

# *Securing* **Agriculture's** *Future*

Invest Today ~ Prosper Tomorrow



**Prime Minister's  
Caucus Task Force on  
Future Opportunities  
in Farming**

*Chair: Bob Speller, MP*

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Invest Today ~ Prosper Tomorrow



**Final Report - October 2002**

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Caucus Task Force on  
Future Opportunities  
in Farming**

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*Chair: Bob Speller, MP*

October 2002

The Right Honourable Jean Chrétien  
Prime Minister of Canada  
House of Commons  
Ottawa, Ontario K1A 0A6

Dear Prime Minister:

It is my pleasure to submit the Final Report of the Prime Minister's Caucus Task Force on Future Opportunities in Farming, *Securing Agriculture's Future: Invest Today, Prosper Tomorrow*. When the Task Force was invited to contribute to the development of a national agricultural policy, we were asked to consider:

- the effectiveness and future direction of safety net programs;
- farm products that can attract a premium price;
- rural economic opportunities, particularly for value-added agri-food activities; and
- opportunities for farm operations to contribute to a healthy environment and increase Canadians' confidence in food safety.

Our Final Report expands on the Interim Report, which provided detailed information and recommendations reflecting our research and our consultations with Canadians. As a result, we urge you to view our Interim and Final Reports as two components of a plan having one goal: a secure future for our agriculture and agri-food industry.

Task Force members are very pleased with the rapid response given to our interim recommendations, and were happy with the commitment by the Minister of Agriculture and Agri-Food to implement all of our twenty-six recommendations. There is, however, concern in the farming community about how the decision was made to deliver the bridge funding and the delivery mechanism used, and about the approach being taken by Agriculture and Agri-Food Canada and the provinces with respect to the Agricultural Policy Framework.

Many in the farming community feel their suggestions are being ignored, that governments have already made key decisions, and that the consultations are nothing more than window dressing. Moreover, there is concern that the proposals being presented on safety nets are unworkable and more reflective of administrative simplicity, rather than of something that would really help farmers. Unless these problems are resolved with haste, we risk seriously harming our relationship with the agriculture and agri-food industry. Immediate actions would turn this situation around, and would show Canadians that governments really do listen to the suggestions made by industry

stakeholders. We will be seeking a meeting with Minister Vanclief to discuss our concerns.

Task Force members are deeply committed to advancing the ideas and concerns of the agriculture and agri-food industry, rural Canadians and indeed, all Canadians. Thank you for this opportunity to provide you with information and innovative suggestions for the future of agriculture in the 21st Century. We appreciate your commitment and actions to support agriculture and rural communities.

Sincerely,

A handwritten signature in black ink, appearing to be 'Bob Speller', written in a cursive style.

Bob Speller, MP, Haldimand-Norfolk-Brant  
Chair, Prime Minister's Caucus Task Force on Future Opportunities in Farming

## The Prime Minister's Caucus Task Force on Future Opportunities in Farming

**Chair:** Bob Speller, MP (Haldimand-Norfolk-Brant)

**Vice Chairs:** Mark Eyking, MP (Sydney-Victoria)  
Diane St-Jacques, MP (Shefford)

**Members:** Murray Calder, MP (Dufferin-Peel-Wellington-Grey)  
Claude Duplain, MP (Portneuf)  
Wayne Easter, MP (Malpeque)  
John Harvard, MP (Charleswood-St. James-Assiniboia)  
Rick Laliberte, MP (Churchill River)  
Paul Macklin, MP (Northumberland)  
Susan Whelan, MP (Essex)  
Senator Ross Fitzpatrick (British Columbia)  
Senator Nick Taylor (Alberta)  
Senator Jack Wiebe (Saskatchewan)

*Task Force Support:*

Patricia McLennan  
Policy Analyst, Rural Issues  
National Liberal Caucus Research Bureau

## Mandate

On 29 March 2001, the Right Honourable Jean Chrétien created the Prime Minister's Caucus Task Force on Future Opportunities in Farming. The Task Force consulted – and learned from – farmers, processors, other stakeholders and experts about the long-term challenges and opportunities facing the farm economy. The ultimate objective of the Task Force's deliberations was to build upon our government's record and ensure the success of the Canadian agriculture and agri-food industry in the 21<sup>st</sup> century.

The Task Force was asked to consider:

- the effectiveness and future direction of safety net programs;
- farm products that can attract a premium price;
- rural economic opportunities, particularly for value-added agri-food activities; and
- opportunities for farm operations to contribute to a healthy environment and increase Canadians' confidence in food safety.

## Process

### *Research and Consultation:*

The Task Force heard from a number of government departments and agencies about issues within their mandate, and interested Canadians were encouraged to provide ideas and comments via the Task Force's website. More than 500

written invitations were sent to farm organizations and other industry stakeholders requesting input, and the Task Force met with individual farmers, farm organizations and other stakeholders in every province between July and November 2001.

### *Interim Report:*

Based on information gained from research and as a result of the consultation process, the Task Force presented its Interim Report to Prime Minister Chrétien in Spring 2002. This report provided a comprehensive review of the issues facing the agriculture and agri-food industry as well as rural communities. It also made twenty-six recommendations in a wide range of areas.

### *Final Report:*

This report provides final observations and recommendations designed to assure the future health and prosperity of Canada's agriculture and agri-food industry and rural communities.

## Executive Summary

The Final Report of the Prime Minister's Caucus Task Force on Future Opportunities in Farming is the second component of the Task Force's work, and should be read in conjunction with the Interim Report presented to Prime Minister Chrétien in Spring 2002. The Interim Report provided a comprehensive review of the issues facing the agriculture and agri-food industry as well as rural communities, and made twenty-six recommendations in a wide range of areas. Task Force members are pleased that some of the recommendations made in that report have already been acted upon. Nevertheless, we urge all stakeholders to continue to focus on those recommendations that have yet to receive policy or legislative expression.

In the Final Report, ten recommendations are made in the areas of sustainable agriculture, rural economic development, domestic and international market opportunities, the diversity of farmers, and periodic review of agriculture and agri-food policy. While the issues addressed in this report are less numerous than those examined in the Task Force's Interim Report, they are nevertheless important and complement our interim recommendations and discussion.

The Final Report stresses the importance of sustainability in the agriculture and agri-food industry. In our view, sustainability must exist from a variety of perspectives: environmental, financial and within a community context.

Farmers are responsible stewards of the land and other elements of our environment, and their role in this regard must be recognized. Task Force members believe that, particularly in view of concerns about greenhouse gas emissions, measures must be taken to promote the development and use of environmentally-friendly sources of energy. Financial sustainability must be ensured through the provision of safety net programs that meet the needs of farmers, and the role of farmers as an integral part of the rural communities in which they live must be recognized.

Healthy rural communities are important in ensuring the future of the agriculture and agri-food industry. Rural economic development is not synonymous with agricultural development, and it must not be assumed that policies and programs to support agriculture will necessarily be sufficient to address fully the needs of rural communities. Thriving rural communities are important for a variety of reasons, not the least of which is providing the off-farm employment opportunities needed by many farmers and farm families.

Rural success stories in Canada share a common ingredient: community involvement, whether through development agencies, youth and business groups, and/or rural citizens. More must be done to ensure that best practices are shared and community assets are used to promote rural economic growth. At the same time, it must be recognized that infrastructure needs vary across rural communities, and programs and spending should be

flexible to recognize this reality. Like community involvement, adequate infrastructure is needed to attract new business and to maintain and expand existing businesses. Finally, the contribution made by farmers to rural communities could be increased through greater farmer involvement in processing, marketing and retailing operations. Task Force members believe that farmer-owned enterprises should be encouraged as a means of facilitating the contribution that farmers make to thriving rural communities.

A key requirement for a profitable agriculture and agri-food industry is the identification and full realization of domestic and international market opportunities. Both at home and abroad, Canadian farmers enjoy a reputation as reliable producers of high-quality food. Opportunities in the international marketplace, however, require a level playing field and assured market access. It is for this reason that the proper goals must be vigorously pursued during international trade negotiations, including a focus support for orderly marketing systems and the elimination of trade-distorting subsidies. Domestically, attention should be given to programs that would facilitate the identification and development of additional markets for agricultural products.

In Canada, farming is very diverse: different regions specialize in different agricultural commodities, producers operate farms of various sizes, and farmers are of various ages. Governments must recognize this diversity, particularly when developing policies and programs, and accommodate the wide range of crops

grown, livestock raised, farm size and needs that may be related to age.

Finally, the agriculture and agri-food industry is dynamic, and the needs of stakeholders will change as the environment within which they operate changes. It is important that periodic review of policies and programs be undertaken to ensure that the needs of farmers and processors continue to be met in the most cost-effective and efficient manner possible.

## Recommendations

### *Sustainable Agriculture:*

Agriculture and Agri-Food Canada include, within the Canadian vision for the future of the agriculture and agri-food industry, the sustainability principles adopted by other agricultural nations, including the United Kingdom and the United States. More generally, the federal government must increase its investment in agricultural programs that have environmental benefits.

The next federal budget contain incentives for the construction and expansion of bio-fuel processing plants, the equalization of tax incentives among bio-fuels, and funding for continuing bio-fuel research.

### *Rural Economic Development:*

The Rural Secretariat within Agriculture and Agri-Food Canada be directed to take a lead role in ensuring the formal establishment of a national network of development agencies that learn from best practices and assist each other in building upon community assets to ensure rural economic growth.

Infrastructure spending in Canada be flexible in order to recognize the unique needs of different communities and the disparities between urban Canada and rural Canada.

Finance Canada be directed to review, with a view to elimination, any legislative or other impediments to farmer-owned enterprises in Canada. The Minister of Finance should table a report on this issue in the House of

Commons no later than 31 December 2002.

### *Domestic and International Market Opportunities:*

The federal government assist farmers to identify and develop emerging domestic and international market opportunities, and to expand production into specialty or niche products, including ethnic foods. This assistance should be targeted at production, processing and marketing.

Agriculture and Agri-Food Canada and Health Canada meet at the earliest opportunity to determine if such United States initiatives as the Seniors Farmers' Market Program and the Fruit and Vegetable Pilot Program would have merit in Canada.

### *Diversity of Farmers:*

In developing federal policies and programs, the government recognize the role of small and medium-sized farms in providing agricultural products, environmental and aesthetic benefits, and vitality to rural communities. Recognition of this role may require such measures as flexible program design and funding arrangements, as well as enhanced funding for some undertakings.

Officials from Agriculture and Agri-Food Canada, Finance Canada and the Canada Customs and Revenue Agency meet at the earliest opportunity to explore how existing tax provisions might be amended to facilitate the intergenerational transfer of farm assets.

*Periodic Review of Agriculture and Agri-Food Policy:*

Federal and provincial governments undertake a review of the Agricultural Policy Framework every five years – more frequently if environmental, economic or other circumstances dictate – with a view to ensuring that the Framework’s components are continuing to meet the needs of all stakeholders in an efficient and effective manner.



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## Introduction

In April 2002, the Prime Minister's Caucus Task Force on Future Opportunities in Farming presented its Interim Report to Prime Minister Chrétien, the National Liberal Caucus, and Canadians. The report identified the challenges currently facing the agriculture and agri-food industry, including low commodity prices, distorted global markets and corporate concentration in the industry. It also stressed the need for immediate action with respect to a long-term national agriculture policy, safety nets, pesticide registration and bridge funding to cover transitional costs. A number of other areas were identified as important to safeguard the long-term vitality of the agriculture and agri-food industry. The Task Force made recommendations on a range of issues to help secure the industry's future including international trade, rural infrastructure, environmental protection, food safety and security, transition into and out of the industry, value-added and diversification opportunities, and research and development.

Task Force members have appreciated the interest that Canadians from coast to coast have expressed in the Interim Report, and the support they have provided. We are proud to have been instrumental in bringing greater attention to the farming community's concerns and ideas for the future. Moreover, we are pleased that Prime Minister Chrétien and Minister Vanclief have welcomed the report and engaged in ongoing dialogue with the Task Force. The report has also been welcomed by Minister of Health, Anne McLellan, who has

introduced the new *Pest Control Products Act* to make the pesticide registration process more transparent, enhance the process for international joint reviews of pesticides, and give Canadian growers better access to newer and safer pesticides. As well, changes within the Pest Management Regulatory Agency and Agriculture and Agri-Food Canada will result in increased research into – and access to – minor use pesticides, and a minor use Ombudsperson has been appointed. Total funding of \$7.3 million has been allocated to increase grower access to newer and safer pest management tools.

Many of the interim recommendations made by the Task Force dealt with issues addressed by the Agricultural Policy Framework, or APF. The APF is a key element of our government's new approach to agricultural policy, as federal, provincial and territorial Ministers of Agriculture have pledged to meet today's challenges by jointly developing a comprehensive framework comprised of five elements:

- food safety and food quality;
- the environment;
- science and innovation;
- renewal; and
- risk management.

In June 2002, the Task Force took part in one of the most significant announcements ever made with respect to agriculture, as our government announced \$5.2 billion in federal funding to be invested in the agriculture and agri-food industry over the next five years. Almost \$3.5 billion will be

allocated to implementing the APF, while \$1.2 billion in bridge funding will help farmers address current income pressures. Finally, \$589.5 million will be invested in environmental sustainability, competitiveness, innovation and access to international markets.

The Task Force believes that while most of our interim recommendations have found expression in the APF and policy areas in departments other than Agriculture and Agri-Food Canada, we would be remiss if we did not reiterate some of the main issues brought to our attention and indicate where future research and actions might be directed. From that perspective, this Final Report discusses sustainable agriculture, rural economic development, diversity among farmers, domestic and international market opportunities, and periodic review of agriculture and agri-food policy. We encourage Canadians to view our Interim and Final reports as two components sharing the common goal of ensuring the future of farming in Canada, and to consider all recommendations in both reports as integral to achieving that goal.

## SUSTAINABLE AGRICULTURE

Stakeholders from across Canada told the Task Force that agriculture must be sustainable, and from three perspectives: environmental, financial and within a community context.

### Stewards of the Environment

Environmental sustainability draws on the role already played by Canadian farmers as responsible stewards of the land and other elements of the environment. They recognize that the land is our heritage, and that they must take care of it if it is to continue to provide a livelihood for themselves and future generations. It is why Canadian farmers strive to produce the food that Canadians and citizens worldwide desire in a manner that is the least harmful for the environment.

The health of Canada's agricultural soils has generally been maintained or improved as a result of conservation practices over the past two decades. Both federal and provincial governments have actively addressed soil erosion, salinization, loss of organic matter and compaction. The Agricultural Policy Framework will continue – and expand upon – this record of achievement.

A number of other countries recognize the important role played by farmers in environmental sustainability. Many European countries are planning to decouple their agricultural support from production and instead direct it to environmental conservation and rural enhancement.

In the United Kingdom, the Department for Environment, Food and Rural Affairs is pursuing a strategy of sustainability for its agricultural industry. In the past, agriculture has been blamed for a significant loss of wildlife habitat, a decline in soil health and increased water pollution. Policies that encouraged over-production are being reviewed, and environmental legislation is being strengthened. Policy reform will see payments for environmental enhancement and the maintenance of the countryside, rather than support based on production. In developing its strategy for the sustainability of agriculture, the Department has adopted a definition of sustainable agriculture that includes the following components:

- ensuring the continuing availability to the consumer of adequate supplies of wholesome, varied and reasonably priced food, produced in accordance with generally accepted environmental and social standards;
- maintaining a competitive and flexible industry that contributes to an economically viable rural society;
- ensuring effective protection of the environment and prudent use of natural resources;
- conserving and enhancing the landscape, wildlife, cultural and archaeological value of agricultural land; and
- respecting a high level of animal welfare.

This concern for sustainability in a number of European countries and in the United Kingdom's strategy mirrors, to some extent, elements of the recently-passed *Farm Security and Rural Investment Act* – or Farm Bill – in the United States. The US legislation provides greatly enhanced funding for the Conservation Reserve Program as well as substantial funding for such other initiatives as the Environmental Quality Incentives Program, the Wetlands Reserve Program, the Wildlife Habitat Incentives Program, the Farmland Protection Program, the Grassland Reserve Program and the Conservation Security Program. The recent Farm Bill provided for an 80% increase in funding for conservation initiatives.

The Task Force believes that an accelerated policy on climate change is important in implementing recommendations concerning sustainable agriculture. We also feel that the direction being taken by the United Kingdom and the United States is correct and should also be pursued in Canada. It is from this perspective that we recommend that:

- **Agriculture and Agri-Food Canada include, within the Canadian vision for the future of the agriculture and agri-food industry, the sustainability principles adopted by other agricultural nations, including the United Kingdom and the United States. More generally, the federal government must increase its investment in agricultural programs that have environmental benefits.**

Another environmental initiative related to agriculture that is receiving increased attention is bio-fuels. These fuels could lead to reduced greenhouse gas emissions and could create new employment opportunities for rural Canadians. The most common bio-fuel is ethanol, which can be made from most grains. Research is also underway on the manufacture of ethanol from wood chips and grain straw. Ethanol is usually blended with gasoline, taking the place of lead or MMT, raising the octane level and providing for more complete combustion. A blend of 10% ethanol in gasoline provides a 30% reduction in carbon monoxide and a 6-10% reduction in carbon dioxide emissions. Since carbon monoxide and carbon dioxide are key gases in air quality and climate change, their reduction through the use of ethanol is both good for the environment and good for farmers who would have another use and market for their agricultural production.

Canada's annual demand for gasoline is about 33 billion litres. A 10% blend would create a market for 3.3 billion litres of ethanol. Canada currently produces 238 million litres of ethanol annually, and although there are plans to build additional ethanol plants and production could soon reach 675 million litres, this is still well below the 3.3 billion required for a 10% ethanol blend. In the United States, ethanol production rose as a result of mandated content in gasoline and federal tax exemptions.

World demand for ethanol is estimated to be 27 billion litres annually and it is growing. The Task Force believes that enhanced production of ethanol in Canada would have environmental

benefits; it would also provide an additional market for Canadian agricultural production, and would enable Canadian farmers to move into value-added processing. In turn, employment in rural communities would be increased. Recognizing the benefits to the environment – and thereby all citizens – as well as to farmers and rural communities of enhanced bio-fuel use, we continue to support the interim recommendation made regarding bio-fuel, and also recommend that:

- **The next federal budget contain incentives for the construction and expansion of bio-fuel processing plants, the equalization of tax incentives among bio-fuels, and funding for continuing bio-fuel research.**

Finally, agriculture is responsible for about 10% of Canada's greenhouse gas (GHG) emissions, producing a great deal of methane and N<sub>2</sub>O, much of it from livestock digestion as well as from manure and fertilizer management. As well, clearing land for ranching or for crops releases CO<sub>2</sub> into the atmosphere.

The impact of GHG emissions on Canadian agriculture will be seen in the response of crops, livestock, soils, weeds and insects to the warmer conditions. An estimated three-to five-week extension of the frost-free period would be of considerable benefit to commercial agriculture in Ontario and Quebec, and on the Prairies; however, it is also expected that dry soil conditions will intensify and may result in net reduced yields in many regions. Reliance on irrigation may increase, provided water resources are available.

Agricultural practices can remove GHGs from the atmosphere. While these practices are being promoted through the Agricultural Policy Framework, the Task Force believes that the importance of this issue requires that it receive priority as stakeholders implement the Framework.

Moreover, Task Force members believe that measures should be implemented that would encourage farmers to convert marginal land to other uses such as forests or natural grass lands. This goal could be accomplished through the tax system. Given concerns about global warming and the implications it might have for drought and water resources, we urge federal and provincial governments to consider a joint secretariat, perhaps within the Prairie Farm Rehabilitation Administration, that would be given responsibility for long-term planning in this area.

### **Financial Sustainability**

Financial sustainability requires many actions: having the right set of safety net programs in place to ensure that farmers can make it through the difficult times and still be on the land when times improve; ensuring that Canada is party to international trade agreements that ensure a level playing field; recognizing the global desire for Canada's high quality food that has been produced in an environmentally responsible manner; ensuring that the high standards that have made us a world leader continue to be upheld; and, devoting adequate resources to the development and maintenance of markets, particularly for those commodities where Canada has a comparative advantage.

The Task Force made many interim recommendations in these areas. While most are being addressed with the Agricultural Policy Framework and the bridge funding announced by governments, we urge governments to ensure that all of the Task Force's interim and final recommendations are implemented on a priority basis in order to ensure the health of Canadian farmers, farm families and the rural communities of which they are a part.

### **Community Partners**

Farmers do not live in – and farming does not occur in – a vacuum. Farmers are an integral part of the rural communities in which they live. These communities benefit farmers by providing opportunities for off-farm employment, educating farm children and ensuring family health.

The Task Force believes that the presence of the agriculture and agri-food industry in many rural communities is essential to their continued existence. We know that farmers and rural communities often have a symbiotic relationship, with the health and prosperity of one helping to ensure the same for the other. The Task Force made a number of interim recommendations in this area, including the importance of addressing basic infrastructure deficiencies (such as Broadband Internet). While we do not reiterate them here, we do continue to stress their importance. Our thoughts in this area are augmented by the comments made herein regarding rural economic development.

## RURAL ECONOMIC DEVELOPMENT

“Rural economic development” is not synonymous with “agricultural development,” and more than a healthy agriculture and agri-food industry is needed to ensure healthy rural communities. While agriculture occurs within a rural context and farmers are certainly important contributors to rural communities, it should not be assumed that policies and programs to support agriculture would necessarily be sufficient to fully address the needs of rural communities.

Rural economic development is important for a variety of reasons, not the least of which is the need to maintain and increase the off-farm employment opportunities desperately – and unfortunately – needed by many Canadian farmers and farm families. These employment opportunities enable producers on small and medium-sized farms to remain on the land and serve as active members of their community. A critical mass of inhabitants is needed to maintain such services as schools, health care and retail and professional services. Farm families help to keep rural communities alive and vibrant.

Canada is fortunate to have many rural success stories. A key ingredient in many of these successes is community involvement – development agencies, youth and business groups, and rural citizens more generally. Community economic development agencies have provided the professional skills needed to support grass roots initiatives designed to attract and retain businesses, improve the quality of life in their community, and celebrate their unique

identity. This unique identity was one of the concepts underlying the Task Force’s interim recommendation on agri-tourism.

Unfortunately, some rural areas have not enjoyed the same level of success or experienced the same level of vibrancy and health as their neighbours. The Task Force believes that all rural communities have the ability – and right – to thrive, but some need more help than others. This is why we recommend that:

- **The Rural Secretariat within Agriculture and Agri-Food Canada be directed to take a lead role in ensuring the formal establishment of a national network of development agencies that learn from best practices and assist each other in building upon community assets to ensure rural economic growth.**

While grass roots support and initiatives are important for success, rural community vitality cannot be maintained in the long run without adequate infrastructure. All communities – urban and rural – realize that infrastructure is a key element in attracting new business, as well as in maintaining and expanding existing businesses. Access to water, sewer, telephone and road services is a basic requirement, and high speed Internet access is increasingly a business requirement. When these infrastructure needs are met, communities are better positioned to attract business investment; as well, the quality of life of community inhabitants is enhanced.

Other infrastructure concerns also exist and must be addressed. These include the infrastructure needs of Canadian university faculties of veterinary medicine, which play a role in protecting our food supply as well as human and animal health.

In the United States, federal agencies work with state and local governments to address infrastructure needs and thereby create vibrant, innovative, market-driven solutions to the challenges facing rural communities. They often adopt the following principles:

- recognize the diversity of rural communities;
- accept that rural development is not synonymous with agricultural policy;
- create environments that will attract private investment;
- capitalize on the natural resource base;
- protect lives and property;
- expand infrastructure, communication facilities and technology; and
- coordinate the involvement of all stakeholders.

In Canada, the partnership model is also adopted and infrastructure programs are generally cost-shared, with the federal, provincial and municipal government each funding a portion of program costs. Unfortunately, this funding model may leave rural communities disadvantaged relative to their urban counterparts. The Task Force believes that the model currently used in Canada is too rigid, and for this reason we recommend that:

- **Infrastructure spending in Canada be flexible in order to recognize the unique needs of different communities and the disparities between urban Canada and rural Canada.**

The contribution of farmers to rural communities could be enhanced by greater producer involvement in processing, marketing and retailing operations. It was for this reason, in part, that the Task Force made interim recommendations in this area. The pursuit of value-added opportunities – particularly in emerging and niche markets – would serve the dual purpose of improving the financial prosperity of Canadian farmers and making them greater contributors to the rural economy. As a greater share of the food dollar accrues to the farmer and farm family, the increased disposable income would be spent on the purchase of goods and services in their rural community. The Task Force believes that farmers – working together through corporations or cooperatives – will have a larger pool of financial resources and business expertise, and thus will be better placed to exploit domestic and international market opportunities. From this perspective, we recommend that:

- **Finance Canada be directed to review, with a view to elimination, any legislative or other impediments to farmer-owned enterprises in Canada. The Minister of Finance should table a report on this issue in the House of Commons no later than 31 December 2002.**

Finally, although the Task Force's deliberations have focussed on the future

of farming, we would be remiss if we did not point out that the financial health of farmers affects others in the agri-food chain, including input suppliers and those who transport agricultural products, among others. Many of these enterprises also exist in the rural community. As a consequence, we encourage policy makers to consider the effect of policy changes – and changing economic circumstances – on every person and organization involved in any way in food production, and recognize that the health of the agriculture and agri-food industry and rural communities depends on the prosperity of every stakeholder in that chain.

## DOMESTIC AND INTERNATIONAL MARKET OPPORTUNITIES

In most OECD countries, there is a strong desire – among governments, farm organizations and farmers – to reconnect the producers of agricultural products with the consumers of food. Increasingly, consumers want to know where their food comes from, how it was grown, and that it is safe and nutritious. They also want different foods today than they did in the past. As consumer tastes have changed, specialty foods, nutraceuticals and organically grown food have grown in popularity.

Canadian farmers have long had a comparative advantage in producing many agricultural products, and have a worldwide reputation as reliable producers of high quality food. This comparative advantage enables trading partners to gain from trade, assuming that a level playing field exists, and particularly when products are highly desired by the rest of world, which is certainly the case with Canadian agricultural products. This is why the Task Force made recommendations related to international trade negotiations, “maple leaf” branding, and food safety, security, certification and inspection. The recommendations made in the Interim Report continue to be important. As international trade negotiations continue it is imperative that the federal government continue to push for the elimination of trade-distorting subsidies and continue to safeguard orderly marketing systems. Moreover, the federal government must be prepared to take action against any

foreign government that fails to respect their international trade obligations.

The future prosperity of farmers, the agriculture and agri-food industry, and rural communities might be better assured with assistance in the identification and development of specialty and niche markets, including the growing ethnic food market. It must be recognized, however, that other countries will also be competing in these markets, often with lower input costs and/or higher subsidies or incentives. Nevertheless, the Task Force believes that our farmers can produce these emerging products for both the domestic and international markets, and recommends that:

- **The federal government assist farmers to identify and develop emerging domestic and international market opportunities, and to expand production into specialty or niche products, including ethnic foods. This assistance should be targeted at production, processing and marketing.**

The Task Force also believes that Canadian farmers have an enhanced role to play with respect to biotechnology. Biotechnology holds promise for life science products and in producing varieties more tolerant of pests and weather conditions. However, the concerns of some about the potential long-term impact of genetically modified

(GM) products on human health and the environment must be recognized.

Throughout much of Europe, fear and distrust of GM foods continues, and it is spreading in North America.

Increasingly, consumers worldwide are demanding that GM foods be labelled. European Union regulations for labelling, which came into effect in January 2000, require manufacturers to prove that their products contain no GM ingredients. A number of European processing firms have refused to accept agricultural products unless the exporter can certify that they are GM-free.

Japan, Australia and New Zealand have also adopted labelling for GM foods. An Australian study found that mandatory labelling would cost approximately \$3 billion, with annual costs of \$1.5 billion and a possible 6% increase in grocery prices.

In 1999, the Canadian Council of Grocery Distributors and the Canadian General Standards Board launched an initiative to develop standards for the voluntary labelling of foods derived from biotechnology. The development of Canadian GM guidelines must take into account the standards of our international trading partners in order to ensure the continued acceptance of Canadian foods globally. The Task Force continues to support its interim recommendations regarding a voluntary labelling standard for foods containing GM organisms and the need for research on the benefits and risks of GM organisms.

Finally, the promotion of bio-fuels was mentioned earlier as one way in which market opportunities could be created domestically and internationally.

Certainly, the Task Force believes that the creation of new markets for agricultural products is one way in which the future of farming in this country might be assured. It is from this perspective that we have found several U.S. initiatives to be interesting, including the US\$15 million Seniors Farmers' Market Program, which provides vouchers or coupons to seniors to purchase fresh fruits and vegetables at farmers' markets, and the US\$6 million (maximum) Fruit and Vegetable Pilot Program, a one-year pilot program designed to make fresh and dried fruits and vegetables available in 25 schools in four states. In the United States, funding is also available for the provision of food to food banks and soup kitchens, and school breakfast and lunch programs.

While foreign food aid is valuable for humanitarian reasons, it also provides a market for Canadian agricultural products. In a similar vein, we believe that programs like those in the United States would both improve the overall health of our citizens and provide yet another market for the agricultural products of our farmers. That is why we recommend that:

- **Agriculture and Agri-Food Canada and Health Canada meet at the earliest opportunity to determine if such United States initiatives as the Seniors Farmers' Market Program and the Fruit and Vegetable Pilot Program would have merit in Canada.**

The Task Force believes there are virtually endless domestic and international market opportunities for the high quality agricultural and agri-

food products produced by our farmers and processors. The key is to identify, expand and maintain these markets. Canadian prosperity will be enhanced if all stakeholders – governments, farmers, processors, but also Canadians more generally – work together to maximize these opportunities.

## DIVERSITY AMONG FARMERS

Farming in Canada is characterized by much diversity, with different regions of the country specializing in different agricultural commodities and producers operating farms of various sizes. The federal and provincial governments must recognize the diversity of Canada's farm enterprises, particularly when developing policies and programs.

In response to global economic conditions, two very different categories of farm enterprise have emerged. During the consultation process, some farmers told the Task Force that existing farm programs were working well, while other farmers delivered the opposite message. Some of this discrepancy in opinion reflects the diversity of farm operations in Canada. Because of this diversity, it is virtually impossible to develop a single program that will meet the needs of all farmers – all commodity groups and farms of all sizes.

Governments must be conscious of the different needs of Canadian farmers and incorporate these varying requirements into program and policy design.

At one extreme, Canada has large farms, where farmers have made sizable investments in land and capital. For the most part, they employ the latest technology, and use the Internet to market their product, purchase supplies, research market trends and upgrade business management and other skills. They may also use global positioning technology to improve efficiency in irrigation, and in pesticide and fertilizer application. This group comprises about 20% of Canada's farms, and it supplies

about 80-85% of national farm production.

However, Canada also has a significant number of small and medium-sized farms. In fact, about 80% of Canada's farms fall into this group, and supply 15-20% of national farm production. While these farms tend to be smaller, their production is more diversified. To an increasing extent, their household income is supplemented with off-farm employment or on-farm non-agricultural pursuits. Often, these farmers are just entering the industry and intend to expand in the future, or they are approaching retirement and are reluctant to make further investments in their farm. These farms play a critical role in maintaining viable rural communities and in providing valuable aesthetic and environmental benefits.

A similar distribution is found in the United Kingdom, where 25% of farmers produce 80% of agri-food products, and in the United States, where 16% of farms produce 85% of that nation's agricultural production.

The trend toward larger, more industrial farms is a concern for many, and the Task Force was told about corporate control of the nation's food supply, the decline in rural communities, and the potential for environmental damage. With similar pressures occurring worldwide, other OECD countries have been exploring program changes to maintain smaller farms. Believing that the family farm – including small and medium-sized farms – provides important environmental, aesthetic and

community benefits, the Task Force recommends that:

- **In developing federal policies and programs, the government recognize the role of small and medium-sized farms in providing agricultural products, environmental and aesthetic benefits, and vitality to rural communities. Recognition of this role may require such measures as flexible program design and funding arrangements, as well as enhanced funding for some undertakings.**

North American governments – as well as North American farmers – have long been concerned about the difficulties faced by those wishing to enter the agriculture and agri-food industry and farmers wishing to exit the industry to pursue retirement or other activities. This problem has grown as modern farms and farm assets may be worth millions of dollars. Beginning farmers often find it difficult to secure the required financing, and farmers wishing to leave the land consequently have trouble finding someone who can afford to purchase their farm assets. The Farm Credit Corporation has the 1-2-3 Grow Loan, designed to accommodate the long period between the original investment and the first returns on that investment. Targeted to beginning farmers, these loans are available for initial purchases or for the expansion of existing farm enterprises. The Net Income Stabilization Account program assists in the retirement of farmers, as the unused portion can be used as retirement income.

Some countries in the European Union have developed programs to assist farm families with the intergenerational transfer of farm assets, and the United Kingdom is pursuing incentives for young people to enter agriculture, including career guidance, alternative entry methods (such as share farming), and college and university programs in agricultural management.

The Task Force is sympathetic to would-be farmers and farmers wishing to retire, and believes that more must be done to assist them. While we believe that our interim recommendation must be implemented, we also think that innovative methods to facilitate the intergenerational transfer of farm assets must be explored. From this perspective, we recommend that:

- **Officials from Agriculture and Agri-Food Canada, Finance Canada and the Canada Customs and Revenue Agency meet at the earliest opportunity to explore how existing tax provisions might be amended to facilitate the intergenerational transfer of farm assets.**

Canadian farmers are not a homogeneous group. They produce different commodities using different production methods on farms of different sizes. Policy makers must recognize and ensure adequate flexibility to accommodate these differences. Moreover, the particular concerns of beginning and retiring farmers must be recognized if the agriculture and agri-food industry is to realize its long-term potential.

## PERIODIC REVIEW OF AGRICULTURE AND AGRI-FOOD POLICY

It is perhaps both a blessing and a curse that we live in such dynamic times. With each passing day, it seems that technological innovations enable farmers to realize new efficiencies in production and to minimize production risks, thereby ensuring safer, higher-quality and more affordable food. Moreover, the signing of new trade agreements and the negotiation of regulations on international trade enables countries to exploit their comparative advantage and consumers worldwide to benefit from the diversity of products made available through trade. While these benefits undoubtedly exist, the pace of change requires ongoing monitoring of agricultural and agri-food policies and programs to ensure that they continue to meet the needs of stakeholders in the best possible manner.

While the Task Force was engaged in its work, the most recent Farm Bill was being written in the United States. This gave us an opportunity to ponder the development and funding of agricultural policies and programs in that country. It also provided Canadian farmers, processors and citizens in general with an opportunity to view the policy-making process. Given the integration of our economies and the extent to which Canadians access American media, it is perhaps more relevant to look to the United States than to other countries when thinking about policy development.

The Task Force believes that, in these rapidly changing times, there is merit in

undertaking a systematic review of agricultural and agri-food policies, programs and funding on a periodic basis. As taxpayer dollars are spent on support to the industry, it is important to assure all Canadians that policies and programs are keeping pace with technological advancements, changes in the international trade environment, and evolving consumer tastes and expectations. Moreover, Canadian farmers and processors must be confident that their governments are working with them to ensure their prosperity, which after all, contributes to the prosperity of our nation. That is why we believe that periodic, systematic review of agricultural and agri-food policies and programs must occur. Consequently, the Task Force recommends that:

- **Federal and provincial governments undertake a review of the Agricultural Policy Framework every five years – and more often if environmental, economic or other circumstances dictate – with a view to ensuring that the Framework's components are continuing to meet the needs of all stakeholders in an efficient and effective manner.**

This type of periodic, systematic review appears to be successful for American farmers, and the Task Force believes that a similar exercise in Canada would be both useful and welcome.

## CONCLUSION

Beginning in March 2002, Statistics Canada began to release the results of the most recent census. The data revealed that, on 15 May 2001, there were 246,923 farms in Canada. This figure – which represents a loss of 29,625 farms since 1996 – is 10.7% lower than the number of farms counted in the 1996 census, and continues a trend that started six decades ago, when the number of farms peaked. It is important – and encouraging – to note, however, that while three of every ten farms that had been counted in 1996 had left agriculture, another 50,000 farms had been added since 1996. Clearly, some see opportunities in the agriculture and agri-food industry, and the Task Force believes that implementation of our interim and final recommendations will serve to enhance these opportunities.

At the same time, for the 2001 census, farmers reported 89.9 million acres in crops, up 4.2% from 1996, and growth in the number of livestock. Moreover, while the farms are fewer in number, the average farm is larger in size.

Task Force members appreciate the efficiencies and increased productivity that may come with larger farm size as well as changes in technology and land use practices, but are saddened that the number of farms continues to decline, particularly at such a rapid pace. Farmers are stewards of the land, the producers of high quality food, and integral members of rural communities. A decline in the number of farms could have negative implications in a number of areas, particularly in rural communities.

While the Task Force is encouraged that many of our interim recommendations have already found – or will find – legislative or policy expression, we hope that governments and all relevant departments within government will continue to examine those on which no action has been or will be taken. We continue to support our interim recommendations and believe that when they and the final recommendations contained in this report are fully implemented, a prosperous Canadian agriculture and agri-food industry throughout the century will be assured. In our view, these actions must be taken in order that, when the next Census of Agriculture is undertaken and the results are released, the figures will reveal a thriving industry, and growth in the number of Canadian farms. In turn, the result will be thriving rural communities and prosperity for Canada.

# Appendix

## Interim Report Recommendations

### *The Task Force recommends that:*

1. Extensive consultations should be carried out with stakeholders during the development of an Agricultural Policy Framework. The work completed by the Task Force and the Standing Committee on Agriculture and Agri-Food should be useful in this process. Further consultation is needed regarding the details of any proposal, particularly to ensure program consistency with our international trade obligations.
2. More attention needs to be paid by governments when developing safety net programs to ensure that they respond to the needs of Canadian farmers by providing more flexibility while remaining within World Trade Organization (WTO) requirements. Canada should seek to renegotiate the green box definitions to better reflect the reality of farm programs here in Canada.
3. The federal government – at a minimum – maintain farm safety net funding at its current level for the next five years to give some certainty to growers. The government must also recognize that, in the short term, bridge funding will be required and in some cases will need to be enhanced to respond to the adverse and unpredictable effects of weather, markets and income fluctuations due to factors beyond farmers' control. It is critically important that these payments comply with World Trade Organization (WTO) requirements to avoid trade actions. As well, Agriculture and Agri-Food Canada should work more closely with farmers and rural accountants to design workable programs as well as the forms needed to access funds.
4. The federal government implement substantial changes in the near future to the Pest Management Regulatory Agency (PMRA) that would make the Agency more transparent, responsive, timely, and more harmonized with the standards of other OECD countries. The Agency must examine the economic implications of cost sharing, default levels on residues and residue tolerances, zone maps and joint reviews. The Agency should consider the appointment of an Ombudsperson who would investigate complaints.
5. On a priority basis, the Pest Management Regulatory Agency (PMRA) and Agriculture and Agri-Food Canada conduct a comprehensive review of systems for encouraging companies to register more products used in the United States and other countries to determine how they might be adapted for application in Canada. Stakeholders should participate in this review.

6. The moratorium on Canadian Food Inspection Agency (CFIA) cost recovery fees be extended indefinitely. There should also be further analysis done to determine if the fees being charged to farmers today are too high in relation to fees paid by farmers for these services in other countries or in other sectors of the economy.
7. The federal government continue to take a strong stand at World Trade Organization (WTO) negotiations for improved market access for Canadian products around the world. Moreover, a Canadian rapid response team should be established to prevent delays and to deal swiftly with trade disputes over perishable goods. Industry consultation and involvement is essential.
8. The federal government continue to uphold our orderly marketing systems on all fronts and against all challenges. The government must instruct its international trade negotiators to defend our sovereign right to determine our domestic marketing systems, including export state trading enterprises.
9. Governments at all levels invest in correcting basic infrastructure deficiencies in rural Canada such as Broadband Internet, particularly in agricultural communities.
10. Governments consider new programming to meet the needs of both new farmers and those wishing to exit the industry. Innovative programs addressing such issues as succession planning should be developed and implemented.
11. The Government provide farmers with the opportunity to upgrade their education and skills and enable them to adapt to changing consumer demands and scientific advances.
12. Land stewardship initiatives be explored and implemented on a national basis. The Prairie Farm Rehabilitation Administration (PFRA) should be adequately funded to expand carbon sinks and agri-forestry, and improve management of water and marginal farmland.
13. All beneficiaries share in financing the costs of implementing sound environmental practices on farms.
14. In partnership with the provinces, the federal government support new ethanol and bio-diesel processing plants, encourage renewable fuel content, and eventually introduce a legislated requirement for bio-fuel content in gasoline and diesel.
15. The federal government take a leadership and coordination role in establishing a national food safety certification system for all sectors not already subject to such standards. Since all Canadians share in the benefits of food safety, the costs should be shared by producers, processors, retailers, consumers and governments at all levels.

16. Health Canada and the Canadian Food Inspection Agency take a more aggressive role in explaining to Canadian consumers the system of food inspection in this country. We have one of the most comprehensive systems in the world and most Canadian consumers are unfamiliar with it.
17. Agriculture and Agri-Food Canada work with industry stakeholders to develop a system whereby foods produced and processed in Canada could be branded with the maple leaf. Food safety is increasingly important and consumers at home and abroad would know when they saw the Canadian maple leaf that they were assured of buying high quality, safe food.
18. More Canadians representing rural parts of the country be appointed to university research granting bodies across the country.
19. Centres of Excellence focused on agriculture and agri-food science be established to promote the industry and celebrate Canada's reputation as a world leader in this field. since funding for basic agricultural research is a key to the future viability of the agriculture and agri-food industry, and increased research on emerging agricultural markets, market trends, minor crops, rural community development and value-added processing is critical, research funding should be provided without requiring matching investment. Also, Agriculture and Agri-Food Canada must continue to consult with stakeholders on changes it is making within its research division to ensure the best synergy of science and to establish partnerships within and outside of government. Better ways to disseminate information to the industry and farmers must also be developed.
20. The federal government encourage research on the short- and long-term benefits and risks of genetically modified organisms (GMOs) for human health, the environment and the economy.
21. The government facilitate development of a voluntary labelling standard for foods containing genetically modified organisms that would allow consumers the opportunity to know what is in the food they eat and give them assurances that it is safe and healthy.
22. The human health benefits of nutraceuticals and herbal remedies be explored. As life sciences result in new products being made from crops, the federal government must ensure that a fair share of the economic returns go to the farmers.
23. The federal government provide targeted assistance to organic farmers in the areas of research, pest control, the certification process and exploration of export markets.

24. The federal government provide further research and assistance to farmers wishing to add value to their products.
25. The federal government review its programs that encourage co-operatives in this country and address the issues of intergenerational transfer, promotion of networking among co-ops, and the ownership of intellectual property rights.
26. The federal government work with the agriculture and agri-food industry to further promote agri-tourism across Canada.