AS IT WAS HEARD – PHASE 2
Positioning for Success

Phase 2 Engagement Sessions 2011
Canadian Agriculture, Agri-Food and Agri-based Products Sector

Growing Forward 2
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Executive summary

The current agricultural policy framework, Growing Forward (GF), will expire in 2013. Federal/Provincial/Territorial (FPT) Governments are developing its successor, *Growing Forward 2* (GF2).

An essential part of this process is the three-phased industry engagement strategy, that FPT Governments have implemented to ensure stakeholders and members of the public have the opportunity to contribute to the development of the next FPT agricultural policy framework, GF2.

Phase 2 of Industry Engagement took place between February and September 2011, which engaged producers, processors, other stakeholders along the value chain and the public across Canada. Phase 2 focused on the four elements of the GF2 Policy Framework, i.e. its two outcomes, *Competitiveness and Market Growth* and *Adaptability and Sustainability*; and the two key drivers, *Innovation* and *Institutional and physical Infrastructure*.

The goals of the Phase 2 were to:

- Develop a shared understanding of the proposed GF2 Policy Framework;
- Identify and discuss gaps in the proposed policy framework; and,
- Start to clarify respective roles of government and industry in achieving the desired outcomes.

A wide variety of issues were raised during the engagement sessions. At the same time, the overall conclusion of Phase 2 was a mutual understanding by industry and government on the proposed GF2 Policy Framework and on what is required to enable the sector to achieve success.

- Participants' comments on achieving *Competitiveness and Market Growth,* focused on nine themes. These were production cost, research priorities, product attributes, labeling regulations, access to international markets, the importance of the domestic market, improved interprovincial trade, the potential role of "buy local" initiatives and new business models.
  - The innovation and infrastructure issues identified by stakeholders for achieving *Competitiveness and Market Growth* were research and development (R&D), modernization of regulations, access to information and communications technology (ICT), reliable and timely transport systems, and investments in physical capital that could mitigate economy of scale disadvantages of small and medium-sized enterprises (SMEs).

- Participants' comments on achieving *Adaptability and Sustainability* focused on five themes. These were responsible use of resources, encouraging new entrants, business risk management (BRM), supply management, as well as recognizing societal concerns.
  - the innovation and infrastructure issues identified for achieving *Adaptability and Sustainability* were research and development (R&D), water management, alternative energy and support services.
- Participants identified some gaps and areas that needed further discussion. These included a comprehensive human resource strategy, emergency management, and a broader concept of risk that includes plant and environmental risks, as well as a food strategy.
- Participants recognized that achieving the outcomes outlined in the proposed GF2 Policy Framework will require strong collaboration between government and industry and a shared understanding of roles and responsibilities, with government taking the lead in the areas of R&D and commercialization support, and ensuring market access.

The first two phases elicited a clear picture of what needs to be accomplished with the next policy framework. The wide variety of issues raised during the Phase 2 engagement sessions are summarized in this report.

I. Introduction

During the spring and summer of 2011, Federal/Provincial/Territorial (FPT) Governments engaged producers, processors, the public and stakeholders along the value chain from across Canada in a dialogue on the *Growing Forward 2 Policy Framework*. Discussions focused on the four elements of the framework, namely: its two proposed policy outcomes, *Competitiveness and Market Growth, and Adaptability and Sustainability; and two key drivers, Innovation and Institutional and Physical Infrastructure.* A wide variety of issues were raised during the engagement sessions across the country, and the following key messages emerged from the discussions.

The *Growing Forward 2* (GF2) Industry Engagement process, developed by FPT Governments, is designed to give stakeholders and members of the public the opportunity to engage in the GF2 policy development process. This process is an essential step in developing the next FPT agricultural policy framework.

GF2 will build on prior frameworks, as well as results from the GF2 Industry Engagement process. It proposes to better position the sector for growth by capturing opportunities and addressing challenges to assure future success.

FPT Governments have completed Phases 1 and 2 of the GF2 Industry Engagement process. Phase 1 (May-June 2010) centred on a series of national and regional workshops, the results of which were used to analyse the factors that are expected to affect the success of the sector to 2020 and beyond (**www.agr.gc.ca/ag2020summary**). Phase 1 Industry Engagement provided coverage of the results of the strategic review of Business Risk Management (BRM), enabling Phase 2 Industry Engagement to focus on the non-BRM elements of the GF2 Policy Framework.

Phase 2 (February-September 2011) provided governments with a broad forum to hear industry and public views, and obtain feedback on the proposed GF2 Policy Framework. This phase included meetings in all provinces, and a meeting of National Organizations held in Ottawa. Governments also engaged with Provincial Federations of Agriculture, innovators, young farmers and held a series of Value Chain Roundtable meetings (which are fora of commodity-specific processors, producers, distributors, retailers and processors). Officials also met with various sector organizations on request, and an online consultation tool was made available.

The goals of the Phase 2 GF2 Industry Engagement Strategy were to:

- Develop a shared understanding that the proposed GF2 Policy Framework, as detailed in the discussion document entitled *Charting the Way Forward to 2020*, reflects the challenges and opportunities facing the sector;

- Identify and discuss gaps in the proposed policy framework; and,
- Start to clarify respective roles of government and industry in achieving the desired outcomes.

Prior to the sessions, participants were provided with a discussion paper entitled *Charting the Way Forward to 2020* (**www.agr.gc.ca/growingforward2**) which outlined the proposed GF2 Policy Framework. It provided background analysis and helped structure dialogue within the sessions around the two policy outcomes, *Competitiveness and Market Growth*, and *Adaptability and Sustainability,* and the two policy drivers, *Innovation* and *Institutional and Physical Infrastructure.*

To focus discussions, participants were asked the following questions:

1) Have we captured the right issues to foster industry success in 2020 and beyond?
2) How can industry and government work together to foster a modern, market-responsive, agriculture and agri-food sector that is resilient, competitive and sustainable?
3) What are the respective roles and responsibilities of the sector, government and other stakeholders relative to the issues identified that will create the right environment for success to 2020 and beyond?

The purpose of this report is to provide an overview of what was heard during the Phase 2 engagement sessions[1] as well as the input that was received online. This report is not meant to be exhaustive but is intended to capture key messages and common themes from the discussions. The key messages were developed by participants at each session. The contents of this report reflect a synthesis of input that was received from participants across the country and is intended to capture considerations at the national level. All input from the engagement process will be considered as part of the continuing policy development process.

No attempt has been made to evaluate factual accuracy of any viewpoint expressed in this report or to reconcile opposing positions. The views expressed herein do not necessarily represent those of Agriculture and Agri-Food Canada (AAFC), nor those of the provincial and territorial departments of agriculture.

The remaining sections of this report, *AS IT WAS HEARD – Phase 2 Positioning for Success,* are structured based on the two GF2 Strategic Outcomes, *"Competitiveness and Market Growth"* and "*Sustainability and Adaptability.*"

Section II provides a summary of participant's comments on how to achieve competitiveness and market growth and what innovation and infrastructure are needed to achieve this outcome. The section also summarizes participant's comments on areas which they considered required more attention or gaps in the framework, as well as the roles for government and industry for achieving the objectives.

Likewise, section III of this report provides a summary of participant's comments on achieving adaptability and sustainability and the innovation and infrastructure needed to achieve this outcome, as well as a summary of participant's comments on areas which they considered required more attention or gaps in the framework and participants' views on potential roles for government and industry. A conclusion follows in Section IV.

[1] See Annex A for a complete list of sessions.

II. COMPETITIVENESS AND MARKET GROWTH

Competitiveness and market growth is one of the two desired outcomes of the GF2 Policy Framework. When discussing this outcome, participants considered nine key elements that influence the sector's ability to optimize returns from markets. These elements were: production cost, research priorities, product attributes, labelling, Canada's international markets, Canada's domestic market, inter-provincial trade, buy-local initiatives and business models. The following sections outline key messages on these themes.

A. Participants' Comments on Achieving Competitiveness and Market Growth

Production cost – The high level of variability of production and distribution costs between regions was identified as a challenge to industry. Participants noted that factors such as the availability of labour, varying climatic and livestock rearing conditions, access to alternative energy sources, variance in farm sizes, agricultural productivity and different distances to key markets have contributed to the high level of variability of costs between regions.

The variability of production costs was also influenced by the availability of trained labour. Participants considered the current approach of investing resources in training foreign workers could be at a loss if the workers have to leave after a period of time.

Research priorities – Establishing research priorities relevant to a particular region or to a particular part of the sector was raised as a key issue, as was bringing producers' and processors' innovative ideas to market.

Product attributes – Industry noted a need to improve their ability to identify product attributes that consumers desire and are willing to pay for. Market research, improved intelligence and trend analysis were recommended as tools to better identify product attributes that consumers value. Improving the perception of attributes requires communicating with consumers on where their food comes from, and its health and environmental attributes.

This focus on attributes was posed as a response to the changing market environment and factors affecting industry profitability, where competitiveness is becoming less a matter of price, and more a result of product differentiation and brand reputation. Participants recognized attributes, such as product quality and environmental sustainability as keys to competitiveness. They also recognized that new attributes should meet the highest science-based food safety criteria, and that the sector should convey the benefits of these science-based attributes to consumers. It was put forward that the sector should make efforts to ensure that the introduction of a new attribute will increase consumer confidence and expand Canada's overall market access before the attribute is incorporated into Canada's competitiveness and market growth strategy.

Animal welfare standards were considered by some as an important basis for promoting a range of product attributes, and were seen as critical to maintaining a presence in diverse markets. Participants supported further research into how attributes can positively or negatively influence the marketability of end products.

Labelling – Meeting the requirements for the proper labelling of food products was cited as a challenge for industry. Concerns ranged from the time it takes to obtain approvals for use, to whether the label conveys accurate and transparent information to consumers. There were concerns over the "Product of Canada" designation; participants wanted to see changes made to the 98 percent Canadian content threshold.

International markets – Participants recognized the importance of multilateral and bilateral trade agreements which work to reduce the international trade barriers faced by industry. These agreements were recognized as especially helpful in overcoming unfavourable tariffs. Participants supported government efforts to overcome technical barriers which prevented entry into various markets. In this regard, they recognized the value of Canada's stringent regulations, while there was a perception that imports and competing products from other countries were not assessed against the same regulations. Participants also agreed that standard setting should not be a "race to the bottom"; rather they expected that all products, irrespective of origin, should meet the high quality standards currently applied in Canada. Participants also recognized the value of harmonizing and achieving mutual recognition of international standards.

Domestic market – Some participants suggested that the size and central role of Canada's domestic market are often underplayed when developing overall market growth efforts. These participants expressed a desire to focus on the domestic consumer to capitalize on opportunities, especially the growing ethnic and cultural foods consumer base. A related point was that Canada's domestic market can act as a springboard for products and attributes that could be transferred to export markets. If industry continues to develop robust product lines that are successful in domestic markets, they could adapt these products for foreign markets in the future, and potentially lessen the risks of being involved in unstable foreign export markets.

Interprovincial trade – Participants expressed a desire for improvements to interprovincial trade through the removal of trade barriers, which they felt would achieve greater economic and domestic marketing efficiency. Two types of obstacles to inter-provincial trade were identified; direct (such as differing standards and regulated uses between provinces), and hidden (such as conflicting provincial policies and programs). Participants suggested that a freer flow of goods within Canada, and greater industry competitiveness, would result from harmonization of regulations across provinces. There was a concern, however, that harmonizing standards with the intention of not "leaving behind" any province could involve lowering regulatory requirements across all provinces. As such, it was suggested that harmonized regulations should hold all provinces to rigorous and high-quality standards, provide value for consumers, and strengthen both the Canada Brand[2] and industry's competitiveness.

"Buy local" initiatives – Some participants expressed support for "buy local" initiatives at various sessions. They felt that these initiatives could promote more farm-based business, help develop the relationship between primary producers and consumers, and improve public awareness and understanding of agriculture. These participants linked these initiatives with promoting other key public issues such as positive environmental messaging (food miles) and healthy eating (fresh, organic, nutritious food and food products).

There was a general view that the Canada Brand is primarily effective at meeting international marketing objectives, while local brand messaging provides greater benefit to the domestic market.

Businesses models – Discussions related to trade development highlighted a need for single-window access to reliable market information, such as regulatory export requirements. Participants felt that single-window access to reliable market information could help identify market opportunities and support the development of new business models. In this context, new business models were considered to be adjustments that businesses should implement in order to successfully adapt to the changing domestic and international business environment to effectively address emerging challenges, and to benefit from emerging opportunities.

[2] "The Canada Brand is a strategy to sell more Canadian products. It's a means of telling our customers – in Canada and around the world – about the unique advantages and particular attributes of Canadian products."

Participants linked the sharing of best practices and the effective use of Canada's positive reputation with a stronger international presence of Canadian brands in foreign markets. It was suggested that many non-traditional export markets require building and maintaining personal links between enterprises. Participants noted that this model, while time-intensive, could be used to industry's advantage for expanding foreign markets for Canadian products.

Participants also offered support for increased communication across domestic industry to build greater trust and awareness of opportunities and trends within our own value chains. This was seen as a useful method for the Canadian agriculture and agri-foods industry to strengthen its position and standing in global supply chains. Increased communication was also seen by participants as a way to motivate industry risk-taking in new markets.

B. Participants' Comments on Innovation and Infrastructure needed to achieve Competitiveness and Market Growth

Participants considered innovation to include productivity improvements, the commercialization of new products and the application of new business models. Physical and institutional infrastructure were considered to be the entire system of basic rules, values, organizations and structures necessary for the sector to function. Adjustments and additions to the sector's physical and institutional infrastructure were considered based on their ability to enhance Canada's competitive position. Participants identified five main areas for the sector to focus on within Innovation and Infrastructure for Competitiveness and Market Growth: research and development, regulations, information and communications technology (ICT), transport systems, and physical capital.

Research and development (R&D) – Participants felt that R&D plays an important role in creating new science and technology-based innovations, and that services in support of R&D are central to generating innovation along the entire value chain. There was a clear recognition of the importance of innovation for the long-term competitiveness of the sector. Producers felt that the science cluster model was a good approach, and needed to be continued in Growing Forward 2. It was also widely accepted that research involves many players in a complex system which underscored the importance of coordination and partnerships. Participants wanted to be more involved in these collaborations so that they could benefit more quickly from the research as well as being able to help set the research priorities. Communicating what research was being conducted as well as the results was seen as an area to improve in Growing Forward 2. As well, all players recognized the need for continued research in the areas of food safety and animal health/welfare in order to maintain or improve Canada's market competitive edge. It was recognized that adopting and learning from the innovations of other countries could be beneficial for the Canadian sector.

Funding support was identified as an important stimulus to encouraging innovation. Many participants felt there should be sustained efforts to increase public funding for basic research and development, while at the same time enhancing applied research and development.

Participants wanted to see improvements in Canada's ability to bridge the gap between laboratory research and the demands of the global market. They suggested that governments work at supporting the efficient transfer of laboratory research developments to producers. Enhanced education and extension services, and increased government funding, were put forward as ways of achieving these goals.

It was suggested that sector research should further tap into medical research on health attributes. The findings could potentially provide health benefits to consumers, and offer a comparative trade advantage to Canadian products.

Participants felt a need for greater investment in the production and marketing of new

products. They recognized the need to maintain consumer and global market confidence, and suggested that scientific research (in areas such as health, animal welfare, the environment) be more effectively communicated to the consumer before an attribute is introduced into the marketplace.

Regulations – Participants felt that the overall regulatory environment could be more oriented to supporting markets. It was also suggested that the regulatory pathway could be clearer and more efficient, including making the current regulatory framework easier to navigate. They appreciated the importance of a strong regulatory base, but wanted to ensure that innovative products are accessible as inputs to maintain industry competitiveness. An example was the need for improved access to chemical inputs and veterinary drugs that are already approved for use in the U.S. Harmonization and/or mutual recognition of respective standards and regulations in multilateral fora (e.g., OIE[3], FAO/WHO[4] *Codex Alimentarius*, etc.), or in bilateral agreements was also identified.

A suggestion was put forth for a single-window service to provide information on regulatory requirements in given markets. It was also felt that improved cohesion between regulatory bodies and trade agreement negotiators would be an effective driver for increasing international competitiveness. Participants noted that technical measures for controlling imports are becoming the tool of choice, while the use of tariffs is declining. Some participants felt that governments could make regulations more sensitive to smaller producers, such that smaller producers and processing enterprises could be subject to a different tier of regulations, while still preserving essential food safety standards.

Information and communications technology (ICT) – Participants recognized that farmers require high-speed internet access to efficiently acquire information, and noted that many rural areas remain limited to dial-up. This area of focus was cited as having a particular relevance to young and beginning farmers who consider restricted access to timely market data, and research as a barrier to entry into the sector. In addition to the marketing tools available through the Internet, participants expressed a desire to use high-speed Internet to access sector and peer networks. High-speed Internet was also seen as a means of reducing the time it takes for applied research findings to be communicated to producers.

Transport systems – Participants saw a need for a faster turnaround at ports when shipping to foreign markets. There was some discussion around the reliability of the Canadian rail systems versus the U.S. rail system. Some participants expressed concern over the perception that the U.S. system is more reliable. It was felt that these types of situations risk undermining Canada's competitive position, especially that critical service element which impacts reliable and timely delivery to foreign markets. Transportation costs are another area of concern.

Physical capital – There was a view that small and medium-sized enterprises (SMEs) have the ability to be more flexible in adapting to changing market demands than larger enterprises. Some participants identified the value of reinvesting in physical capital which could benefit SMEs. For example, making available production facilities which could be shared between SMEs could offer economies of scale to allow them to develop new products that could take advantage of niche markets such as ethnic, religious, cultural, organic, and specialty meat cuts. It was also felt that SMEs play a role in sustainability and bringing economic benefits to rural communities.

In contrast, other participants identified the need for increased volume and larger scale primary production and processing. This was considered a necessary route to turning the efficiency-competitiveness corner in some regions.

C. Gaps in the Framework

The GF2 Policy Framework was well received at engagement sessions and through submissions via the on-line tool, and there was a general agreement on the direction,

[3] World Organization for Animal Health (OIE).

[4] Codex Alimentarius is a joint committee of the U.N.'s Food and Agriculture Organization and World Health Organization (FAO/WHO).

opportunities and challenges outlined. At the same time, participants identified some areas which needed greater attention or gaps in the Framework. This section provides a summary of these comments.

Profitability was identified as a key element of GF2 and it was seen as a prerequisite to attracting young and beginning farmers, stimulating investment and supporting energetic pursuit of new markets.

Participants proposed exploring ways in which producers could secure better value for their products in the marketplace. Some considered the consolidation of the retail food industry as one possible reason for lower market prices, resulting in producers receiving fewer dollars for their products.

Comments were raised on the concept of "market-focused," suggesting that this term should be broadened to reflect the needs of society. This, participants suggested, could be reflected in an overall policy vision within the Framework.

Some participants wanted support for supply management, non-food primary agriculture, and the foodservice industry to be areas of discussion in future engagement sessions and considered in the development of future policies.

The absence of fish, seafood and aquaculture (as a significant food component) in the GF2 Policy Framework was also noted. This sector was seen as an important player in the coastal rural community dynamic.

Areas that participants said required further discussion included labelling issues related to "country of origin," genetically modified organisms (GMOs), transportation and farm safety.

D. Roles for Government and Industry

Both government and participants recognized that achieving the outcomes outlined in the proposed GF2 Policy Framework will require strong collaboration between government and industry and a shared understanding of roles and responsibilities. In this context, participants were asked to identify which areas governments and industry could take a lead role to achieve the GF2 Policy Framework vision. This section provides a summary of participants' comments.

Participants expressed a need for governments to introduce "pathfinder" services to facilitate the commercialization of innovative ideas, attributes and research findings. They proposed single-window access to information on regulations, certification and other requirements for export destinations.

In support of achieving greater competitiveness and market growth for the sector, it was suggested that governments simplify requirements for programs designed to support industry and work towards simplifying related regulations. Participants expressed a desire for governments to extend greater financial protection and guarantees to potential investors as an incentive to stimulate capital flows.

Participants suggested that FPT agricultural departments should advocate on behalf of the sector to ensure that other non-agriculture departmental initiatives do not negatively impact the competitiveness of the sector.

Participants desired greater public-private collaboration, and felt that governments could contribute to this by generating front end market research. Findings from this research could potentially be used when determining and co-ordinating scientific research priorities.

It was suggested that governments could play a role in providing more market power to producers, processors and distributors, and that it could bring parties together to attract investment and integrate the domestic industry. Government was also seen as a leader for labelling requirements.

Participants wanted to see governments working to reduce tariff and non-tariff barriers through trade agreements. They suggested that governments could work toward furthering more international harmonization of regulations (or mutual recognition of standards). At the same time, participants saw a leading role for industry in the development of standards. Making standards more

consistent could also support government efforts on regional inter-provincial initiatives.

Participants wanted governments to look into a repayable loan program aimed at developing and marketing new products, and suggested governments assume a degree of ownership in facilitating and measuring change.

Finally, participants thought governments could play a role in cost-sharing initiatives that contribute towards the public good (e.g., traceability). They suggested governments take a lead role in ensuring food security, especially in vulnerable regions.

Industry leadership was recognized as important for securing markets for primary products. Also, it was recognized that industry should lead on determining market-driven research requirements (both scientific and marketing related). It was suggested that this could be achieved in part by introducing a more pronounced research element into the existing Value Chain Roundtable structure.

Industry was identified as an important leader in short- to medium-term profit-driven R&D. This could include applied research (including localized initiatives) and increased producer-researcher collaboration. Government R&D should continue to be more focused on the long-term.

Participants felt that industry could be a leader in improving animal welfare norms. Also, that industry could play a crucial role in the development of a potential future food policy that could help achieve competitiveness and market growth.

Finally, some participants suggested that commodity groups could take a lead in supporting producers in the development of comprehensive business models.

Participants discussed the challenges facing the sector in terms of: the responsible use of scarce resources, encouraging young and new entrants; Business Risk Management (BRM), supply management's contribution to sustainability, and recognizing societal concerns.

III. ADAPTABILITY AND SUSTAINABILITY

For the purpose of the engagement sessions, adaptability was considered to be the skill and capacity to anticipate and adjust to changing external environments and pressures. Adaptability was seen as a necessary condition for long-term sustainability and competitiveness. Discussions on sustainability focused on the need for sound management of the sector's financial, human and natural resources.

Participants discussed the challenges facing the sector in terms of: the responsible use of scarce resources, encouraging young and new entrants; Business Risk Management (BRM), supply management's contribution to sustainability, and recognizing societal concerns.

A. Participants' Comments on Achieving Adaptability and Sustainability

Responsible use of resources – Participants identified clean air and water, non-degraded and productive soil, and landscape preservation (including trees) as priorities in the areas of the environment and sustainability. They also considered the management of resources (both above and below ground) as a priority. In this regard, water was considered important enough that it should be managed in terms of quality and quantity.

Participants felt that stakeholders needed to be involved in managing the environment but that agricultural producers and processors should not be held to standards that are more demanding than those being applied to other industries.

It was suggested that the cost of providing environmental and other societal goods be distributed throughout Canadian society

while recognizing farmers' contribution to society as a whole. Some participants wished to better understand or learn how to quantify the value of environmental goods that farmers produced. It was suggested that support could be offered to producers to achieve effective waste management. Some participants saw an opportunity for programs to help the sector reduce and reuse, and thought that this needed to be recognized as a priority for the sector.

Some participants suggested that organic agriculture could provide yields similar to traditional farming, without requiring the same degree of fossil fuel inputs. They noted that the conversation often focused on yield per acre, whereas the more relevant question should be yield per unit of fossil fuel input. Some believed that the sector should be looking to organics as part of the solution to achieving sustainability. However, other participants were somewhat dismissive, with the view that organic agriculture could not feed the world.

Encouraging new entrants – Participants felt that if the agriculture and agri-foods sector could address negative public perceptions, and present a more positive image of the sector, it would be able to better attract new entrants and youth into the sector. Canada's oil and gas sector was considered to be in competition with the agriculture and agri-food sector in attracting new entrants, due to the perception that it offers greater financial stability, however others who have experienced the oil and gas sector have returned to agriculture for the stability and sense of community that it provides.

Participants identified the need for an efficient method to assist new entrants to navigate through the information available to help them enter the sector, including being able to find the right organizations to help them in this pursuit. In this context, a need was identified for improved technical and professional advisory support services which could offer information and guidance on the complexities of family farm intergenerational transfers. Finding ways for farmers to transfer farms via early inheritances, without decreasing their retirement savings, was seen as one of the challenges of transferring farms.

Participants signalled a willingness for producers to collaborate with businesses and individuals, to form clusters, and to share best practices between different parts of the sector.

Participants emphasized that any approach to addressing barriers should consider all producers.

Business Risk Management (BRM) – Phase 2 Industry Engagement did not focus on BRM, given that the result of the strategic review of BRM programs was covered during Phase 1 Industry Engagement. However, some participants offered comments, which are summarised here, since BRM falls under the Sustainability and Adaptability outcome.

BRM was viewed by many as a necessary factor for the sustainability of the agricultural sector. There was a desire by some participants for government to continue to play a role in assisting producers in managing risks, together with industry.

At the same time, the current BRM programs were considered by some to have the potential to mask market signals. Some participants expressed concern that BRM programs do not provide incentives for farmers to adapt their business models and approaches. There was also a perception by some stakeholders that current BRM programs do not treat farms of different sizes equitably. As well, some participants viewed existing programs as biased towards producers of certain commodities, and potential deterrents to production diversification. There were concerns over the complexity of AgriStability, which was considered to be contributing to problems of predictability and slow delivery of payments. Some producers were of the opinion that AgriRecovery is lacking standard conditions or criteria for when it responds to adverse situations caused by weather or disease.

Participants suggested that the existing BRM program structure could be improved to ensure greater simplicity, timeliness,

predictability and bankability. Some producers favoured broadening the range of commodities covered under AgriInsurance. It was also suggested that AgriRecovery could be expanded to include assistance for investments in the prevention and mitigation of disasters.

Participants expressed the need for government to seek industry input on improving overall BRM programs, through more transparency in BRM program development. This included engaging industry at the design phase.

Supply management – Some participants saw supply management as a system to be replicated, given its collective and orderly marketing nature. They felt sustainability might be enhanced through production quotas or the introduction of new supply management regimes as well as other collective management/marketing tools.

Others identified the cost of entry into supply management as prohibitive, and the system's insular nature as being of little interest to the export orientation of major commodities. Although supply management was considered by many to be a good system in its own right, some felt that there was too great a divide between supply managed and non-supply managed products. It was noted that some processors who use supply managed products as inputs face higher prices which could be limiting Canada's overall competitiveness.

Recognizing societal concerns – Participants expressed a need for the sector to communicate more frequently with the general public to raise awareness of: the sector's positive contribution to the environment; food safety standards; animal welfare; and other public concerns. They felt that negative public perceptions of farmers should be addressed. At the same time, they wanted to ensure that public expectations of the sustainability of the sector were not raised to unrealistic levels, and that the limits of what farmers can reasonably be expected to deliver should be taken into consideration.

B. Participants' Comments on Innovation and Infrastructure needed to achieve Adaptability and Sustainability

Within the context of adaptability and sustainability, participants considered innovation to mean a change in production practices or processes that would mitigate risks and improve environmental performance. Infrastructure discussions posed unique challenges because many areas lie beyond the core mandates of FPT agricultural departments and ministries. This is especially true for physical and institutional infrastructure related to the areas of environment, transportation, human health, energy and immigration matters.

Research and development (R&D) – Participants recognized R&D as important to the sustainability of the sector in that it could offer credible and reassuring science-based information on issues important to Canadian consumers such as food safety and animal health/welfare. Results from this R&D could also be used to present science-based evidence in international discussions and agreements to address potential non-science based trade barriers.

Participants expressed a desire for improved co-ordination between different levels of government in funding research. It was suggested that this could potentially eliminate duplication of research activities, while ensuring that the research could meet the needs of individual provinces and territories. Participants asked for a process that engages the whole value chain when establishing research priorities, sharing information on research activities, and sharing research results. Finally, it was suggested that R&D be conducted on the effects of climate change.

Developing tax incentives for environmental projects was suggested as a way to encourage the sector to continue to meet sustainability objectives. Reference was made to the Scientific Research and Experimental Development (SR&ED) tax incentive program.

It was said that it should add an orientation that supports agricultural R&D that is more focused on adaptation.

Concerns about funding indicated earlier in this report are relevant here. Participants also raised concerns about money leaving the sector in the form of royalties, and that this money could potentially be used instead to support further research. The idea of adopting "technology scouts," was also raised—individuals who could look into technological developments in other countries that could be used in Canada.

Water management – Water management infrastructure was identified by participants as a critical issue, but was also recognized as potentially beyond the frame of reference for eventual GF2 funding, and something that would be difficult to address in a five –year period. Participants suggested that governments could work with their counterparts and the sector to address water infrastructure issues. Participants expressed concern that Canada's water footprint would replace the country's carbon footprint as a primary environmental concern, and could impact Canada's competitiveness.

Alternative energy – Participants suggested that there should be a greater focus on finding alternative energy sources for agriculture. Ideas put forward included: looking into non-ethanol sources of bio-energy (recognizing the high level of water usage required to create ethanol), and the development of wind turbines and solar collectors. While it was noted that large investments in supporting infrastructure would be required if the sector saw a value in increasing their usage of these energy sources, participants felt there was a need for a long-term sector vision related to energy which would benefit the community at large. Furthermore, some believe that current government policies on alternative energy cause price increases for animal feed.

Support services – Participants asked for extension services to be enhanced to support the development of business plans. These services could offer education on marketing, leadership and business skills, and mentoring initiatives for new entrants. Such services could also improve the understanding and use of computer technology and ICT systems, and facilitate the dissemination of practical applications arising from research findings. These services were cited as necessary for the sector to innovate and adapt.

C. Gaps in the Framework

Participants recommended a comprehensive human resources strategy to be included within the framework. They saw themselves as an essential component of the sector's infrastructure, and believed that the human resource aspect should be renewed/updated along with any other element.

Participants believed emergency management of natural disasters should be incorporated into discussions and policies in light of increased environmental challenges. These discussions should include the complexities in responding to disasters, and a clearer delineation of federal and provincial responsibilities. It was suggested that waste management should be added as an issue for consideration and analysis.

Some participants expressed a desire to better understand how current BRM programs are meeting program objectives. In addition, some participants in Phase 2 identified a need to recognize a broader concept of risk management. This included a requirement for a national plant health strategy, an alien species management plan, and more effective pest detection methods.

Some participants indicated that the family farm needed to be explicitly recognized as the foundational piece of the Canadian agriculture landscape. Others suggested that policy and programs should be benchmarked against their effects on moderate-sized, production-oriented family farm units. A few participants noted that the proposed Framework does not recognize farmers who simply wanted to produce, (i.e., those that are not interested in post farm-gate activities).

A recurring theme was the notion of a food strategy or policy. The participants who raised the idea considered it to be a way to bring the sector closer to meeting the needs of the consumer in terms of health and environmental concerns. A food policy/strategy was also recognized as a way of taking a more holistic approach to agricultural policy in Canada, allowing for enhanced collaboration between government departments and bridging health, educational, financial and environmental components with agricultural issues. Some participants stated that Canada could learn from the national food policies of other countries. It was also seen as an opportunity for the sector to innovate.

D. Roles for Government and Industry

Participants wanted AAFC to maintain or increase funding of primary research. They sought more focus on pure/basic/primary work (i.e., public good or discovery research).

Discussions highlighted a need for continued investment in and enhancement of extension services, including education and information on effective waste management.

Participants requested a more forward-looking policy framework that encouraged a more proactive approach to addressing adaptation and sustainability of the sector.

They asked for government policies to take into account new business models that reflected regional differences.

Participants expressed a desire to see the Scientific Research and Experimental Development (SR&ED) tax incentive program oriented to support agricultural research focused on adaptation.

There was a general consensus that the challenges facing the sector today means that a more focused effort is required to achieve and maintain a profitable farm business. This, in turn, will require a strategic business approach to address these challenges. Participants identified the need for industry to understand consumer preferences, to identify niche markets, and to establish collaboration networks to share, for example, sustainability best practices.

Finally, participants signalled a willingness for producers to collaborate with businesses and individuals and form clusters, in order to share best practices among different parts of the sector.

IV. Conclusion

Over the course of the GF2 Industry Engagement process, FPT Governments had the opportunity to carry out a broad dialogue with the agriculture, agri-food and agri-based products sector on the proposed GF2 Policy Framework. These sessions as well as on-line input, helped develop a mutual understanding between government and industry on what is required to achieve a profitable, sustainable, competitive and innovative industry that is market-responsive, anticipates and adapts to changing circumstances, and is a major contributor to the well-being of all Canadians.

Participants had the opportunity to present their perspective on the proposed GF2 Policy Framework. The meetings and web tool provided a forum for stakeholders and the public to discuss alternate views, to offer guidance, and to share their perspective on the potential opportunities for all involved with Canadian agriculture and its many related elements.

Overall, the proposed GF2 Policy Framework appeared to resonate well with participants. Many felt that they left the sessions with an increased awareness and better understanding of *Growing Forward* 2. In particular, participants were pleased to engage in meaningful discussions with government and their industry peers.

FPT Governments will continue to engage with the sector as the development of policy initiatives under GF2 unfold.

Annex A

Phase 2 built on the progress made during the first phase. Phase 2 consisted of public meetings across the country, with young farmers, national organizations and innovators. The scheduled locations and dates for the engagement sessions were:

February 25, 2011, Gatineau (Quebec) – Young Farmers Meeting

March 10, 2011, Toronto (Ontario) – Innovators Meeting

March 14, 2011, Winnipeg (Manitoba)

March 17, 2011, Richmond (British Columbia) – Innovators Meeting

March 22, 2011, Fredericton (New Brunswick)

March 23, 2011, London (Ontario)

March 24, 2011, Guelph (Ontario)

March 24, 2011, Edmonton (Alberta)

March 24, 2011, Halifax (Nova Scotia) – Innovators Meeting

March 25, 2011, Calgary (Alberta)

March 25, 2011, Halifax (Nova Scotia)

June 2, 2011, Boucherville (Quebec)

June 13, 2011, Abbottsford (British Columbia)

June 17, 2011, Charlottetown (Prince Edward Island)

June 17, 2011, Ottawa (Ontario) – National Organizations

June 20, 2011, St. John's (Newfoundland)

June 21, 2011, Regina (Saskatchewan)

June 22, 2011, Saskatoon (Saskatchewan)