Choosing Our Future

Options for the Agri-Food Industry

BRITISH COLUMBIA
Ministry of Agriculture and Food

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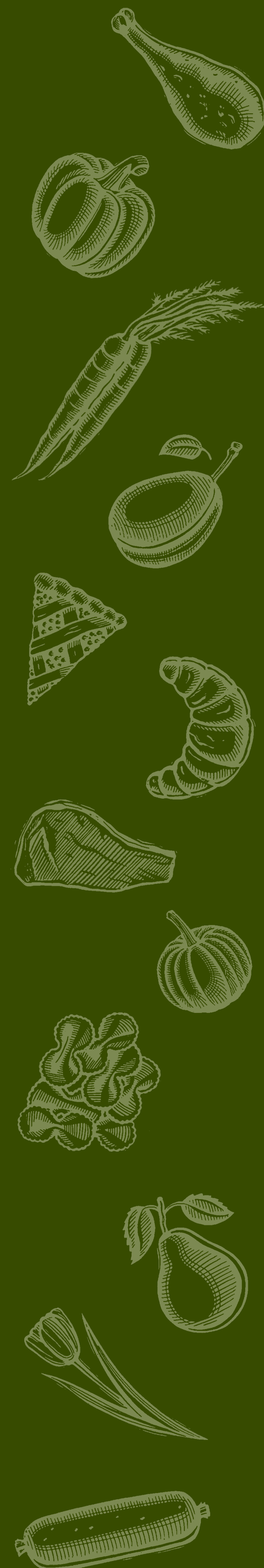


Introduction

The Ministry of Agriculture and Food is currently involved in a process of reviewing and restructuring British Columbia's agricultural policies. Many meetings, both public and private have been held with organizations and individuals representing every aspect of our agri-food industry.

Some of the issues that have arisen from those consultations have already been resolved. Others are the subject of ongoing discussion and parallel processes between government and the industry itself, (see Appendix 1 and 2).

There remain issues that have been discussed with the industry but have broader implications for the public which must be understood and resolved in order for the industry to move forward toward the vision and goals articulated in this document. This paper outlines these broader issues for discussion within a public forum.

Our industry's role in B.C.'s economy

The agri-food sector is a growth industry in British Columbia that collectively employs some 250,000 people. In 1996, it generated $16 billion in total sales, including $1.8 billion in international exports and over $1 billion in interprovincial exports.

FAST FACTS
about B.C. Agri-Food, 1996

Number of farms	21,835
Farm cash receipts	$1.6 billion
Value of food and beverage processing shipments	$4.2 billion
Food and beverage exports	$1.8 billion
Retail food sales, restaurants	$7.2 billion
Employment	249,500
Farm	33,600
Food and beverage processing	22,100
Food service	106,500
Wholesale food and beverage	17,600
Retail food and beverage	55,700
Transportation/support	7,900
Fisheries and aquaculture	6,100

The industry includes 21,835 farms, 585 processors, 2,600 retail food outlets, 8,400 food service establishments, and many other wholesalers and distributors, who together support the economic vitality of communities throughout the province and provide for the equivalent of more than 60 per cent of the province's total food requirements.

The agri-food industry of B.C. produces a greater variety of products over a wider range of geographical and climatic conditions than any other area in Canada. Over 200 agricultural commodities are marketed commercially and many more value-added products.

Challenges to the industry

Along with its growth, the industry has also faced new challenges. International trade agreements, the fluidity of capital, and the globalization of markets have significantly changed the economic and competitive framework within which the industry must operate. The larger food processing and distribution industry has gone through a period of restructuring in which there are fewer and fewer players—and those that remain are increasingly multinational in scope. Meanwhile, primary producers in our province are moving in the opposite direction and in doing so are creating new opportunities for small processors. They are finding opportunities in niche or specialty markets as well as in the increasingly important natural food sector, while maintaining strength in the basic commodity sector.

At the same time as global conditions were undergoing dramatic changes, the agri-food sector was also dealing with changing values and attitudes closer to home. There were new pressures on producers, processors, and distributors—the shift to an urban culture, environmental concerns, and concerns about human health and safe food. All of these factors, both global and local, have strained the financial and management capacities of the sector. And all of this is happening at a time when governments, responding to other priorities, have reduced both their financial and regulatory supports for the industry.

These collective changes, both the challenges and opportunities, have led to a need to redefine the industry—both internally and in the public sphere. We need to increase public awareness of and support for agriculture's role in the economy and environment, and to redefine relationships between the industry and government, among components of the industry, and among consumers and producers of agri-food products.

Our vision and goals for the future

In the course of our consultations with producers, processors, retailers and distributors, many opinions were put forward as to how the industry should be defined—who should be included and how it should be structured—in order to meet the challenges of a world in which economic borders are disappearing.

There were those who felt that the industry can only survive by changing our working environment so that it matches that of countries like Mexico or Chile with whom we are in direct competition. We were told that survival depends on the creation of a sort of market Darwinism—the easing of environmental and labour regulations, the abolition of the Agricultural Land Reserve and supply management of dairy and poultry products, the lowering of taxes, and an end to any industry subsidies. The strong would grow bigger and thrive; the weak would fall away.

At the other extreme we were told that we should continue to cherish and support the industry and not worry too much about its ability to compete—that farmers provide protection for our green spaces, preserving them from the depredations of developers and cities hungry for room to grow. In exchange for their role as stewards and gatekeepers, we were told we should subsidize farmers, but restrict those on-farm activities that might have an impact on other public priorities such as the environment and wildlife.

We don't believe either of these options would work for the industry or for the citizens of our province.

Our industry, with its diversity and relatively small-scale operations, operates at a disadvantage in a global unregulated commodity-based market. Even if the decision were made to remove or soften other restrictive regulations in order to level the playing field, the scarcity and high value of the arable land base in British Columbia would preclude any attempt at competition based on cost alone.

Neither do we support the vision of a subsidized farm class whose livelihood is maintained by the taxpayer in order to provide a scenic backdrop for an urban landscape. We reject this option not only because it is demeaning and dismissive of the real work of agriculture, but also because in a province where farmland is under constant threat from urban encroachment, unproductive land is more easily appropriated for other uses.

We believe there is a third option—one that builds on the strengths already inherent in our industry. We believe that by supporting innovation, encouraging diversity and quality, and marketing our products and our industry effectively, we can maintain a thriving industry, the importance of which is apparent to all. To this end we have, together with industry, developed a statement of our vision for the future of agriculture in British Columbia.

> We believe that a strong and healthy agri-food sector is vital to the economy, the environment and the future of British Columbia. We envision a future in which industry, consumers and government are committed to ensuring secure, safe, and high-quality agri-food products for British Columbians.

In order to achieve that vision, we have developed three broadly defined goals for the new agri-food policy. They are:

- to reach full productive capacity of our agricultural land;
- to increase employment and investment in the agri-food sector; and
- to make the value of the food we produce equal to the value of the food we consume.

The role of the Select Standing Committee

The Select Standing Committee on Agriculture and Fisheries is a non-partisan committee of the Legislature. Its role in this process is twofold. First, it will receive submissions from industry, interest groups, expert witnesses and others highlighting the issues that still remain before us and putting forward various options for dealing with those issues. Second, it will hold a series of public meetings throughout the province that will serve the dual purpose of educating the public about the issues before us, and receiving submissions on those issues. The committee will then write a report with its recommendations to be tabled in the Legislature.

In developing a new direction for the agri-food industry, there are some issues that cannot be resolved without the understanding and acceptance of the public. In some cases, these are issues that affect tax structures or the economic base of rural communities. In other cases, the issues can only be resolved through a change in public policy and a corresponding acceptance by the public. These are the issues that we are bringing to the Select Standing Committee for consideration and discussion.

We hope to come out of these hearings with a clearer understanding of society's views of the industry and recommendations that will move us closer to achieving our goals.

GOAL ONE

To reach full productive capacity of our agricultural land

B.C. has a relatively small agricultural land base—less than five per cent of the province—that is suitable for agriculture. Even this small land base faces constant threat both because of its location adjacent to urban development and its value for other often conflicting uses. We have strong legislation in the form of the Agricultural Land Reserve to preserve this land for agricultural use, but this is a passive tool.

In particular, young farmers support the Agricultural Land Reserve because it gives them a place to carry out their vocation. Yet they also see constraints that prevent them from using the land to its productive potential, or in some cases, at all.

Consequently, this goal is aimed at addressing the question of how we can get more agricultural value from our scarce resource base. This has led to a number of draft policy statements (see Appendix 1) but there remain broader questions.

Defining "farm status" for tax purposes

CONTEXT:

The basic income level needed to qualify for "farm status" has changed very little since 1973 and doesn't reflect current economic realities. Thus it encourages non-productive use of agricultural land through easily accessed tax advantages. However, some smallholders argue that they benefit the industry through input purchases, incubating new ideas, supporting new farmers and developing niche markets. Restructuring of the criteria for farm status could include raising the minimum income required, using criteria other than income, (e.g., expenditures on farm inputs or some other test), introducing a tiered tax system, or taxing residences on Agricultural Land Reserve land at a higher rate.

CURRENT POLICY:

Currently a producer must earn $2,500 per year from on-farm income plus five per cent of the actual value of any farm land in excess of four hectares.

QUESTION

How can we restructure the definition of a farm for tax purposes in order to encourage investment without discouraging serious smallholders and new farmers who are just starting out?

Water allocation and management

CONTEXT:

Water infrastructure that supports the irrigation systems, dikes, and drainage works of our agricultural communities is under pressure from the competing interests of urban development. Irrigation districts in the Southern Interior have had significantly higher expectations placed on them to provide for domestic water supply. In both the Interior and northern B.C., farmers often wait years to get water permits. On the Lower Mainland and Vancouver Island irrigation works must be linked to municipal supply systems which are often not planned to accommodate the flow rates required. Drainage systems in these areas are not designed to appropriately divert urban storm-water away from agricultural areas. As a consequence, farmers are required to deal with the hydrologic problems created by upland urban development.

CURRENT POLICY:

Agricultural Land Reserve land has no prior claim on water resources in British Columbia, and no protection from the disruption of natural drainage patterns by upland development.

QUESTION

Should water allocation and management for agricultural needs be a priority on Agricultural Land Reserve lands? If so, how would conflicts over competing interests be resolved?

Range land fencing along roadways

CONTEXT:

Issues surrounding road and fence maintenance are of particular concern to cattle ranchers. In the Cariboo, the question of fencing along Schedule II roads has been especially problematic. Many of the roads now at issue were first built by those ranchers and only later became public thoroughfares. However, in recent years the province has moved away from a free range system to one of containment. It no longer pays for fencing along Schedule II roads. Ranchers question the decision to devolve all responsibility for fencing to them while at the same time requiring greatly increased animal control and rancher liability.

CURRENT POLICY:

Ranchers are responsible for fencing animals off roads and out of riparian zones as well as providing any other necessary control mechanisms to meet public and/or environmental standards.

QUESTION

Is the decision to devolve fencing responsibilities to the ranchers a reasonable one? If so, is there some accommodation that can be made to benefit the ranchers? If not, is the public willing to pay for all or some part of fencing required to meet the new more restrictive policies?

Wildlife damage to the agricultural resource

CONTEXT:

The issue concerning wildlife is similar to that of fencing. The wildlife of the province is a valued and valuable provincial resource. It is also a source of considerable damage to the private resources that are the croplands and orchards of the province. Societal values have changed dramatically over the past 20 years. Our understanding and appreciation of our natural world have placed new emphasis on the preservation of our wildlife heritage. However, the financial burden created by our new values is borne largely by the farmers whose crops and fields offer food and sanctuary to waterfowl and wildlife.

At the present time, creative measures to mitigate or overcome the problem are dependent on farmers using their own financial resources to create solutions.

CURRENT POLICY:

Wildlife damage to crops is not considered a general cost to society. Landowners are expected, with few exceptions, to absorb the cost of supporting wildlife and waterfowl on their farms and are not compensated for damage.

QUESTION

How far are we, as a society, willing to go in compensating farmers for costs incurred due to shifting public priorities and values – in particular around the issues of wildlife damage to crops and property?

Environmental stewardship

CONTEXT:

B.C. is a leader in North America in establishing environmental standards to protect air, soil, water, fish and wildlife. The government's commitment to environmental regulation is having an increasingly negative impact on the competitive position of the industry. New and stringent regulations regarding pesticides and waste disposal, as well as issues that stem from proximity to urban development, such as noise and smell, all come with a price for the farming community. Within government some of these issues are being addressed by a joint committee on Agriculture and Environment along with industry.

The issue of compensation or mitigation of costs, however, goes beyond the mandate of that committee and must be considered by the broader public.

CURRENT POLICY:

Landowners are expected to bear the cost of initiatives that address environmental issues.

QUESTION

Does society have a role to play in assuming all or some of the costs of environmental stewardship on agricultural lands? If so, by what process would we determine how and how much?

GOAL TWO

To increase employment and investment in the agri-food sector

The agri-food industry is a valuable but undervalued part of the provincial economy. Despite fluctuating market conditions and weather-related problems, it continues to show steady growth in revenues and employment. Faced with new challenges both globally and at home, producers, processors and distributors have already made significant changes in their industry, and continue to increase their contributions to the provincial economy. By increasing public understanding of and support for the industry, we can support the industry in consolidating their gains and help them maintain both their diversity and their markets. How best to give that support to the industry is the underlying theme to the questions around this goal.

Funding for industry organizations

Context:

The very diversity that is our industry's greatest strength is also its greatest challenge. We live in a province driven by an urban agenda—one that small commodity groups cannot effectively address. Essentially the agri-food industry in B.C. is comprised of thousands of separate businesses. There is no one company, union, institution or trade organization capable of speaking for the industry as a whole.

More than half the provinces, including Ontario and Quebec, have implemented a mandatory registration program for farmers in order to fund industry-wide organizations. These organizations not only improve the industry's ability to research, market and promote agricultural production, processing and distribution, but also to provide an effective voice for the industry in areas of public education and government policy.

Current Policy:

Historically the Province has had no role in ensuring secure funding for farm or agri-food organizations.

Question

Should the Province collect and transfer funding for farm or agri-food organizations? If so, who should contribute and who should benefit?

Increasing access to venture capital

CONTEXT:

Access to capital, including equity capital, is a significant problem for both farmers and processors. The lack of capital constrains their ability to introduce innovations in both crops and processing. Both can require significant investment; returns may not be immediate and the levels of risk can be high. Like other small businesses, producers and processors find traditional lending authorities reluctant to lend money to ventures that inspire risk, innovation and entrepreneurship. Government has severely curtailed or eliminated programs that might be used to encourage innovation; and venture capital funds, which would seem more suited to new ideas, rarely look at food and beverage processors or farming as growth industries.

CURRENT POLICY:

There is no capital fund that specifically targets the agri-food industry. Businesses can apply for funding through venture capital corporations or the Working Opportunity Fund, but their funds are limited and not tailored to the needs of the industry.

QUESTION

How can we assist farmers and processors in securing capital for the development of new products and industry innovation? Would a capital fund or tax credits specifically tailored to the needs of the agri-food industry be a good idea?

Information and support services

CONTEXT:

The need in the industry for timely and accurate information encompassing a multitude of subjects has never been more critical. Information on everything from pest control to international trade agreements to business planning to technological advances is vital to the success of even the smallest commodity group. At the same time, the Ministry has dismantled extension services (advisory services to farmers) and cut back or eliminated field staff. Some producers and processors are comfortable with the cutbacks. They feel that they have other and better sources of information. Others feel that the very raison d'être of the Ministry was eliminated when extension services were cut. Organic producers, in particular, were united in their dissatisfaction with the level of support provided to their part of the industry.

CURRENT POLICY:

The government has been reducing programs, research and field staff and eliminating traditional extension services.

QUESTION

Is it important for government to continue to provide information and research to farmers, and if so, what form should that take and how should it be paid for? Can industry undertake this function?

Increasing government support

CONTEXT:

Many of the proposals and ideas presented in this document as well as over the course of the consultations held with industry involve some degree of government funding. This comes at a time when government support for agriculture, both in direct support and support services, has declined dramatically. Programs and services like extension, farm income assistance, low interest or no interest loans, and replant programs have been eliminated or substantially reduced. The industry is asking government to move to the Canadian average of funding for agri-food (see figure below) over 10 years; and to establish priorities that focus on support services that assist in developing a self-sustaining industry. In addition, the B.C. Agriculture Council is asking the government to create a special development fund for agricultural infrastructure similar to those in place for other resource industries.

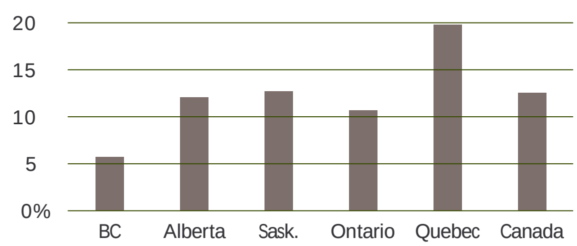
CURRENT POLICY:

B.C. has had the lowest provincial expenditures of any province on both agriculture and agri-food compared to their contribution to Gross Domestic Product.

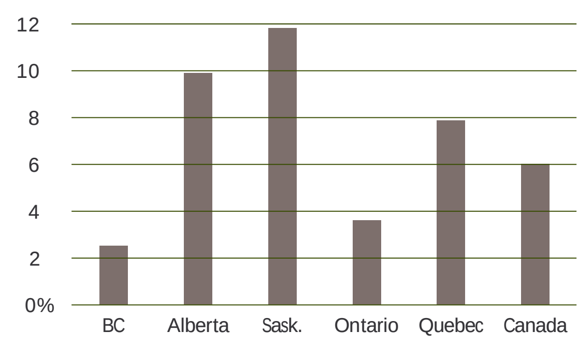
QUESTION

Should the Province be moving toward the national average in agricultural funding? If so, what are the priorities? Does agriculture need an infrastructure or development fund? How could such a fund be financed?

Provincial expenditures on agriculture as a percentage of agri-food GDP, 1997-98



Provincial expenditures on the agri-food sector as a percentage of agri-food GDP, 1997-98



GOAL THREE

To make the value of the food we produce equal to the value of the food we consume

By strengthening our agri-food sector and enhancing the productivity of our agri-food resource base, we will also be able to enhance the share of our consumption that we can produce ourselves. As a province we spend approximately 40 per cent more on imported foods than we sell—locally or for export. If we can increase our exports and our share of provincial markets through innovation and promotion, more of that 40 per cent will stay in our province fueling our economy and our industry. Our province, through its agri-food industry has the potential to be a net exporter rather than a net importer of agricultural products.

Local government agriculture advisory committees

CONTEXT:

The majority of British Columbians live in urban areas and issues that claim their attention are, understandably, urban issues. The concerns of the adjacent farming communities go unnoticed. The voices of the handful of farmers or ranchers are swallowed up in the larger debate over other resource issues. Whether the issue is zoning, noise, smell, buffer zones, spray programs, or water allocation, the needs of the agricultural community are rarely considered in the planning departments of municipalities and regional districts. As a result, policies are implemented or developments approved without considering the full implications for the agri-food industry.

Without an established mechanism for two-way communication between industry and municipalities and regional districts, we have no way to share information on farm issues, food production issues, and the competing interests of the various groups.

CURRENT POLICY:

Communication on issues related to the agri-food industry currently takes place for the most part on an ad hoc basis. With some laudable exceptions, there are no consistent structures for ongoing dialogue between and among the groups.

QUESTION

How do we establish new links between municipalities, regional districts, and the agri-food industry in order to resolve conflicts and build understanding?

Direct marketing

Context:

The success of markets like Granville Island make it clear that, given a good venue and support, farmers' markets can be an important tool for local producers. In Alberta, where such markets are encouraged and supported, farmers' markets have become a significant shopping alternative offering local goods at convenient locations. When they are successful in drawing in consumers, they provide an incentive for supermarkets to compete by offering the same products, thus increasing sales for local producers. As well, these markets act as "incubators" for new and small-scale processing companies who are not big enough to market to the larger chains. These processors need small market outlets in order to expand their operations.

Current Policy:

There is no uniform policy or single body responsible for direct marketing. Access and support vary according to locale.

Question

What role should the provincial government, municipalities, industry, and other agencies play in developing and supporting farmers' markets?

Government policy of "Buy BC"

Context:

Producers and processors want priority given to B.C. products whenever possible by government and its related agencies and institutions. Crown corporations, municipalities, hospitals, schools and post-secondary institutions could all play a role in this. The industry sees this as a way to begin rebuilding the wholesale market in B.C. by creating an incentive for wholesalers to include a line of B.C. foods.

Current Policy:

The government plays no consistent role in ensuring that local food sources are given priority in purchasing by government institutions and agencies.

Question

Should the government through its ministries, agencies and Crown corporations institute a "Buy BC" policy even if that results in higher costs to those institutions?

Marketing of natural foods

CONTEXT:

This sector of the industry will need to grow not only to meet current domestic demand, but to take advantage of export opportunities and to support a value-added industry. For example, currently about 90 per cent of B.C. domestic demand for organic food products is met through imports. In addition to organic foods, there is increasing demand for more "natural" foods—such as no-pesticide-residue vegetables, brown eggs and free-range chickens. This is an area with great potential and British Columbia farmers, who are leaders in the production of food with few chemical additives, are in an ideal position to take advantage of that demand. In the Okanagan Valley, for example, the Sterile Insect Release Program is underway to eliminate the codling moth; this will reduce pesticide use by 50 per cent. The greenhouse industry has effectively implemented integrated pest management (IPM) methods that enable them to market their low pesticide use. These practices should provide a market advantage, despite a cost-of-production disadvantage.

There is also a rapidly expanding demand for "nutraceuticals" or "functional foods" such as ginseng and echinacea, which are agricultural products that are seen as providing health benefits.

CURRENT POLICY:

There are no policies in place to treat these products any differently than other agricultural products. They are marketed as organic or natural foods only by individual businesses.

QUESTION

How can we enhance and build support for B.C.'s expanding organic and natural food sector? Would it be useful to both the industry and the public to develop a labeling system that would identify products that are of high quality and/or low chemical residue—a B.C. "Stamp of Approval"?

Conclusion

Annual investment in B.C.'s food processing industries rose more than 50 per cent between 1991 and 1996. Farm receipts rose 65 per cent and food and beverage shipments rose 30 per cent over the same period. Clearly British Columbia's agri-food industry has done a remarkable job of adapting to the dramatic changes in the way food is produced, processed and distributed in our province and in the global economy.

However, to reach its full potential, the industry needs widely based public support for and understanding of the needs of the industry. It is our hope that this paper has clearly laid out some of the issues surrounding the future of the industry, and that it will contribute both to the understanding of what the industry needs from the citizens of our province, and what the people are capable and willing to do to support the industry.

On January 26, 1999, this document will be handed over to the Select Standing Committee on Agriculture and Fisheries.

If you have responses to the ideas and questions put forward here, please feel free to write to:

The Clerk of Committees
Room 224
Parliament Buildings
Victoria, B.C.
V8V 1X4

If you have any comments on the process of developing a provincial Agri-Food Policy, including the steps that led to this paper, please contact:

The Minister of Agriculture and Food
P.O. Box 9043
Stn Prov Gov't
Victoria, B.C.
V8W 9E2

Appendix 1: Statement of principles

The following draft principles, developed through industry-government consultations, are viewed as important elements in the support of the vision for the industry, and in the establishment of a new agri-food policy. Comments on these policy statements are welcome.

1. Industry success will be achieved through market strategies that establish strong customer relationships built upon a diversity of high-quality products.
2. Strong alliances among all the components of the industry producers, processors and distributors are essential to generating efficiencies and responding to market opportunities.
3. For long-term success in the global marketplace, the agri-food industry must find ways to remain profitable and competitive. But our competitive position cannot be based on cost alone.
4. Strong support for regulated marketing, including supply management, will continue. Policy changes will be made to ensure that these systems continue to evolve with global trends.
5. Independently owned family farms and agri-food businesses are a reliable means of achieving job creation, rural development, and strong communities.
6. Protection and full utilization of our scarce agricultural lands are critical to enhancing the competitiveness of the industry, promoting rural development, and providing a safe and reliable food supply for our population.
7. Ensuring the ready availability of other inputs, particularly water, is necessary for agri-food production and processing.
8. Sustainable agricultural practices will be developed in partnership with industry. These practices must be consistent with the environmental and ecological objectives of the province and recognize the need for an economically viable industry.
9. Agriculture makes significant contributions to environmental sustainability, but it cannot be expected to carry the full burden of providing this public good at the expense of its economic viability.
10. A skilled and competent workforce is essential to the development of our agri-food sector.
11. A greater awareness of consumer preferences, improved information on food production systems, and stronger societal/agri-food relationships and planning are essential at both the local and provincial levels.
12. Government has a critical role to play in assisting with unpredictable natural hazards and market risks; food health and safety; and creation of a positive business climate for industry investment; but not in guaranteeing the economic success of all individual businesses.
13. Provincial participation in trade and other intergovernmental forums is essential to protect the agri-food industry against unfair international, national, and interprovincial practices that impact on trade and competitiveness.
14. Strong industry organizations are needed to provide leadership in industry development and a voice in public discourse.

Appendix 2: Other agri-food initiatives

In the course of our provincewide consultations with representatives of the various sectors of our industry, we heard many points of view—both on broad policy issues and regional or commodity-specific issues. This document does not attempt to catalogue them all. What it does do is highlight some of the issues that seem to pose major challenges or opportunities for the industry and require discussion with the public and other interest groups. Issues that are being addressed through major initiatives elsewhere include:

- a review of regulated products marketing and supply management;
- government's response to the Quayle report on "provincial interest" in the *Agriculture Land Commission Act*;
- the memorandum of understanding (MOU) signed by the BC Horticulture Coalition, the Ministry of Labour and the Ministry of Agriculture and Food to undertake consultations on labour issues;
- the 10 point action plan on agriculture and the environment, signed by the BC Agriculture Council (BCAC), the Ministry of Environment, Lands and Parks and the Ministry of Agriculture and Food, in conjunction with the Union of British Columbia Municipalities and Department of Fisheries and Oceans, to undertake consultations on environmental issues;
- the Minister of Finance's Business Task Force Streamlining Initiative;
- work with municipalities to design bylaws to implement the *Farm Practices Protection Act*;
- a review of crop insurance, farm income insurance such as the Whole Farm Insurance Pilot Program (WFIP) and the Net Income Stabilization Account (NISA);
- work on the processing sector, including research and an examination of processing on ALR lands.