market;
- An integrated, adapted and coherent strategy involving the various competitiveness-related factors;
- An equitable market (transparent pricing and re-balancing of power relationships in the market, particularly with the help of needed regulations), and;
- An agricultural policy that is competitive with that of other jurisdictions. The policy must also be suitably flexible to facilitate innovation and adapt to various systems.

Respondents indicated that profitability depends on the producers' ability to generate sufficient margins on their products. This is largely a function of keeping costs under control. Factors that influence profits include:

- Access to new and affordable technology;
- Modern infrastructure;
- A realistic, fair and science-based regulatory environment;
- Access to affordable capital and operating funding;
- A non-restrictive policy environment;
- Fair and enforceable trade rules, and;
- A supportive tax environment.

Effective and timely Business Risk Management (BRM) programs are another major factor. They must be designed to support profitable enterprises that are affected by risks beyond the producers' control.

Many of the factors affecting profitability also affect competitiveness. Key factors affecting competitiveness (both those within and beyond our control) include:

- The regulatory environment and subsidy levels in competing countries;
- Currency value fluctuations, and;
- Our ability to recognize and capitalize on the product streams where we can be competitive.

Some respondents suggested that we should publicly acknowledge product streams that are not competitive, and determine if any innovations exist that can make them competitive. If not, we must focus on ways to generate alternate revenue streams.

Incentives

The Panel asked if the APF provides incentives for Canadian agriculture to be profitable and competitive. Responses varied. Some said it will lead to profitability in the long term. Others said it won't lead to profitability because too much emphasis is placed on income support. Some respondents acknowledged that incentives exist but aren't sufficient to ensure profitability and competitiveness, which require more innovation and investment in research and infrastructure. Some respondents noted that APF incentives benefit the agribusiness sector, but not farm families: APF payments did not prevent farmers from going under, but allowed larger farms to survive and take over market share. Some APF pillars, such as the Food Safety and Quality pillar and the Environment pillar, can actually constitute disincentives due to the requirements and costs involved.

Pillars

The Panel asked if the five pillars of the APF provide support to the commodities with the greatest competitive and profit potential. Most respondents felt the APF does not fulfill this function, or that it shouldn't be trying to support any particular commodities. Some suggested the APF doesn't single out any one commodity and this is the way it should be. One said there was no apparent relationship at all between the pillars and the commodities with the greatest potential. One said the APF should not provide extra support to commodities with the greatest potential, since pillars such as Food Safety and Quality need to be available to all commodities. Another added that the APF should not pick "winners and losers" but should strive to create marketplace conditions that allow producers to provide products demanded by consumers. One said commodity prices and thus profitability are in constant flux, and to focus on currently profitable commodities is short-sighted. Instead, the APF should help farmers achieve sustainability and marketability.

Some respondents indicated that the pillars have insufficient flexibility. One said Canadian farmers would be more competitive if the rest of the world had to follow our stringent guidelines. The "one size fits all" approach to risk management should be replaced by one that permits complementary provincial programs supported by the federal and provincial governments and producers.

3. Effectiveness and impact of APF

Measurable Outcomes

The Panel asked whether the APF has generated any measurable outcomes (positive or negative), and what impediments might deter positive outcomes. Respondents overwhelmingly viewed profitability as a key measurable outcome. In reality, Canadian farmers have had to utilize several special programs to

prevent net revenues from collapsing. To suggest that the APF has been counterproductive to profitability would not be a fair conclusion given the short period of time that the APF has been in existence. As well, the APF has failed to reduce “ad hocery” in agricultural program delivery. Nor has it coped well with crises like the BSE issue or drought.

Otherwise, respondents indicated it’s too early to identify measurable outcomes. In particular, investments under the Science and Innovation pillar have been relatively small, deferring outcomes. Food Safety and Quality initiatives are just beginning to roll out. It’s too early to demonstrate any outcomes in the Environment pillar. Although much time and effort has been devoted to the Business Risk Management (BRM) pillar, the design, coordination, and delivery of components of the other pillars has failed. If the same focus went into the Science and Innovation pillar as BRM, much could have been achieved.

Some positives exist. Conceptually, the APF has raised public consciousness about the need for programs to help farmers. For the first time, a block of funding has been set aside to address issues facing the agriculture community. Through the APF, farmers are involved in making recommendations for improvements to Business Risk Management programs and agriculture policies. The APF is providing a forum for the industry to be a partner in agriculture policy development. The combination of the five pillars under one umbrella provides a common foundation for levels of government to focus their efforts. It has provided for a closer working relationship among the federal and provincial governments and industry. This team approach bodes well for the future. Respondents applauded the launch of numerous environmental farm plans (EFPs), which are proceeding at a promising rate.

Impediments

A key impediment to measuring outcomes has been the absence of clear benchmarks at the outset of the APF. The lack of sufficient farmer participation has also been an impediment. Low or negative net farm incomes are also an impediment, as they prevent farmers from participating in programs the APF promotes.

The program’s structure is another impediment. Some respondents said measures of success must encompass more than profitability. In particular, due to the emphasis on the BRM pillar, the APF has failed to sufficiently recognize the complexity of the other four pillars. The preference of AAFC for a “one size fits all” approach, meanwhile, flies in the face of the diversity in regional and sectoral needs.

Some respondents indicated that the Canadian Agricultural Income Stabilization Program (CAIS) may be discouraging on-farm innovation (diversification/value-added). The CAIS program, by design and by its applied operational methods,

severely impedes this goal. It is conceptually understood, but operationally unpredictable. The program has fallen short of helping farmers secure loans, since lenders do not factor in any risk offsets for the program when considering investment plans. In general, the APF risk management programs are perceived to have increased financial risk and de-stabilized the industry.

Another major impediment is the unprecedented combination of crises: BSE, avian flu scare, droughts, floods, the rapid rise in the Canadian dollar, high energy costs, low grain prices, and foreign subsidies and trade remedy actions. In total, these impediments have resulted in poor farm incomes and high debt. If interest rates rise significantly, farmers' fortunes could worsen.

4. Implementation of APF

Effectiveness of APF

The Panel asked how effectively the APF has been implemented (including successes or failures). Many respondents indicated that the APF vision and overall programming are sound and understandable. Yet a good majority said that implementation has been slow or uneven among the pillars. Renewal, the Environment, and Food Safety and Quality have had success in some jurisdictions, and little success in others. The implementation of the Science and Innovation pillar has been slow.

Overall, APF implementation has been ineffective. Several respondents said the problem was a lack of stakeholder consultation before the framework was introduced. The APF was not built in partnership with the agri-food industry and therefore subsequent debate has focused on principles rather than improvements. This shortcoming is typical of Agriculture and Agri-Food Canada, which is not seen to be developing and maintaining effective working relationships with producers. One respondent noted that incomes have continued to fall despite BRM support. The CAIS program was supposed to address the financial pressures of normal market conditions. Instead, it has had to address natural disasters and trade issues that were unpredictable, costly, and beyond the control of farm managers.

On the positive side, the APF has effectively fostered cooperation between the provinces and territories, and is encouraging stakeholders to become involved in policy development. One respondent indicated that provincial programming is more effective than nationally managed programs. Locally developed programs are well tailored to local needs. They draw on local strengths and minimize ad hoc changes. The lines of responsibility are much clearer for program planning, effective implementation, efficient management and accountability for results. The implementation of Environmental Farm Plans (EFPs) has been effective in getting farmers to identify specific issues on their farms.

Improvements to APF

The Panel asked how APF implementation could be improved. Foremost, respondents indicated that the complexity and burden of administrative processes must be reduced. The APF needs to adopt a more streamlined and efficient process. At the federal level, decision-making authority should be divested to regional offices to accelerate APF implementation. Such an arrangement would reduce application/accounting costs and approval times (as decisions would be made closer to the ground), increase program uptake, and shift the focus from processes to outcomes. It would also make the APF more adaptable to the needs of sectors and regions. Some respondents said that responsibility for the development and implementation of programs should be assigned to the provinces, along with management of funds and accountability for results.

APF implementation might also be improved through greater involvement of farmers and the industry. For example, Canadian Adaptation and Rural Development (CARD) councils have proven to be an effective tool for the implementation and administration of programs for farmers. Properly balanced, these organizations provide for less expensive administration and greater peer review of projects and programs, and bring industry into the decision-making process.

5. Future directions for APF

Balance and Changes

The Panel asked whether an appropriate balance could be achieved of resources and activities among the five pillars to achieve the APF vision. Respondents were also asked how the balance should change.

Most respondents indicated that the balance could and should be made more equal. Some indicated that the BRM is too heavily emphasized relative to the other pillars. One said we are focusing on the failure of one major risk program as if that program is the panacea for every adverse effect in the agriculture industry.

The existing pillars need to be better integrated, particularly the Science and Innovation pillar and the Renewal pillar. These two pillars can contribute to the strategic growth needed to reverse the long-term downward trend in incomes. The Environment pillar could be strengthened to include payments for ecological goods and services. The Science and Innovation pillar requires a higher priority. We now approach these issues as an added cost of business, rather than researching solutions that could lower operating costs by reducing waste byproducts and dramatically increasing efficiency. One respondent likened the Canadian agriculture industry to the North American auto industry when first

faced with major foreign competition: an industry that has stopped evolving. Some respondents said the current imbalance in the allocation of resources suggests that only lip service is paid to achieving the vision of a globally competitive, profitable and prosperous agriculture and food sector. Innovation, food safety, and the environment need more support. The current system finances the safety net for primary producers.

APF 2

The Panel asked if other pillars should be considered for APF 2. Several respondents indicated that no additional pillars are required. Some suggestions were put forth, including:

- Sustainability and long-term viability of farm operations, particularly small/medium farms: This could come under Renewal or the Environment but is better as a separate pillar.
- Strategic growth: Focusing on niche markets, value-added production, research and new technologies. This is one of the three pillars that the Canadian Federation of Agriculture advocates in *APF II: A Canadian Farm Bill*. This pillar would concentrate on ensuring that an equitable marketplace emerges that would foster prosperity.
- Bio-economy: Specific programming and funding are required for international trade and marketing.
- Supply management: The APF should recognize that supply management is an integral part of Canada's agriculture policy. It has 3 aspects: import controls for products and by-products; a pricing policy that covers production costs, and; production management.
- Efficiency and effectiveness: The APF must address policies and regulations that retard evolution. Operating costs need to be reduced, new markets need to be created, and non-traditional markets such as premium green energy and environmental resource management should be developed.

International Trade

The Panel inquired how the international trade environment (e.g. NAFTA and WTO) could be included in the APF. Several respondents said we need to concentrate on Canada first. Some said we need to enhance Canadian agriculture as a primary priority, and then focus internationally. We need to first restore the security, integrity and sovereignty of our national food program, and fair trade would flow once surpluses occur.

Others indicated that international trade is already a key focus of the APF, particularly Canada's changing focus from being an exporter of raw material to one of value-added products. Some said that the APF vision depends on market access. One respondent stressed the need for Canada to address the impacts of

international trade subsidies and unfair trade practices that impact the profitability of the Canadian industry. Others argued that NAFTA and WTO should be treated as opportunities, not threats. Canada's trade policy positions are too defensive; we must strive to find ways to increase market access, since it is a principal driver for future growth and success.

Income support

The current focus of CAIS is whole farm stabilization. The Panel wanted to know if this is an appropriate approach or whether a greater emphasis should be placed on commodity support. Should more of the APF funds be directed to expenditures on research, marketing and promotion and infrastructure?

Many respondents were supportive of the "whole farm" approach. Some opposed commodity specific programs, which were in effect until the mid-1990s and were inequitable and divisive. They pitted commodity groups and provinces against one another and became the target of trade action. Commodity support creates an excessive drain on the treasury to cover losses on a low-price crop. It prohibits diversification and creates regional imbalances. The focus of CAIS should remain whole farm stabilization. The program is already too complicated and cumbersome; breaking it down along commodity lines would make CAIS even more difficult to implement.

Others favour commodity support. One argued that grains and oilseeds, in particular, need commodity support: the industry depends on these commodities but we can't expect producers to lose money growing grain indefinitely. Some argued that a strategic, whole-value chain approach is needed to make Canada a world leader. For example, if we invest in an ethanol plant, which is a top-down form of support, we also need to provide bottom-up support to make the plant succeed. Some respondents agreed that APF funds should be directed to research, marketing and infrastructure. Others said this should only occur if additional funding becomes available.

6. How would you allocate a billion dollars?

The Panel posed the question: if you had a billion dollars, how would you allocate it? Some said one billion dollars is insufficient given the size of the agri-food sector and the breadth of public policy issues that need to be addressed.

But if the money was available, the majority of respondents said research is needed. For example, research and development is needed for alternative energy sources. Science and innovation initiatives should be targeted and developed. Research is needed into new varieties of wheat, Durum and barley. Research is needed into high yielding cereals for feed and industrial uses, new products (bioproducts), as well as products for food and health and products for fibre and nutraceuticals, pulse crops, other specialty crops, and innovation and

research on value-added food products. Research that leads to successful commercialization should be prioritized.

By extension, technology was another key theme. Technologies should be developed to reduce high input costs. A program should be developed that allows producers to achieve some ownership over new technology. In terms of infrastructure, broadband technology is needed for better communication and information dissemination. One respondent argued that workable, affordable biodigester technology is needed that would allow the livestock industry to manage manure in a way that reduces odours and captures methane for energy conservation.

Other themes were:

- Producers should be paid for ecological goods and services (EGS), providing an immediate flow of income as well as environmental benefits;
- Bio-economy: more funding and support is needed for international trade and marketing and research and development;
- Risk management programs are needed that ensure profitability. The CAIS program could be overhauled and replaced with one that is responsive, transparent, efficient, and adequately funded. Direct financial incentives are needed for farmers to ensure their operations are viable and safe.

6.2 Provincial Assessments

Eight provinces provided the APF Panel with updates on their implementation of APF programs. Although reporting has omissions and is inconsistent from pillar to pillar, many programs have been initiated, some with impressive results. These programs, and related highlights, are summarized in Appendix F.

6.3 Sample Success Stories

The Panel identified a variety of local and provincial “success stories.” Some are summarized below. Interestingly, the only pillar for which no success stories were identified was the BRM pillar – and it is the one on which the bulk of the funds have been spent.

Renewal

BC – Native Youth

Thousands of Native youth are learning about farming and the environment in rural BC. Under its Renewal chapter, BC is fostering skills development among rural youth through leadership, farm business and technical skill experiences, as well as group activities that improve organizational skills. In 2003/04, the

province's Youth Development Unit provided over 3,000 rural youths, 800 adult leaders and their families with programs on:

- farm safety;
- safe animal handling and animal care;
- renewal of agricultural knowledge, and;
- education on safe farm sites, sustainable practices and environmental responsibility.

The province developed programs to increase First Nations' youth participation in agricultural initiatives, including linking the community with new innovations in agriculture.

Nova Scotia – Tree fruit bio-products

Tree fruit is becoming a hot commodity in Nova Scotia. The province has launched a unique Tree Fruit Bio-Products Development Initiative. The goal is to enhance the economic value of apples and other tree-fruits and foster a sustainable industry. The province is supporting economic research and business development activities related to tree fruit bio-product opportunities, and providing expert advice on potential new opportunities for growth in the horticulture sector. The province has signed a Bio-products Development Accord with the Nova Scotia Fruit Growers Association. The project is part of Nova Scotia's active Renewal Chapter, which has undertaken numerous projects.

Food Safety and Quality

Quebec – Tracking Livestock

In Quebec, tracking livestock now means more than tracing hoof prints. Through Agri-Traçabilité Québec, the province launched a livestock identification and tracing system in 2003-04 for beef, and for sheep in 2005-06. The province also began developing the regulatory framework for beef traceability from slaughter to market. The province has provided businesses with funding to invest in the equipment and technology needed to monitor animal movements. The project is contributing to the development of a nationwide animal tracking and tracing system.

BC – Pest Management

BC farmers are finding safer ways to manage pests. As part of its Food Safety and Quality chapter, BC is working to protect human health by reducing exposure to hazards. The province has improved its process for registering reduced-risk and emergency pesticides. In 2004, seven new minor use and 11 emergency pest management products were registered through submissions from the Food Safety and Quality Branch. These registrations are leading to the protection of agriculture crops and the replacement of old chemistry with reduced-risk products. Growers now have access to safe pest management tools. In the

future, BC will continue the process in cooperation with other provinces and federal agencies.

Environment

Environmental Farm Planning (EFP)

Throughout the country, farmers are helping fulfill the APF by adopting Environmental Farm Plans (EFPs). The National Environmental Farm Plan Initiative is helping the sector put in place sustainable farming practices, and to continuously evaluate their environmental performance. The program is implemented by the provinces and territories, and the EFPs are drafted at the individual farm level. Results are impressive. For example:

- BC has trained 80 individuals as planning advisors who hold workshops throughout the province to help producers prepare EFPs;
- Saskatchewan has developed an Agri-Environmental Scan and EFP workbook and facilitators are conducting producer EFP workshops across the province;
- Ontario has produced several editions of its workbook and holds 200 EFP workshops, for approximately 4,000 farmers, each year;
- Newfoundland and Labrador has completed 250 environmental farm scans and 160 EFPs;
- In Québec, by the end of March, 2006, 9,070 EFPs were completed. If the trend continues, the province will achieve the objective of 12,600 EFPs by the end of the APF term.

Quebec - Agri-Environmental Advisory Clubs

In Quebec, farmers have formed 84 Agri-Environmental Advisory Clubs, which are helping their 7,790 members protect the environment. The clubs help farmers learn about sustainability, and how to improve their environmental performance. Each club includes close to 100 farms, and has advisors and an elected administration board. The clubs involve individual support, including: an on-farm diagnosis; environmental farm plans; cultivation and fertilization plans; field studies of crops, and; implementation of best management practices. The clubs also provide group support, which includes: information, demonstrations, and training; technology transfers and trial networks, and; study visits and trips. Membership in the clubs has grown steadily.

Alberta – Environment Chapter

Alberta farmers are making sustainability a way of life. The province has developed a thriving Environment chapter, which takes a coordinated approach to the environment. The Chapter is helping farmers employ numerous sustainable activities, such as reducing water contamination from agricultural activities, reducing soil erosion, reducing greenhouse gas emissions, and

increasing wildlife habitat. It's also ensuring farmers produce and implement Environmental Farm Plans (EFP). The province has identified roughly 8,200 farms in high risk areas that will be urged to produce an EFP and join the Chapter, whose motto is "taking care. taking pride."

Alberta – A Farmer's Tale

A change is afoot on the range. In recent years, many Alberta farmers have adopted Environmental Farm Plan (EFP) practices, and are happy for it. "I have observed the transition from outright opposition, to skepticism, to reluctance, to resignation, to partial and full support for the farm plan," said farmer Lynden Hutchinson, who initiated an EFP in 2003 and now rarely contemplates a change without considering the environment. On his farm, for example, he adopted:

- a tillage system that reduced wind and water erosion, and conserved moisture, residue, and fuel;
- a storage, handling and transportation system for fertilizer, herbicide and petroleum products that reduced the risk of spills and contamination, and;
- a household and livestock water supply system that reduced the risk of contamination and ensured good quality water.

Science and Innovation

Manitoba – Food Development Centre

Producers in Manitoba are developing new and innovative food processing techniques with help from the Food Development Centre (FDC). The Centre, based in Portage la Prairie, is assisting producers in numerous areas, including innovations in bio-products and processes, technology and marketing information transfer, value chain coordination, and advances in food safety. Since 2003, producers have developed 18 new, modified, or improved food products, and created or expanded eight food processing companies. In 2006, the FDC is continuing to work with the agri-food sector to develop new and better food products, and is working with entrepreneurs and small businesses to develop new enterprises and assist established companies to diversify their operations.

Quebec – Bio-food Industry

Producers in Quebec are making advances in the bio-food business while respecting food safety and environmental concerns. As of March 2006, the province had initiated 40 technological research projects designed to improve the competitiveness of the bio-food industry and meet society's expectations regarding food safety, the environment, and regional development. The projects are part of the Programme de recherche technologique en bioalimentaire (bio-food technology research program). The projects are jointly funded with industry and involve 16 small and medium-sized businesses and one producers' federation.

Chapter 7 - Future Directions for the Canadian Agriculture Sector

7.1 Emerging Drivers

The economic significance of the agriculture sector appears to be declining in Canada. In particular, traditional export commodities are clearly in the mature or declining stage of their life cycle. Equally, the political influence of farmers and agricultural organizations, as well as rural constituencies, is declining. New products and approaches are needed. But if farmers are to influence government policy, future visions will have to include other strategic stakeholders. The primary production sector cannot drive the agricultural policy agenda in isolation of the broader society.

Naturally, governments continue to play a key role in shaping agricultural policy. But agriculture could benefit from a less heavy-handed approach. Tighter environmental and food safety regulations are not the answer. These restrictions add to the costs of production and decrease the competitiveness of the agriculture sector. Regulations impact small-scale producers more negatively than large-scale producers. Similarly, governments should not be in the business of providing long-term support to economically unsustainable farm operations.

Rather, government needs to provide measures to manage instability (including short term disaster relief) in farm family income and, where appropriate, adjustment assistance. One policy approach will not suit all. Canada's farmers are engaged in a diverse range of agricultural practices, and they all have unique lifestyles and business objectives. Governments are directed by society, and when society says it supports agriculture, it must be clear what type of agriculture it supports. For example, Canadians aren't likely to support the continual subsidization of large-scale agricultural exports at a loss.

Sustainable, long-term farm family income remains a viable and necessary goal. Agriculture still provides much of the economic, and social, backbone of rural Canadian life. Sustainability encompasses not only economic viability, but also environmental stewardship and social considerations. The APF Review Panel acknowledged that opinions vary on whether the agriculture sector should receive special consideration. Conceivably, the matter of adequate income levels is a broader social issue better addressed through social safety net approaches, such as guaranteed annual income programs.

The agri-food sector will benefit from policies that encourage value-added agriculture and food production (although it isn't clear how much of that benefit will accrue to the primary producer level). Indeed, long-term agricultural profitability must happen not only at the aggregate level, but at the various links in the agri-food chain. Farm income can be derived from four key areas: primary unprocessed farm commodities, "value added" processed food and other agricultural production, products of the knowledge based bio-economy, and

ecological goods and services. Farm income can also be derived from non-farm family income.

Farm incomes could be improved through the knowledge-based bio-economy. However, the products from this economy have small markets and, to succeed, require high management skills. Farm income also has the potential to benefit from ecological goods and services (EGS), particularly in regions with poor quality soils that are unsuitable for crops. Farm incomes could benefit from a societal recognition that the industry has the potential to reduce the burgeoning human health problem. But the industry needs a new “brand” that shows off the economic, environmental, and social benefits of a vibrant agricultural sector.

7.2 Do we have the Vision Right?

The APF Panel questioned whether the APF was pursuing an appropriate strategic direction. In essence, do we have the vision right? The vision reads:

“To secure the long-term profitability of the sector by making Canada the world leader in food safety, innovation and environmentally responsible agricultural production”

In practice, the vision is built around its five central pillars. The Panel consulted several individuals, organizations, and studies in order to assess whether the APF is on the right track. The predominant views of stakeholders are assembled below and compared against the APF vision.

Questionnaire

Respondents of the APF Panel’s questionnaire largely support the existing vision. However, many felt that long-term, sustainable profitability should be a stand-alone objective, complementary to but independent from the other APF ideals: food safety, innovation, and environmental responsibility. Canadian governments and society need to appreciate that agricultural profitability is already significantly impacted by outside influences, such as international trade policies and subsidies. For other priorities to be achieved, society needs to accept greater responsibility for the costs.

CAPI Discussion Document

The Canadian Agri-Food Policy Institute (CAPI) has identified two key visions for Canadian agriculture. CAPI is an independent organization with wide stakeholder representation that identifies emerging issues, trends, and policy issues in the sector. The two visions are described in a 2006 discussion document. The first vision emanates from a 2004 meeting of Canadian agriculture experts at the University of Guelph. The group based its vision on two pillars: human health care delivery and sustainable development:

“In the year 2015 Canada is a world leader in the enhancement of human, animal and environmental health through the application of research, technology, and social innovations in agriculture and the bioscience industry. As a solution provider to society, agriculture can help reduce the burgeoning health deficit, improve quality of life, and embrace environmental sustainability.”³

The group agreed that health care delivery in Canada is on the cusp of overwhelming all other public issues. Therefore, the agriculture sector should work to provide healthy and high-quality food products. In this way, the sector can reduce health care costs and help people pursue healthier lifestyles. The group also argued that the agriculture industry can help honour Canada’s commitment to the 1997 Kyoto Accord (an international agreement to reduce greenhouse gas emissions) by developing alternative energies and products.

The other CAPI vision is a consolidation of comments arising from gatherings in 2005 of leaders of the agri-food industry and related experts. It is thematically similar to the University of Guelph view. The CAPI discussion document describes the vision as a statement that signals where the agri-food sector strives to be:

“Producing and providing food, feed, fibre, renewable energy, and solutions for the health and well-being of Canadians and global value added markets; in a profitable and sustainable manner through developed and natural advantages.”⁴

Neither vision has been formally adopted by CAPI. The Institute proposed 10 high-level strategies to support the 2nd vision, which are based around several key themes, including: innovation, a more flexible business and regulatory environment that helps attract investment and open markets, value chains, new product development, development of Canadian markets, alternative energies, and crop and animal health and employee conditions. (For the full list of 10 strategies see *Working Towards a New Direction for the Agri-Food Sector*, page 24).

CAPI Study

In 2005, CAPI commissioned a visioning report that endorses the objectives and principles of the APF. But it calls for a greater recognition of at least one of the themes emphasized in the CAPI and University of Guelph visions: sustainability. The study frames its argument by referencing the University of Guelph meeting

³ *Working Towards a New Direction for the Agri-Food Sector*. Canadian Agri-Food Policy Institute (CAPI), February 2006 (unpublished).

⁴ Ibid.

and associated vision statement, and offers a shortened, snappier version based on the same themes:

“Agriculture: A foundation for a healthy and sustainable society in Canada and globally”⁵

The study envisions an agriculture industry that not only provides safe and nutritious food, but also solutions to health and sustainability issues. For example, it can be a source of nutraceuticals and non-food health and industrial products. Agriculture must see itself as an integral part of a broader society, one that is economically viable, practices environmental stewardship, and is socially beneficial. As part of this vision, a system of minimal government regulations and controls is required that protects the basic needs of society yet encourages entrepreneurial approaches to agricultural management and production. This vision also requires an adequately funded long-term approach to research.

CFA

For its part, the Canadian Federation of Agriculture believes the industry already does much to fulfill the University of Guelph vision, contributing significantly to the health and sustainability of society. In its 2006 draft proposal for a Canadian agriculture policy, the CFA argues that Canada’s agricultural producers currently provide Canadians with highly affordable, high quality foods that are safe, contribute to the health of Canadians, and are produced in an environmentally sustainable manner. The CFA does not provide a vision statement, but does provide a definitive policy direction:

“The CFA proposes that the new Agricultural Policy Framework focus on building strength, growth and profitability for the industry into the future.”⁶

The CFA believes the current APF does not, and cannot, achieve these goals. To do so, the new APF should be based on three pillars: 1) Public Goods and Services: This pillar hinges on environmental and food safety programs, of which several have been initiated under the current APF. 2) Business Risk Management: These programs, also incorporated in the APF, provide stability to producers in the event of uncontrollable downturns. 3) Strategic Growth: This pillar is missing from the APF. It involves the concerted development of a strategic policy to generate growth. The CFA has identified eight components that, in combination, fulfill this pillar. They are briefly summarized as follows (for the full text see *APF II: A Canadian Farm Bill*):

- Promoting producer cooperatives/collective action so that producers can exercise supply control, reduce transaction costs, reduce costs by

⁵ Tyrchniewicz and Tyrchniewicz. *Vision and Strategic Direction Options for the Canadian Agricultural Sector*. Canadian Agri-Food Policy Institute (CADI), October 2005 (unpublished).

⁶ *APF II: A Canadian Farm Bill*. Canadian Federation of Agriculture (unpublished).

- achieving economies of scale and increased incomes through bargaining power;
- Seeking the establishment of fair and more effective trade rules and improving export opportunities;
 - Harmonizing regulations concerning pesticide and veterinary products, as well as inputs and outputs with respect to labour, health and the environment;
 - Improving essential infrastructure to facilitate growth and reduce transaction costs (i.e. transport corridors, water infrastructure, grading/traceability marketing tools, communications, education, labour regulations, youth/renewal incentives);
 - Research and innovation (the new APF must ensure significant funding);
 - Enhancing linkages with consumers so that the industry can understand and meet demand, and finding new markets;
 - Investing in value-added industries (top-down);
 - Investing in value-added activities (bottom-up) to support these industries.

Conclusion

Taking into account the varied stakeholder perspectives expressed above, does the APF have the right vision? The five APF pillars encompass many of the priorities emphasized by these stakeholders. At issue is how much emphasis each pillar warrants. The Panel's inquiries produced a broad consensus that the BRM pillar is far too heavily favoured to the detriment of all the other pillars, and that a greater focus must be put on science and innovation in particular. This report strives to reflect these varied perspectives in the Panel recommendations (Chapter 8).

Chapter 8 - Conclusions and Recommendations

Overall, the APF has begun to improve relations among governments and the agricultural industry in Canada by providing a five-year platform of committed funding to agriculture and its programs. This is a positive step in developing stable agricultural policy. The mere existence of the APF has also helped broaden general awareness of agricultural issues. The framework is helping government agencies and producers to pursue common goals. The five pillars, in combination, have focused the visions and policies of Canadian agriculture around some unified themes. Some progress has been made on each of the pillars, especially on the Environment and Renewal pillars.

Yet the Panel had difficulty in quantifying the accomplishments of the APF. Insufficient benchmarks and supporting information is available to adequately measure the success of APF pillars and programs. The APF is only in its third year and many of the programs were delayed in getting started; the Panel found it difficult to meaningfully evaluate the impact or effectiveness of the APF when few measurable outcomes exist.

With respect to APF strategy, two issues stand out. First, assessments of the framework's success must be based on long-term outcomes. The APF has been perceived as a mechanism to eliminate ad hoc, crisis-oriented approaches to the farm income problem. But the APF was meant to be a long-term strategy, not a vehicle to solve short-term crises. Second, the APF must evolve strategically by building on past experiences to achieve better overall results in the agricultural sector, rather than fixating on the details of the framework's individual pillars.

The APF must put a greater emphasis on profitability for the agricultural value chain, especially at the primary agriculture level. As well, partnerships between producers and governments require greater attention. Despite widespread consultations in the evolution of the APF, many producers and other members of the agricultural value chain felt excluded from, or were not treated as partners in, the process.

Below is the Panel's full slate of 20 recommendations, broken out thematically. The themes are: a shared vision for Canadian agriculture, strategic policy, partnerships, governance, operations, and measuring success.

8.1 Thematic Topics

1. Shared Vision for Canadian Agriculture

The agriculture industry cannot reasonably expect to implement a successful policy agenda in isolation of society's needs and expectations. The APF Review Panel understands that a potential dichotomy exists between society's expectation of environmental protection and food safety, and the agricultural

industry's expectation of profitability. Society's expectations need to be a part of the overall vision for the sector. At the same time, society (and governments) must decide what is expected of agriculture and how much they're willing to pay to meet these expectations.

The vision for agriculture should focus on building an agriculture industry that is profitable, self reliant, adaptable, market driven and sustainable. It should be based on a "value chain" approach. Current APF programs have limited relevance to value-added activities; the framework must exploit potential opportunities all along the value chain. The agriculture sector is important to the Canadian economy. It generates jobs, income and a positive balance of payments. Agriculture also exerts a strong influence on the rural social fabric of Canada, and serves a stewardship role in maintaining the health of Canada's land and water resources. Agriculture in Canada should be viewed as the foundation of a sustainable and healthy society, rather than as a chronic problem. The Panel felt that profitability in the agriculture sector can benefit from a focus on these "public good" considerations as well as production concerns. In summary, the vision should focus on the reconciliation of society's expectations for agriculture and on building a profitable agricultural industry for all segments of the agricultural value chain.

Recommendation 1:

GOVERNMENTS AND SOCIETY MUST RECOGNIZE AND SUPPORT AGRICULTURE AS AN INTEGRAL PART OF CANADA'S ECONOMIC AND SOCIAL MAKE-UP.

Recommendation 2:

THE PANEL RECOMMENDS THAT A VISIONING PROCESS FOR CANADIAN AGRICULTURE BE UNDERTAKEN THAT IS BROADLY CONSULTATIVE AND TRANSPARENT. It should include all of the participants in the agricultural value chain as well as other Canadians, and it should take account of society's expectations and needs. The exercise should produce a shared vision for Canadian agriculture.

2. Strategic Policy

The current APF is rooted in a set of five pillars designed to be complementary to one another. The pillars are meant to address the long-term profitability of the sector by making Canada a world leader in food safety, innovation, and environmentally responsible agricultural production. In the course of the Panel's deliberations, a number of questions arose as to whether the five pillars were the appropriate ones, whether the emphasis was appropriate, and whether others should be added.

Many observers suggested that too much emphasis was being placed on the BRM pillar, and insufficient consideration was being given to other pillars, especially the Science and Innovation pillar. The reason so much emphasis has been put on BRM is because the Canadian agricultural sector is currently affected by a major net farm income crisis and the current BRM pillar is not doing the job adequately. This is not to suggest that Innovation and BRM are “in competition”; in fact they are complementary. Indeed, more investment in innovation is necessary to improve the competitiveness of the agricultural sector. However, between now and the time that investments in innovation yield results, it is necessary to have a strong BRM pillar.

A wide range of suggestions were made on including other pillars in a future version of the APF. For example, the Canadian Federation of Agriculture has proposed a three-pillar approach, including the existing Business Risk Management pillar and two new ones: Strategic Growth and Public Goods and Services.

It should be noted that significant variations in farm incomes exist that are masked by the use of averages. These variations are often driven by differences in typology, e.g., age of the operator, size of operation, importance of off-farm income, and regional and commodity differences. Clearly, a single national agriculture policy will not meet the needs of this wide array of farmers.

Recommendation 3:

CONSIDERATION OF ADDITIONAL PILLARS SHOULD BE STRATEGIC; WE SHOULD NOT SIMPLY ADD MORE PILLARS TO DEAL WITH SPECIFIC PROBLEMS. Any future APF should make agriculture in Canada the foundation of a sustainable and healthy society. The APF Panel believes that profitability in the agriculture sector can benefit from a focus on sustainability and health as well as production concerns. The three pillar approach proposed by the CFA gives consideration to sustainability.

Recommendation 4:

GOVERNMENTS SHOULD NOT TRY TO SOLVE SHORT TERM FARM INCOME CRISES USING ONLY THE CURRENT CAIS PROGRAM. The CAIS program has some features that are worth maintaining. However, CAIS also has some major flaws in its responsiveness, predictability and ability to stabilize agriculture into the future. To that end, the Panel urges Ministers of Agriculture to proceed with caution in making significant changes to CAIS until there is a clearer articulation of risk management objectives, and the ramifications of any proposed changes are well understood by governments and producers. Any changes must achieve the objectives of stabilizing and building the agricultural industry. Consideration should be given to making CAIS two programs: one

focused on stabilization and the other on disaster relief. Consideration should be given to self-stabilization programs as well.

Recommendation 5:

FUTURE APF PROGRAMS MUST RECOGNIZE THE VARYING SIZES AND UNIQUE NEEDS OF DIFFERENT REGIONS AND FARMS. The “One size fits all” approach of APF business risk management programming is ineffective. Some programs, such as CAIS, seem to have been designed according to this approach. This concept is not working in practice and is causing considerable problems for producers and program managers. BRM program administration and implementation should be more flexible and adaptable. Varying views exist among provinces and territories as to how much flexibility should be permitted.

Recommendation 6:

ALTERNATIVE BUSINESS RISK MANAGEMENT PROGRAMS SHOULD BE EXPLORED, ESPECIALLY TO MEET THE NEEDS OF PROVINCES AND TERRITORIES WITH UNIQUE AGRICULTURAL CHARACTERISTICS. APF programs and funds need to be made more flexible to address regional differences and to better meet local needs. While national programs have their advantages, the provinces and territories should be permitted to establish companion programs that can address unique local and regional issues. It should be noted that not all provinces and territories share this view. Most producers on the Panel, however, believe that companion programs are an integral part of attaining the flexibility needed to meet regional and commodity specific needs.

Recommendation 7:

THE APF NEEDS TO FOCUS MORE ATTENTION ON NON-BRM PILLARS, ESPECIALLY SCIENCE AND INNOVATION. The emphasis on BRM is understandable given the financial pressures facing primary producers, but it has created a large imbalance among the pillars. Non-BRM pillars have had resources but program implementation has taken more time and uptake has been slower. From a long term profitability perspective, for all segments of the value chain it is vital to not neglect Science and Innovation.

Recommendation 8:

THE PANEL ENCOURAGES THE DEVELOPMENT OF A RURAL STRATEGY, EITHER AS PART OF, OR IN COLLABORATION WITH, THE APF. Rural prosperity is driven by opportunities for employment and income both within and outside of agriculture.

Recommendation 9:

THE PANEL ENCOURAGES GREATER RECOGNITION OF INTERNATIONAL TRADE DIMENSIONS (BOTH WTO AND BILATERAL) AS A PRINCIPAL DRIVER IN THE NEXT APF. This will have implications not only for export oriented sectors, but also for supply managed sectors. A related concern is how Canadian agriculture policy will deal with the effects of farm programs in countries that compete with our farmers. A more strategic approach in multilateral and bilateral trade negotiations is needed to achieve a balanced trade position and enhance Canadian farm income.

Recommendation 10:

FURTHER CONSIDERATION SHOULD BE GIVEN FOR THE IMPLEMENTATION OF SOCIETY'S PURCHASE OF ECOLOGICAL GOODS AND SERVICES (EGS) FROM FARMERS WITH A VIEW TO IMPLEMENTING SUCH A PROGRAM UNDER A FUTURE APF. The Panel was impressed with a presentation on the ALUS concept (Alternative Land Use Services) from the Keystone Agricultural Producers, and agreed that the concept of society purchasing ecological goods and services from producers warrants further consideration. The analysis should explore to what extent environmental (and food quality) actions can be rewarded by the marketplace and what program or policy support may be needed.

Recommendation 11:

STRATEGIES ARE NEEDED FOR VALUE-ADDED INCOME AND ECONOMIC GROWTH OPPORTUNITIES, ESPECIALLY FROM AGRICULTURAL INPUTS TO THE BIO-ECONOMY AND FROM ALTERNATIVE ENERGY SOURCES GENERATED BY AGRICULTURE. This focus must be complemented with a significant emphasis on appropriate science and innovation initiatives, regulatory efficiency, tax incentives and other components. It is also important that producers share in the benefits arising from these opportunities.

3. Partnerships

Producer members on the APF Review Panel expressed the concern that governments have not achieved a true partnership with producers. Producers require a greater sense of partnership and ownership in the APF. Granted, extensive consultations have occurred in the past several years to develop the framework, involving industry stakeholders and the federal, provincial, and territorial governments. The APF is an inter-government agreement. But more is needed. Many producers strongly feel there is scope for improvements in interaction between the industry and governments, particularly in policy and program development.

Recommendation 12:

GREATER EMPHASIS SHOULD BE PUT ON DEVELOPING PARTNERSHIPS ALONG THE VALUE-CHAIN. Producers and other participants in value chains should be involved in policy development at the outset, and must take ownership and responsibility to ensure beneficial outcomes. The next APF must support the development of a strong and vibrant agriculture and agri-food industry that provides equitable benefits and opportunities for all partners in the value chain.

Recommendation 13:

NON-AGRICULTURAL GOVERNMENT DEPARTMENTS SHOULD BE INCLUDED IN FUTURE CONSIDERATIONS OF APF. The strategies and spending of departments such as environment, natural resources, health and trade can have a significant bearing on APF programs and on the agriculture sector generally. Society expects them to participate. But this has to be a true partnership built on trust. This should not come at the expense of delays in implementation and effectiveness.

4. Governance

The APF Review Panel acknowledged that its mandate involves “big picture” matters and not detailed operations of specific programs. Yet producer members of the Panel are concerned about the apparent absence of a coordinated, responsive approach to evolving producer concerns. Similarly, the APF governance and decision-making structure was perceived to be quite inefficient. Some pillars, such as Food Safety and Quality, have lacked efficiency due to an overly complex governance structure. The pillar has been hampered by an overly burdensome, multi-jurisdictional food safety governance structure involving Health Canada, Agriculture and Agri-Food Canada, the Canadian Food Inspection Agency, as well as local authorities.

Recommendation 14:

GREATER CLARIFICATION IS NEEDED OF THE ROLES OF THE FEDERAL, PROVINCIAL, AND TERRITORIAL GOVERNMENTS IN APF GOVERNANCE. The federal, provincial and territorial government officials appear to have a clear understanding of their roles and responsibilities but producers and other participants in the value chains do not. Roles and responsibilities are specified in the Implementation Agreements but they are complex and not easily understood.

Recommendation 15:

THE PANEL RECOMMENDS THAT MORE DECISION-MAKING AUTHORITY BE DELEGATED TO REGIONAL AND LOCAL LEVELS TO EXPEDITE APF PROGRAM IMPLEMENTATION AND THE DELIVERY OF PROGRAMS AND

ACTIVITIES. The centralized management of funds and of coordination imposes significant limitations on timely implementation. Decentralization will achieve greater success in meeting local goals. As well, accountability for results dictates that people implementing and delivering programs on the ground should have the approved resources available to get the job done. This process will involve a trade-off; guiding principles will still be required to ensure the consistent and equitable treatment of producers across Canada.

5. Operations

APF administrative processes are very complex and burdensome. These complexities vary by program and jurisdiction. To date, few measurable APF outcomes exist, due to delays in program approvals and implementation. Measures should be taken to minimize delays when programs are introduced or changed. The Panel recognized society's increasing concern for accountability in the spending of public funds, but program implementation needs to be more streamlined and efficient. This could serve to: reduce application costs and increase program uptake; reduce project approval times (e.g. by making decisions closer to the ground through the delegation of authority); reduce administrative burdens and associated costs not currently funded; shift the focus from processes and procedures to outcomes; enable efficiency gains to be invested in activity areas offering a higher return, and; facilitate course corrections to optimize the effectiveness of the agreement.

Recommendation 16:

A STREAMLINING OF PROCEDURES IS NEEDED FOR MORE EFFECTIVE PROGRAM IMPLEMENTATION. To date, few measurable APF outcomes exist because of delays in program approvals and implementation. Measures should be taken to ensure that delays do not occur when programs are changed or introduced.

Recommendation 17:

MORE EMPHASIS IS REQUIRED TO IDENTIFY AND IMPLEMENT CREATIVE AND NECESSARY ACTIVITIES UNDER THE NON-BRM PILLARS. Funds allocated for non-BRM pillars should not be allowed to lapse, nor should they be re-allocated to BRM. The Panel observed that concern with the immediate crisis in farm incomes has put the predominant emphasis in APF on the BRM pillar. The focus on BRM should not occur to the neglect of the other pillars.

Recommendation 18:

MORE EFFORT SHOULD BE DIRECTED TOWARDS APF COMMUNICATIONS AND OUTREACH AIMED AT POTENTIAL NEW PROGRAM PARTICIPANTS. Without suitable communications, stakeholders are

not being informed about program activities and potential new participants are not being reached.

Recommendation 19:

APPROPRIATE THIRD-PARTY DELIVERY AGENCIES SHOULD BE MORE INVOLVED IN APF IMPLEMENTATION. Organizations such as ACAA Councils, provincial research councils, and commodity organizations, can be effective tools for the implementation and administration of programs for farmers. Properly balanced, such organizations provide less expensive administration and better peer review, and bring industry into the decision-making process.

6. Measuring Success

The Panel grappled with the meaning of success. It agreed that profitability is the most significant benchmark. However, views vary on how profitability should be defined. Profit margins, or losses, can range widely from farmer to farmer, or by commodity or sector. The Panel noted that other viable measures of success exist, including: a reduction in the need for ad hoc policies and programs; a stable policy environment that will encourage investment and new entrants into agriculture; premiums for Canadian food products in world markets; healthy biological systems in rural areas, and; a better understanding of rural-urban issues.

Whether through studies or consultations, the need exists to more clearly define what is meant by profitability. Similarly, what are the factors that contribute to or hinder producers' ability to participate in APF programs? A better understanding is needed of producer costs versus the benefits of APF participation. A review of competitiveness and concentration in the agricultural value chain and how that impacts on farm level profitability should also be undertaken.

The Panel found it difficult to identify the benchmarks and supporting information that would adequately measure APF success. Some benchmarks do exist in Implementation Agreements, but they do not lend themselves to be easily understood by anyone unfamiliar with program details. The Panel also found it particularly difficult to obtain consistent and comparable information on program expenditures, especially at the provincial level, to say nothing of measures of actual outcomes. In addition, the Panel could not appropriately evaluate the impact or effectiveness of the APF when few measurable outcomes exist.

However, from the information and outcomes that were available, it appears that the most successful programs share four key attributes: (1) a common understanding of the shared goals, (2) flexible program designs that can respond to local needs, (3) an efficient and responsive governance structure, and (4) adequate resources. Notably, considerable progress has been achieved in

certain provinces, both in terms of APF implementation and the measurement of results where these attributes exist.

Recommendation 20:

THE PANEL STRONGLY RECOMMENDS THAT GREATER EMPHASIS BE PLACED ON ESTABLISHING CLEARLY UNDERSTOOD BENCHMARKS AND MEASURABLE OUTCOMES FOR THE IMPACT OF EACH APF PROGRAM AND THE APF OVERALL.

8.2 Concluding Thoughts

This was the first APF Review Panel, and consequently considerable time was spent establishing a “process” for the Panel and generating an information base before a meaningful review could occur. Given the time and resource constraints, much of the “analysis” in this Review was based on readily available sources. These sources included presentations by government officials and other experts, examples, literature reviews, and accounts of first-hand experiences.

Panel members raised many questions that could not be adequately answered in the time available. Nonetheless, we believe that we have provided an information base and identified important considerations for future Review Panels and for the evolution of the APF, or whatever future APF incarnations may be called.

One of the issues the Panel did not fully discuss during the review process was the role of supply management and collective marketing in Canadian agriculture. However, the Panel clearly acknowledged the importance of supply management and collective marketing in Canadian agriculture. Indeed, the APF agreement recognizes supply management as a BRM tool. It is anticipated that the next generation of APF will address the matter of supply management and collective marketing more directly.

This review has been a challenging exercise and a collective learning experience. For the most part it has been an enjoyable one. The Panel sincerely hopes that Ministers will give serious and immediate consideration to our conclusions and recommendations. We thank Ministers for the opportunity to participate in this review.

APF Review Panel Report - Appendices

A) APF Review Panel members

Federal Government representatives

Susie Miller, Agriculture and Agri-Food Canada
Jean Lamoureux*, Agriculture and Agri-Food Canada
Tom Shenstone, Agriculture and Agrifood Canada

Provincial/territorial government and industry representatives

Peter Leitz, BC Government
Nithi Govindasamy, AB Government
Rick Burton, SK Government
Greg Fearn, MB Government
George McCaw*, ON Government
Laval Poulin, QUE Government
Kevin McKendy, NB Government
George D. Macintosh*, NS Government
Brian Douglas, PEI Government
Cindy MacDonald, NFLD Government
Bob Kuiper, YK Government
John Colford, NWT Government
Mark Boudreau, Nunavut Government
Garnett M. Etsell, BC producer
John Kolk*, AB producer
Arlee McGrath, SK producer
David E. Rolfe, MB producer
Graeme Hedley, ON producer
Laurent Pellerin*, QUE producer
Philip Christie, NB producer
Laurence Nason, NS producer
Robert MacDonald, PEI producer
Mervin Wiseman, NFLD producer

Members appointed by Federal Minister of Agriculture

Edward W. Tyrchniewicz*, Review Panel Chair, University of Manitoba
Bob Friesen, President CFA
Dale Verbeke, SK producer
Marcel Groleau, QC producer
Randall Affleck, PEI producer

* Members of APF Executive Committee

B) APF Review Addendum

NOTE: This addendum was prepared as an additional commentary by a number of Panel members to enhance the recommendations of the Panel. It is not a dissenting view.

The mandate of the APF Review Panel was to review all elements of the existing APF programming against the common goals set out in the Framework Agreement, and to provide advice on changes to programs that would enhance their performance.

The results of the Panel's work reflected in its final report are generally positive. This addendum is not to detract from the final report, however, the undersigned feel that three additional recommendations are necessary to complete the report's existing recommendations. The following three recommendations are consistent with the mandate of the Panel and, in our opinion, add considerable import to the results of the review process.

Recommendation #1) Development of a complete Agricultural Policy Framework that integrates the successful components of Canadian agriculture

The APF is a framework of policies for agriculture and agri-food as a whole. The principal goal should be to achieve profitability and growth for the sector and needs to go beyond only identifying solutions for problems but also identify and strengthen the components that are successful as well. The next APF must continue to identify and strengthen those mechanisms that work to maintain farm incomes and bargaining power in the marketplace including cooperatives, collective marketing, supply management and its three pillars and the Canadian Wheat Board. Decisions on these policies must be made by farmers. Collective marketing and supply management should be fully recognized in the next APF as a BRM program, farmer supported domestic policies should be strengthened and defended in international agreements to ensure these programs are strong and sustainable into the future.

Recommendation #2) Establishment of an independent annual review of the APF and its components

To be accountable to governments, all stakeholders in the agricultural and agri-food industry and Canadians at-large, the APF must be continually and thoroughly evaluated. The APF must have an annual review process to determine if it is meeting its objectives.

However, greater resources are required if a review process is to be useful and meaningful for all stakeholders. Due to a lack of resources, a number of problems and issues arose with respect to the current review process including:

presentations and information on programs were provided, almost entirely, by government bodies that administered the programs; much of the information provided was anecdotal, and; benchmarks, timelines for measurable outcomes, and surveys of participants, users and developers did not appear to be readily available.

To be accountable, the APF and its component programs need thorough, critical analysis. The decision making process on determining the critical issues that need to be addressed must be open and transparent to all stakeholders. In addition to the Panel's information gathering, research should also be done by impartial, independent parties and all results should be made public for all stakeholders to see and comment.

Recommendation #3) Strategic Policy

Building on Recommendations 3 and 6, is the need to be more specific on the development of strategic policy. Uncertainty kills businesses. Agricultural policy has many risks and uncertainties and these must be addressed. As the industry tries to increase value-added, increase productivity and contribution to the Canadian economy, business and investment decisions are based on competitiveness and stability. Policy must be strategic in building this environment for growth and profitability. This starts with strategic Business Risk Management programs. It is not just about how much we spend but also how well we spend. BRM programs must provide certainty for business decisions. The programs must be accountable, predictable and responsive. Programs must also be flexible as specific regions and commodities have specific problems, strategies and trade sensitivities. As a step forward we recommend consideration of several components to make BRM programs more effective, some of which Ministers are already considering:

- Splitting of stabilization programs from disaster;
- Maintenance of a disaster program;
- Consideration of a new and improved NISA-like stabilization program;
- Continued flexibility to account for regional and commodity specific needs;
- Strong commitment to meet the objective of Production Insurance or something comparable for all commodities; and
- A "competitive policy" program that addresses the competitive disadvantage faced by trade-distorting subsidies from EU and US in the grains and oilseeds sectors. Canadian grains and oilseeds producers are competitive. Competitive policy is needed.

Garnett Etsell
Phillip Christie
Bob Friesen
Marcel Groleau
John Kolk
Robert MacDonald

Arlee McGrath
Laurence Nason
Laurent Pellerin
David Rolfe
Mervin wiseman
Dale Verbeke

C) Questionnaire

1. Vision and priorities for Canadian Agriculture

The APF is based on the following vision for Canadian agriculture: ***to secure the long-term profitability of the sector by making Canada the world leader in food safety, innovation and environmentally responsible agricultural production.***

Does this vision reflect society's current and future expectations for Canadian agriculture? If not, how might the vision be changed to reflect a common industry, government and society vision for Canadian agriculture?
Are the various stakeholders in the Canadian agricultural sector able to participate effectively in the APF process?

Should APF address rural issues as well as agricultural issues?

How will we recognize success?

2. Profitability and competitiveness

Competitiveness and profitability are different in that one can be competitive and not profitable, and vice versa. They are different concepts if applied to an industry or sector, and to an individual.

What are the factors that make the Canadian agricultural sector profitable and competitive in the long run?

Does the APF provide incentives for Canadian agriculture to be profitable and competitive in the long run?

Do the five APF pillars provide support to the commodities with the greatest competitive and profit potential?

3. Effectiveness and impact of APF

Effectiveness and impact should be viewed in terms of measurable outcomes, and not just activities undertaken.

Has the APF generated any measurable outcomes (positive or negative)?

If yes, what are they?

If no, what are the impediments to the generation of measurable outcomes?

4. Implementation of APF

There are many programs within the APF. The largest is CAIS, but each element has both national and provincial programming.

How effectively has APF been implemented? Are there any examples of “success” stories? Clear failures?

How might the implementation of APF be improved?

5. Future directions for APF

Is there an appropriate balance of resources and activities among the five pillars of the APF to achieve the vision of APF?

If not, how should the balance be changed?

Are there other pillars that should be considered for APF 2?

How should the international trade environment (eg, NAFTA and WTO) be included in APF?

The current focus of CAIS is whole farm income support. Is this an appropriate approach or should more emphasis be placed on commodity support? Should more of the APF funds be directed to expenditures on research, marketing and promotion and infrastructure?

6. How would you allocation a billion dollars?

If you had a billion dollars to spend on APF, how would you allocate it?

D) List of questionnaire respondents

Armstrong, Ed	Western Barley Growers Association
Bedgood, Bob	Ontario Agricultural Adaptation Council
Beyond Factory Farming Coalition	
Brindle, Brenda	Alberta Grain Commission
Burton, Rick*	Saskatchewan Agriculture
Canadian Wheat Board	
Christie, Phillip*	New Brunswick producer
Comeau, Odie	CDAQ
Dairy Farmers of Canada	
DiGiovanni, Tony	Landscape Ontario Horticultural Trades Association
Dmytryshyn, Laurie	Saskatchewan Council for Community Development
Douglas, Brian*	PEI Agriculture
Dyer, Jan	National CAIS Committee
Fearn, Greg*	Manitoba Agriculture, Food, and Rural Initiatives
Fitzpatrick, Dennis	University of Lethbridge
Friesen, Bob*	Canadian Federation of Agriculture
Govindasamy, Nithi*	Alberta Agriculture
Hacault, Marcel	Canadian Agricultural Safety Association
Hedley, Graeme*	Ontario industry representative
Holland, Heather	Canadian Supply Chain Food Safety Coalition
Kolk, John*	Alberta Producer
Kretzschmar, Gabrielle	New Brunswick Partners in Agriculture
Kuiper, Bob*	YT Government and YT Agriculture Producers Assn.
Lawrence, Ted	Rare Breeds Canada
Laws, Jim	Canadian Meat Council
Leitz, Peter*	BC Agriculture
Lucas, Glen	BC Fruit Growers' Association
MacDonald, Robert*	PEI Producer
Macintosh, George*	NS Agriculture
Manitoba Rural Adaptation Council	
Maxwell, Judy	Ont. Flue-Cured Tobacco Growers Marketing Board
Mcgrath, Arlee*	Saskatchewan producer
Mouvement au Courant	
Nason, Laurence*	NS Federation of Agriculture
Oliver, Allan	Saskatchewan Council of ADD Boards
Pellerin, Laurent	UPA
Poulin, Laval*	Quebec Agriculture
Pugh, Terry	National Farmers Union
Rice, Martin	Canadian Pork Council
Rolfe, David*	Keystone Agricultural Producers
Saskatchewan Farm Support Review Committee	
Schultz, Bob	Sask. Environmental Farm Plan Advisory Committee
Scott, Harvey	Canadian Environmental Network, Agriculture Caucus
Slomp, Mike	Alberta Environmental Farm Plan Company

Smith, Irwin	Flowers Canada Growers
Steele, Ron	Port Colborne, Ontario
Switzer, Tom	Agriculture and Food Council of Alberta
Wildrose Agricultural Producers	
Wiseman, Mervin*	NL Producer Representative
Ziegler, Kenton	Alberta producer

* APF Review Panel member

E) Key Goals and Actions of the APF Pillars

Environment

The public has raised concerns over the environmental impacts associated with farming operations. The APF sets out areas where governments could provide help, including: (a) better information and research on the linkages between agriculture and the environment, (b) the development of best management practices and, (c) stepped-up action on environmental priorities on farms through agri-environmental scans and environmental farm plans.

Common goals to be addressed by the Environment Chapter of the APF include:

- (a) water quality protection and conservation by managing nutrients, pathogens and pesticides;
- (b) soil protection by conservation of organic matter and reduction in wind and water erosion;
- (c) air quality enhancement by reduction of particulate emissions, odours and emissions of greenhouse gases, and;
- (d) biodiversity enhancement by increasing habitat to protect species at risk and guard against economic damage from wildlife.

The APF recognized that program design must invest in:

- policy research and innovation;
- infrastructure and implementation of On-Farm Environmental Management Standards and Systems;
- strengthened measurement, monitoring and information systems and;
- increased knowledge, understanding and availability of environmentally beneficial farming practices, planning and systems.

The specific goals identified included:

- (a) the completion of a basic agri-environmental scan on all farms so as to identify farms and regions requiring corrective action;
- (b) the completion of an agri-environmental farm plan or participation in an equivalent agri-environmental plan for all farms identified as requiring significant corrective action, and;
- (c) the implementation of agri-environmental farm plans or equivalent plans and improved stewardship through the adoption of environmentally beneficial practices in the areas of nutrient management, pest management, land and water management, nuisance (odours and particulate emissions) management and biodiversity management.

Two programs were developed to help farmers identify and address environmental challenges: the National Water Supply Expansion Program (NWSEP) and Environmental Farm Plans (EFP). The National Land and Water Information Service (NLWIS) provides information to support farm action and

land management decisions while the National Agriculture Health and Reporting Program provides a report to Canadians on progress made to achieving these goals. These initiatives are complemented by other programs, including farming systems research, water quality surveillance, standards development, and Greencover Canada.

Food Safety and Quality

Governments and industry are facing challenges in food safety and quality. Consumers are demanding higher levels of food safety and a wider range of quality attributes requiring more differentiated products. The key will be to enhance the sector capacity to meet or exceed these market requirements by ensuring traceability from the farm level through the complete food chain to the consumer. The industry recognizes that this challenge is broader than one company or one link in the food chain. A Canada-wide system was needed to provide consistency, credibility, and global recognition. The food safety surveillance and information systems that governments currently have in place needed to be strengthened.

The parties to the APF agreed to the following common goals:

- (a) to work with industry toward the development and implementation of government-recognized food safety and food quality process control systems throughout the agri-food continuum;
- (b) to 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, and;
- (c) to establish governance systems to allow for integrated policy development and legislative harmonization.

The Canadian Food Safety and Quality Program contains three related components. The system development component provides support to national associations to develop national food systems on food safety, food quality and traceability. The other two components are the on-farm implementation component and the food safety initiative component. On-farm implementation will help build capacity to enable 80,000 producers to implement on-farm food safety/quality/traceability systems. The food safety initiative component, which is delivered by the provinces, ensures that provincial processing facilities that are not federally registered are meeting a common national standard.

Renewal

Agriculture is knowledge intensive; producers increasingly work to upgrade their skills to stay abreast of changes. Training and education are under provincial and territorial jurisdiction. Therefore, the implementation agreements established

targets that accounted for regional differences in the agriculture sector. Overall, governments recognized that they faced four challenges related to renewal:

- (a) Skills training and counselling, though widely available, were not well linked, nor targeted to specific groups and/or were not part of a comprehensive strategy;
- (b) there was a general lack of support and lack of programs to help farmers in financial difficulty assess their situation and improve it;
- (c) capital requirements in farming continued to increase and not all farmers were able to access equity capital, and;
- (d) the needs of the farmers depended on their stage of career.

To address these challenges, programs were designed to:

- (a) expand the reach and mandate of the Farm Consultation Service skills program by partnering with community colleges and Human Resources and Skills Development Canada;
- (b) provide financial assistance to farmers and/or spouses to access training for on or off farm employment opportunities;
- (c) provide farmers with information and tools such as feasibility assessments and comprehensive business plans to assist them in making informed business decisions, and;
- (d) improve farmers' access to capital.

Business Risk Management

The goals of Business Risk Management (BRM) are to improve the tools available to producers to help them manage their business risks (both traditional and emerging risks), and to ensure that these tools provide an incentive to increase profitability by various means.

The challenge was to design a program that would:

- integrate income stabilization and disaster assistance;
- treat producers equitably across the country;
- be easy to administer and understand;
- not influence producers' production and marketing decisions;
- conform to international trade agreements.

The federal, provincial, and territorial governments agreed to pursue the goal of a common risk management program across Canada, where program eligibility and payment calculation provisions would be jointly agreed to by all parties and cost-shared with producers.

Business risk management involves two core programs: the Canadian Agricultural Income Stabilization Program (CAIS) and Production Insurance (PI). CAIS is the replacement program for the National Income Stabilization Act

(NISA) and ad hoc disaster assistance. PI is the former crop insurance program, although it has been broadened to add more commodities.

Other programs under the BRM pillar include cash advance programs and a new program: the Private Sector Risk Management Partnerships [allocated \$15 million over 5 years]. The partnerships program offers financial and technical assistance to producer organizations interested in building a business case to secure private insurance coverage for perils not currently covered by the public or private sectors.

The majority of the APF funding has been concentrated on the BRM pillar (CAIS and PI). Unlike the other pillars, under the BRM pillar funds can be drawn on an “as needed” basis. To date, the monies used for this chapter have exceeded the annual average allocation. This circumstance has prompted concerns about the affordability of the safety net programs.

Science and Innovation

In the past, science has focused on increasing farm production through higher yields and improved disease resistance. Other countries have seized market opportunities through strategic research in value-added products and new, innovative uses of these products.

The APF identified the need to:

- (a) broaden our science efforts to ensure farmers and end users are aware of and adopting new innovations;
- (b) focus on innovative agriculturally-based products and knowledge including bio-mass, bio-products and bio-process research, and;
- (c) improve communications and increase collaboration by the various disciplines, research organizations and players in the value chain.

In recognizing these needs, governments became committed to realigning public sector resources toward these APF priority areas. This historic shift in science programming required departments and disciplines to integrate their efforts. As well, the need existed, and persists now, to coordinate research and innovation efforts across governments, the agriculture sector, and private research institutions. This coordination would ensure the maximum return on investments in key areas of food safety, the environment, and innovative production.

Governments also realized that an innovative climate was needed that:

- accelerated the development and adoption of innovations;
- encouraged investment, technology transfer and commercialization;
- provided human resources and infrastructure, and;
- better utilized intellectual property from publicly supported research.

Two programs were developed to address these needs. The Broker Program provides contribution funding for the creation and/or support of “broker” organizations working between industry, governments and universities to accelerate the adoption of innovation. Brokers engage in two key activities, the building of linkages along the value chain, and the promotion of an investment forum by identifying and accessing public and private funding sources. Examples would be the Soy 20/20 Project and Flax 2015. The second program is the Agri-Innovation Program that provides contribution funding for projects that address the “gaps between research and venture capital.” Funding can be used in such areas as the development of centres of innovation, pilot processing, clinical trials, economic and market assessments, bio-products integration across scientific disciplines, and bridge funding for key scientific positions.

Value Chain Roundtables and Branding

In order to solicit industry input on policy objectives, the federal government developed value chain roundtables as part of the APF outreach and branding strategy. The Roundtables bring together producers, input suppliers, processors, the food service, the retail industry and governments to discuss issues and strategies. The roundtables help the sector leverage components of the APF, including the marketing strategy for branding, the domestic action plan to support the brand, and a sector brand to make Canada more competitive in markets at home and abroad. To date, value chain roundtables have been established for beef, cereal grains, horticulture, oilseeds, pork, seafood and specialty crops.

The branding strategy provides a means to differentiate Canadian products in an increasingly competitive global market. Several consumer and buyer research studies have been undertaken in key markets to identify how consumers and buyers perceive Canada, and what could be done to build a lasting positive image. A “common look and feel” logo has been developed and will be launched for use by provinces, sectors and companies to position themselves to leverage this marketing effort abroad. The successful integration of the brand is long-term in nature and requires a collaborative effort by all stakeholders.

The branding strategy is being developed through the International Branding Working Group (IBWG). It includes representatives from each of the value chain roundtables, the Canadian Agri-Food Marketing Council, associations of the Canadian agriculture and food marketing program, and the Federal-Provincial/Territorial Market Development Committee. By working in partnership with industry, both levels of government have a pivotal role to play.

F) Provincial Assessments

Eight provinces have reported to the APF Panel on their implementation of APF programs. Although the reporting varies from province to province, including the level of detail and number of pillars reported on, many programs have been initiated, some with impressive results. The programs that each province reported on are described in this section.

BC

Food Safety and Quality:

- **On-Farm Safety:** The province is helping industry develop and implement HACCP-based national food safety process control systems, including providing technical assistance to provincial commodity groups. In 2004/05, criteria were established for eligible projects and a baseline of knowledge was developed. A phase 1 technical review was completed for beef, hatching eggs, pork, eggs, milk and chicken.
- **Food Quality:** The province is helping industry develop and implement voluntary food quality programs, and supporting the industry's pursuit of national and international standards that will enhance competitiveness and market access. Among the outputs, the province improved industry access to reduced-risk and emergency pesticide registration. In 2004, seven new minor use and 11 emergency pest management products were registered.

Environment:

- **Environmental Sustainability and Resource Development:** The province is helping industry enhance environmental sustainability through a) nutrient management b) water conservation c) soil erosion d) odours e) particulate emissions f) improved management of riparian areas g) reducing the economic damage to agriculture from wildlife and h) increasing compatibility between farmers and their neighbours by providing local governments with environmental information and decision tools needed for effective agricultural land use planning. Among numerous outcomes, 20 pilot Environmental Farm Plans (EFPs) were completed, organizations held 203 workshops attended by over 1,600 farmers, 121 farms completed EFPs, and as of 2004/05 110 individuals have completed the 10 day planning advisory training.
- **Environmental programming:** The province is helping deliver the Agriculture Environment Partnership Initiative, assisting farmers and ranchers with on-farm changes to address environmental issues, and administering a wildlife damage compensation program. Projects are underway throughout the province.

Renewal:

- Website development and information: The province is helping develop a website and disseminate information. A network of information is now available via internet services.
- Agri-Food Futures Strategies: The province is supporting several trust funds for emerging, value-added sectors including agri-tourism, nutraceuticals, agroforestry, and small lot agriculture. Among the outputs, in 2004/05 the province helped complete strategic plans for the Beekeeping Initiative and Women in Agriculture Initiative.
- 4-H Program: The province is funding skills development for rural youth through leadership, farm business and technical skill experiences, as well as group activities to increase organizational skills. Since 2003, over 3,000 First Nation youth and 800 adult leaders and their families have participated in programs on farm safety, safe animal handling and animal care, safe farm sites, renewal of agricultural knowledge, sustainable practices, and environmental responsibility.
- Industry Support: The province is helping industry organizations, including co-operatives, develop self-funding and other mechanisms to improve self-reliance, including the Feeder Loan Program. Among the outcomes, the Bred Heifer program – which allows farmers to borrow money to purchase heifers or young cows and repay the loan by selling the calves – is helping many areas of the province diversify farm operations, stabilizing the rural economy.
- Value Added Marketing: The province is funding value-added and marketing opportunities for agriculture through initiatives such as a) technical support for direct farm marketing organizations and b) the development of information, training and cluster development for regional agri-tourism opportunities. As a key outcome, the BC meat industry has developed a Meat Industry Enhancement Strategy to mitigate challenges and exploit opportunities as producers make the transition to a new food safety environment.

Science and Innovation:

- Emerging Competitiveness Program: The province is helping new sectors develop by providing information on business planning and management skills, market opportunities and ways to use agri-food products and resources. In 2004/05, a new Science and Innovation Fund was established, providing opportunities for strategic initiatives to move innovative ideas through research to market.
- Innovation and Competition Research: The province is supporting the creation of partnerships to address competitiveness issues, and is working with industry to assess research needs and identify priorities. As a key outcome, the province identified key competitiveness issues and vetted them with industry.
- Roundtable: The province is helping establish a BC agri-food roundtable on research and technology transfer to encourage innovation and

competitiveness, involving industry, government, and academic representatives. The roundtable met in 2004 to explore two themes: improving the agri-food value chains and exploring new opportunities.

Alberta

Alberta reported that all APF Chapters have made progress toward their goals. The Renewal and Environment pillars have had the most success. The province identified four keys to success:

- A common understanding of the shared goals;
- Flexible program designs that can respond to local needs;
- The right governance structure, and;
- Adequate resources.

The province also identified numerous issues and concerns with the APF. Notably, the province feels the current APF lacks an appropriate vision statement, and that a significant funding imbalance exists among the five pillars. Other concerns included the lack of flexibility and responsiveness, inadequate governance, the unsuitability of the “one size fits all” concept, and the ad hoc nature of programs.

The province recommended that APF II build on the foundation laid and success achieved in APF I. As well, APF II should resolve and significantly improve upon the concerns and issues raised under APF I. Finally, APF II needs to underscore collaboration, cooperation and team work in the pursuit of shared national goals. Its ultimate goal should be to create an agriculture and food industry that is a true global leader in the safety, quality and profitability of its products.

Manitoba

Food Safety and Quality:

- **On-Farm Food Safety:** The province is helping producers improve the quality of raw milk produced on Manitoba farms by monitoring raw milk and performing regular inspections. The goal is to decrease dairy antibiotic violations from 42 to 25 within five years. There were 22 violations in 2003/04 and 16 in 2004/05.
- **Government Systems for Integrated Policy Development:** The province is working with the territories and the federal government on APF goals, including: technical review of the Canadian Cattlemen’s On-Farm Food Safety Program, development and piloting of the equivalence process for the National Dairy Regulation and Code, continuing development of the criteria for recognition of on-farm food safety programs, development of a HACCP recognition protocol for post-farm programs, and discussions on the development of a National Food Safety Policy.
- **Food Safety Training:** the province is helping develop food safety training materials and providing information to the industry. In 2004/05, the specific

activities included training potato growers on the Canadian Horticulture Council's on-farm food safety program, assisting the Canadian National Goat Federation with the development of an on-farm food safety program, working with the Canadian Sheep Federation on changes to its program, and working with AAFC to organize an on-farm food safety information seminar for provincial commodity groups.

- Food Quality: The province is working with industry to develop food quality programs. In 2003/04, the province worked with industry to train stakeholders on quality systems that could enhance the marketability of agri-food products, and in 2004/05 continued this activity and helped producers implement organic practices on their farms.

Science and Innovation:

This chapter is being implemented through the Food Development Centre (FDC) in Portage La Prairie. The Centre provides services to Canadian and Manitoba agri-food industry stakeholders in developing new and value-added food products derived from new and existing agricultural commodities. FDC activities include: food product and processing development; innovations in bio-products and processes; value chain coordination; technology and marketing information transfer; and advancing food safety. Since 2003, the FDC has helped producers develop, modify, or improve 18 food products, while eight companies were created or expanded. The FDC is continuing to work with the agri-food sector to develop new and better food products, and is continuing to work with entrepreneurs and small businesses to develop new enterprises. It is also helping established companies to diversify and expand.

Ontario

Business Risk Management:

The Ontario advisory committee for Business Risk Management (BRM) concluded that the current set of two national programs, Canadian Agricultural Income Stabilization (CAIS) and Production Insurance (PI), could provide effective, long-term support for Ontario producers if certain changes to each program are adopted by both the federal and Ontario governments. The BRM programs should:

- Stabilize income, but not mask long-term market signals;
- Minimize the risk of trade problems;
- Be simple and easy to understand;
- Be responsive/make payments in a timely way, and
- Not discourage innovation.

In addition, the government should continue to make other investments in the agriculture sector that would increase returns from the marketplace. These investments would include efforts to expand markets for Ontario agriculture

products through a focus on healthier diets and the development of the bio-economy, including bio-fuels and other new products.

Quebec

Food Safety and Quality:

This chapter includes the traceability program, which supports the development and implementation of traceability from farm to table, including establishment of and support for the *Agri-Traçabilité Québec* organization, which manages the database. Traceability was implemented in the beef and sheep sectors. Also, Quebec has developed regulations concerning beef traceability from slaughter to retail sale that should be adopted in 2006-2007. Investments have also been made to provide businesses with the equipment and technology needed to monitor animal movements.

Environment:

- The implementation of the Environment programs was integrated into Quebec's agri-environmental strategy, and developed through the Quebec agri-environmental advisory clubs.
- *Appui à la planification agroenvironnementale à la ferme* [agri-environmental farm planning assistance]: This program is delivered by the Quebec agri-environmental advisory clubs. It enhances agri-environmental advisory services in order to improve the environmental sustainability of the sector by funding a portion of the development and implementation of agri-environmental farm plans, through a collective approach. By March 31, 2006, Quebec expected to have completed 9,070 plans (i.e. 72% of the objective for the five years of the APF). Following the announcement of the results of the 2003 Follow-up to the Agri-environmental Portrait of Quebec Farms, the report *Outil d'aide à l'identification des enjeux prioritaires et des pistes d'action* [tool to assist with the identification of priority issues and courses of action] was distributed in January 2006. This document will facilitate identification of the priority agri-environmental issues from now to 2008.
- *Appui aux bonnes pratiques agroenvironnementales* [good agri-environmental practices assistance]: This measure supports the reduction of non-point source pollution and assists with the purchase of manure spreading equipment in order to provide financial incentives that will help farmers more quickly adopt environmentally beneficial practices. To date, MAPAQ has funded over 3,400 projects under this program. The projects involved riparian area management, shelterbelt establishment, purchase of low booms for manure spreading, and erosion control measures.

Renewal:

The Renewal component includes the *Programme d'appui aux initiatives des tables filières québécoises* [Quebec issue table initiatives assistance program]. This program is funded equally by the provincial and federal governments. It

supports the efforts of sectoral and regional issue tables in carrying out collective projects that are based on their development plans and that improve the efficiency and profitability of sectors and businesses. The program has to date made it possible to support 27 projects.

Science and Innovation:

Programme de recherche technologique en bioalimentaire [bio-food technology research program]: This program is aimed at improving the competitiveness of bio-food businesses and meeting society's expectations with respect to food safety, the environment and regional development through the carrying out of technological research projects. To date, 40 projects have been approved under the program. They relate to the competitiveness of businesses, food quality and safety, regional development, and what society expects of the government for the environment.

New Brunswick

Food Safety and Quality:

- New Brunswick Agri-Food Safety Program: The province has produced guidelines for the food safety program and a working group has been struck to coordinate food safety and quality funding and programming.
- New Brunswick Food Strategy: The province has funded a study of options for an enhanced meat inspection system, and funded the development of a veterinary record tracking system.

Environment:

- Agri-environmental scan: The province is helping complete a basic agri-environmental scan on all farms to identify those farms and regions requiring corrective action. A Year 1 scan report is complete.
- Agro-environmental club program: The province is helping agro-environmental clubs to: increase producer awareness of environmental issues, demonstrate improved technology, conduct environmental farm and nutrient management planning, and facilitate the adoption of sustainable farming practices.
- Nutrient management planning: The province is helping industry create and adopt nutrient management plans and is developing provincial nutrient management strategies, standards and certification systems.
- Development of Acceptable Practices: The province is helping develop and evaluate Acceptable Practices to support the implementation of the *Agricultural Operations Practices Act* and the Farm Practices Review Board.
- Agricultural Environment Management Initiative Guidelines (AEMI): Jointly funded by the federal and provincial governments, the AEMI funding was provided in seven areas: 4 nutrient management projects, 114 on-farm stewardship projects, 62 soil conservation projects, 8 IPM projects, 7 agro-

environmental clubs, 28 environmental research projects, and 11 strategic initiative projects.

Renewal:

- **Beginning Farmer Program:** The province is helping individuals develop the skills to manage and operate a farm business. The farmer program began in 2004 and is now being promoted.
- **Agricultural Leadership training:** The leadership program has received funding to provide leadership training opportunities for farmers.
- **Business Management:** The province is helping farmers access training and information so they can respond to changes in their business environment, and profit from changes in the marketplace and from innovations in science and technology. Guidelines have been adopted and the initiative began in 2005;
- **Planning for Renewal:** The province is promoting activities that encourage renewal of the agriculture sector. Guidelines have been adopted and the initiative began implementation in 2005.

Science and Innovation:

- **Research and Innovation Program (RIP):** The province is funding research and innovation projects that will improve the long-term competitive position and diversity of the agri-food sector. The RIP has funded 31 projects in priority areas and bio-products.
- **Embracing Innovation in Agriculture and Agri-Food:** The province will help increase innovation in the agriculture sector through e-government, e-business, research and development technology adaptation and commercialization initiatives. The program was due to begin in April 2006.

Newfoundland and Labrador

Environment:

An Environmental Farm Planning (EFP) Program was established to help producers identify potential risks to the environment and take steps toward more environmentally sound farm management. 160 farms have completed the EFP program and more than 20 workshops and over 250 environmental scans have been conducted across the province. Other initiatives include on-farm environmental stewardship projects to ensure adequate manure storage and handling facilities; GIS Mapping/Data to develop a digital inventory of the soils and agricultural land for land use planning, and; the development of water quality and conservation infrastructure for agricultural lands and activities.

Food Safety and Quality:

The Food Safety and Food Quality initiative provides support for training and implementation of HACCP and HACCP-based food safety and food quality programs to primary producers and secondary processors. To date, over 100 producers have been trained in on-farm food safety, and 10 value-added

processors trained in HAACP. Producers are currently at various stages of implementation of the On-Farm Food Safety Program.

Renewal:

The APF is helping industry to access new business opportunities through investments in secondary processing, training, diversification and improving market access. Of particular importance is the recent investment into secondary processing for the dairy, vegetable and meat sectors. These investments allow for improved market access and profitability for these sectors. Under the Human Resources Development Initiative, a concerted, province-wide effort has been undertaken to increase the knowledge and skills of agricultural producers. In the first two years of the APF, 571 participants attended 40 seminars and workshops.

Science and Innovation:

Investments were made in the Science and Innovation element through programs including the Evaluation and Adoption of New Technologies Initiative, Secondary Processing and Product Development Initiative, and the Diversification Initiative. APF projects include corn silage research in an effort to increase self-sufficiency in forage production, vegetable research trials in Labrador to diversify the industry, and alternative crop research into cranberries, lignonberries, and seabuckthorn to develop new opportunities.

Nova Scotia

Renewal:

The province has developed a Nova Scotia Renewal Framework, under the motto: "Integrated Approach to Capturing Opportunities in the Agri-Food Industry." The province reported on 10 projects, including a strategy to develop a tree fruit bio-products initiative, a strategic framework for the hog sector, new entrants to agriculture, and research into small-scale food processing. An activity update provided for each project indicated that work to date has focused on undertaking studies, holding workshops and consulting stakeholders, and arranging agreements for product development or exploring market opportunities. The Nova Scotia Department of Agriculture and Nova Scotia Fisheries and Aquaculture (formerly the Department of Agriculture and Fisheries) provided recommendations for APF II. They recommended a stronger focus on Renewal through innovation at the regional, provincial, industry and farm level. The province also urged enhanced flexibility in program funding, greater industry involvement in program design, and more support for promotion and awareness.

APF REVIEW PANEL
Federal Commitment under the APF Implementation Agreement
COST SHARED PROGRAMS BY CHAPTER
2003-2008 (\$000's)

DRAFT

	Non Pay Operating	Salary	Grants and Contributions Vote 10/ Statutory	Employee Benefit Plan	Accommodations ³	TOTAL
Non BRM						
ENVIRONMENT						
Development and Implementation of Environmental Farm Plans	0	0	264,900	0	0	264,900
TOTAL ENVIRONMENT	0	0	264,900	0	0	264,900
RENEWAL¹						
Canadian Farm Business Advisory Services	88,856	10,012	0	2,002	0	100,870
<i>Skills & Development Initiatives:</i>						
Canadian Agricultural Skills Services (Replaces Agricultural Enterprise Program)	46,082	7,815	0	1,563	0	55,460
Other Initiatives	4,242	0	0	0	0	4,242
Contributions to Provincial Initiatives	0	0	15,190	0	0	15,190
TOTAL RENEWAL	139,180	17,827	15,190	3,565	0	175,762
FOOD SAFETY AND QUALITY						
On-farm Food Safety Initiative	0	0	24,980	0	0	24,980
Post-farm Food Safety Initiative	0	0	24,980	0	0	24,980
Traceability	0	0	18,970	0	0	18,970
Food Quality Initiative	0	0	17,350	0	0	17,350
On Farm Implementation (Cost Shared)	0	0	0	0	0	0
Food Safety Initiative	0	0	48,330	0	0	48,330
TOTAL FOOD SAFETY AND QUALITY	0	0	134,610	0	0	134,610
SCIENCE						
Strategic Development for Science and Innovation	0	0	19,380	0	0	19,380
Agricultural & Medical Related Science Initiative (MARS Landing)	0	0	2,340	0	0	2,340
Alternative Renewable Fuels R&D Fund	0	0	600	0	0	600
Bioenterprise Corporation	0	0	1,000	0	0	1,000
Communication and Awareness	0	0	450	0	0	450
Life Science and Agri-Food Innovation Fund	0	0	850	0	0	850
Ontario Agri-Food R&D Strategy	0	0	100	0	0	100
TOTAL SCIENCE	0	0	24,720	0	0	24,720
TOTAL COST SHARED NON BRM³	139,180	17,827	439,420	3,565	0	599,992
BRM						
CAIS	74,000	84,180	2,217,484	16,836		2,392,500
Production Insurance	940	383	1,998,550	76	51	2,000,000
Advance Payments Program (APP)	2,220	2,090	195,000	420	270	200,000
Province Based Programs			421,600			421,600
Agriculture Policy Framework Initiatives			20,900			20,900
TOTAL COST SHARED BRM⁴	77,160	86,653	4,853,534	17,332	321	5,035,000

Notes:

1. Renewal chapter includes programs delivered out of vote 1 (Salary/Operating) and Federal delivery costs.
2. Accommodations is a 13% charge by PWGSC for National Capital region office space.
3. Total Non BRM is not showing \$600 because of rounding.
4. Total BRM envelope is \$5.5B. Not included here is rollover funding of \$74.9M from previous framework (Safety Net Envelope) and non cost shared programming of \$645M

STEPS:

I Policy Direction

OUTCOMES:

- Clear articulation of departmental vision and mandate developed in consultation with shareholders

II Program Design

OUTCOMES:

- Policies are translated into activities that support APF objectives and the need for accountability and transparency

III Policy and Program Infrastructure

OUTCOMES:

- Ability to manage programs to support accountability, transparency, and efficiency

IV Performance Reporting and Policy Analysis

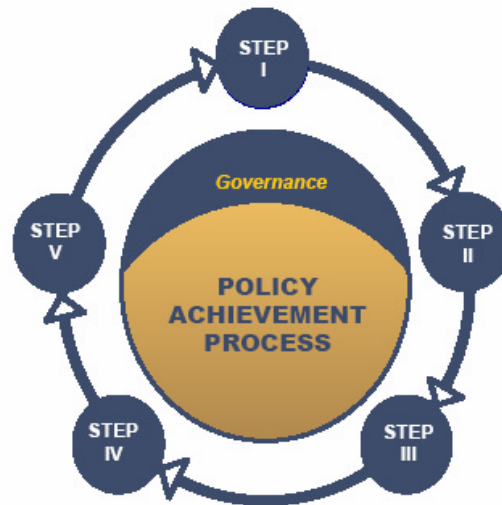
OUTCOMES:

- Performance analysis and evaluation is fully integrated into departmental planning and policy development, and communicated publicly

V Monitoring Policy Progress

OUTCOMES:

- Ongoing course corrections to program delivery, ensuring policy achievement



Governing Principles of the Process

- Consistency with APF objectives
- Accordance with other AAFC and provincial programs
- Effective delivery mechanisms (federal, provincial, joint or 3rd party)
- Application of due diligence and consistency with results-based management and financial principles
- Consistency with broader federal objectives/policy requirements
- Application of best practices

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April 2006



FEDERAL-PROVINCIAL-TERRITORIAL (F-P-T) GOVERNANCE OF THE APF

What are the objectives of the F-P-T governance system for the APF Implementation Agreements?

- To realize the goals and objectives of the Framework Agreement
- To manage federal and provincial investments strategically and cooperatively
- To be in a position to report to Canadians on value obtained and the implications

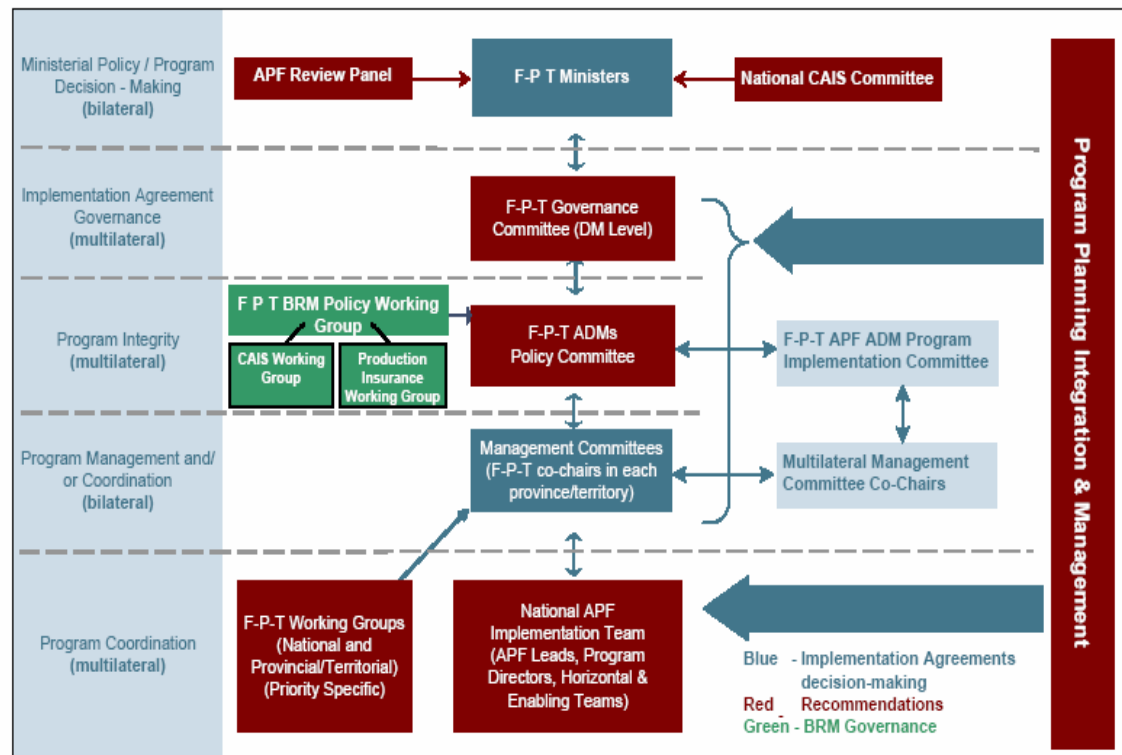
What are the key components of the F-P-T governance system?

- A clear set of responsibilities and accountabilities for F-P-T governments
- Structures and mechanisms for program delivery
- Leads to the intended benefits for Canada

What is the joint F-P-T oversight and decision-making process for?

- Governance support function that links back to the policy framework
- Effective management of bilateral and multilateral relationships among F-P-T governments
- Effective/efficient delivery of F-P-T cost-shared programs
- Course corrections/shifts to maximize return on investment
- Performance reporting and assessment process
- Determine progress and support decision-making

F-P-T APF GOVERNANCE



Roles and Responsibilities

F-P-T Ministers (Bilateral)

- Review overall progress in relation to goals and objectives
- Assess the state of the industry
- Approve "Report to Canadians"
- Identify and remove any barriers to collaboration
- Set mandate for negotiations on new issues
- Approve APF policy changes and budget shifts, as required

F-P-T Governance Committee DM Level (Multi-Lateral)

- Consider proposed policy changes (e.g. shifts of program content and/or funds) and recommendations to Ministers
- Identify any changes in F-P-T priorities and implications for IAs that require Ministerial approval
- Review "Report to Canadians"
- Review of performance and evaluation of priorities
- Confirmation of budgets

F-P-T ADMs Policy Committee (Multi-Lateral)

- Review accomplishment against goals and objectives
- Identify and resolve policy issues that arise
- Make recommendations on program and/or budget shifts within a province, that require Ministerial approval
- Review and approve "Report to Canadians" for consideration of DM Committee

APF Review Committee

- annually reviews all elements of existing APF programming against common goals in Framework Agreement, provides advice on changes to enhance program performance

F-P-T APF ADM Program Implementation Committee

- provides oversight of APF program implementation, removes barriers to implementation, assesses & submits issues, as required, to FPT Policy ADMs for further consideration

Multilateral Management Committee Co-Chairs Committee

- ensures national approach to APF programming through review of issues, program decisions, information & data

Program Planning, Integration and Management (federal)

- Consists of program forecasting and data management, program performance and practices, strategic planning and issues coordination with linkages to communication for overall support
- Facilitates an effective client-focused program administration and process for delivering programs that support corporate priorities
- Coordinates the identification and resolution of program issues in support of the National APF Implementation Team and bilateral Management Committees
- Develops, coordinates and disseminates tools and best practices

Management Committees (bilateral in each province/territory)

- Co-Chaired by AAFC-APF Leads and Provincial/Territorial representatives
- Responsible for overseeing all APF Program delivery within the Province/Territory
- Initiate and approve requests for shifts in funding within delegated authority
- Make changes to operational program content
- Make recommendations for policy changes that require Ministerial approval
- Ensure Province/Territory delivery consistent with national programs
- Identify/disseminate best practices
- Coordinate and approve Province and Territory-specific communications

F-P-T Working Groups (National and Provincial/Territorial)

- Consist of F-P-T representatives and federal OGD's, as required by each Management Committee for each APF element
- Responsible for developing the details required for implementation of APF programs and activities
- Identify and recommend effective delivery practices
- Identify and resolve technical issues and provide advice on operational matters
- Link with other federal and provincial programs

National APF Implementation Team (federal)

- Consists of APF Leads, Program Directors, Program Planning, Integration and Management and enabling team members, on a quarterly basis.
- Ensures a national approach to APF programming
- Defines responsibilities, accountabilities and linkages among all F-P-T players
- Defines mechanisms by which program decisions, information and data will flow internally and externally