Growing Forward 2 – Accelerating Globalization, Stalling Food Sovereignty
Implications of the GF2 Strategic Initiatives Suite

by the National Farmers Union, February, 2013

Growing Forward 2 (GF2) is a powerful policy instrument that will increase the market power of global agribusiness corporations, help the few largest-scale farms expand, and increasingly marginalize the majority small and medium-sized family farms. GF2 conflates the interests of Canada with the interests of global capital and instead of providing a counter-balance to the concentrated economic power of large corporations, it augments it. This is a trend that has been developing over decades, and is enmeshed with international trade agreements (see Appendix A: *Agriculture Policy Framework Goals, 1981 – 2013*).

Growing Forward 2 (GF2) is Canada's five-year federal-provincial-territorial cost-shared agriculture policy framework, and will be in effect from April 2013 until the end of March 2018. The goals of GF2 were laid out in the *Saint Andrews Statement* and agreed to by all the Agriculture Ministers (except for Ontario) in July 2011.[1]

Strategic investment dollars will be allocated to attain "competitiveness in domestic and international markets" and "adaptability and sustainability for the sector" using innovation and institutional and physical infrastructure.[2] Two billion dollars of federal funds over 5 years will be cost-shared 60-40 by federal and provincial/territorial governments. Federal money will be allocated according to a formula that takes into account the number of producers and the amount of farm cash receipts in each province or territory. Bilateral agreements for the Strategic Initiatives portion of GF2 are currently being negotiated between each province or territory and the federal government. The expectation is that agreements will be reached by April 1, 2013.

Also contained within GF2 is a "complete and effective suite of business risk management (BRM) programs to ensure farmers are protected against severe market volatility and disaster situations."[3] The BRM (safety net) portion of GF2 is a multilateral agreement that was signed by the Ministers in Whitehorse, Yukon in September 2012. The National Farmers Union has conducted an analysis of the BRM portion of GF2 which is available at http://www.nfu.ca/story/business-risk-management-programs-under-growing-forward-2 .

[1] http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1309901575227&lang=eng (accessed January 2013)
[2] Saint Andrews Statement, Her Majesty the Queen in right of Canada, 2011 A34-10/4-2011E-PDF ISBN 978-1-100-18994-9 AAFC No. 11521E
[3] Growing Forward 2 - Frequently Asked Questions.http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1294780620963&lang=eng).

The stated goal of GF2 is to "achieve a profitable, sustainable, competitive and innovative agriculture, agri-food and agri-products industry that is market-responsive, and that anticipates and adapts to changing circumstances and is a major contributor to the well-being of Canadians."[4] Since federal-provincial policy frameworks were introduced over thirty years ago, the focus on farmers, food, rural communities and the health of the land has gradually weakened to the point that they are not even mentioned in the GF2's goals.[5]

When these critical factors disappear from national agricultural policy goals, the message is that they no longer count. The measure of a successful agricultural policy has become something other than thriving farming populations, vibrant rural communities, a wholesome and varied home-grown food supply and a clean and healthy ecosystem for the benefit of present and future generations. This reality gives rise to a number of questions:

- What problems does GF2 aim to solve?
- What interests are favoured by the funding of competitiveness and market-development through innovation and infrastructure investments?
- Who will benefit from the public funds directed through the GF2's strategic initiatives?
- Is government defending and supporting the interests of citizens, including farmers, over those of transnational corporations?
- What are the risks of an agribusiness rather than family farm friendly focus, and who will bear the costs of these risks?
- What yardsticks *are* being used to measure the success of GF2?

In this brief, we will begin a discussion in answer to these questions by offering an analysis of GF2 using the lenses of food sovereignty[6] and fair trade. We will test the capacity of GF2 to effectively advance health, justice, community and ecological sustainability for Canadians, and particularly for farmers, while respecting the livelihoods and quality of life of citizens of other countries. Finally, we will offer recommendations for a federal-provincial agriculture policy framework that will create thriving farming populations, vibrant rural communities, a wholesome and varied home-grown food supply and a clean and healthy ecosystem for the benefit of present and future generations. Let's begin by looking at each of the focus areas included in GF2's strategic investments.

Competitiveness and Market Development

> *The AgriCompetitiveness Program will target investments to help strengthen the agriculture and agri-food industry's capacity to adapt and be profitable in domestic and global markets."*[7]

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[4] ibid

[5] See Appendix A "Agriculture Policy Framework Goals, 1981 - 2013

[6] Resetting the Table: A People's Food Policy for Canada, www.peoplesfoodpolicy.ca

[7] Harper Government Announces Federal Growing Forward 2 Programs, Calgary, Alberta, December 7, 2012 http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2012&page=n121207

As previously mentioned, bilateral agreements with provinces and territories are being negotiated. While the 13 agreements have not yet been finalized, preliminary indications are that at least 25% of provincial/territorial matching funds will be devoted to "Competitiveness and Market Development."[8]

While familiar terms, "competition" and "competitiveness" do not mean the same thing and cannot be used interchangeably, as the NFU pointed out in a 2009 report to the House of Commons Agriculture Committee:

> Competition and competitiveness are not similar; in practice, they are more rightly understood as opposites or, at least, as trade-offs. Many of the problems created by Canadian agricultural and food policies can be traced to senior public servants misunderstanding the fundamental differences between competitiveness and competition: the former (roughly synonymous with power, bigness, and growth) is enhanced by mergers, corporate takeovers, and the reduction in the numbers of players; the latter, "competition," is undermined by these same developments.[9]

Conventional economic theory is predicated on the assumption that competition in the marketplace pushes competitors to constant improvement, which usually means they seek ways to make their products ever more cheaply. Consumers choose the combination of price and quality that best suits them from among the competing options offered. Retailers and primary producers look for buyers who will pay them the best price for the product they are selling. The theory hinges on the belief that all operate on a level playing field and the common good is served.

In the real world, however, some competitors do better than others. They take a greater market share due to advantages in price, location, access to credit, low overhead and labour costs, etc. As the most competitive companies get bigger, smaller rivals are bought up or go out of business altogether. Fewer firms mean reduced competition in the sector. Eventually the sector is so consolidated that it is dominated by a small handful of companies that no longer need to be so concerned about price, quality or service. To do business, buyers and sellers must meet the company's terms.

This is exactly how competitiveness has played out in Canada. The *CR4 ratio* is an economic indicator that measures share of the total output produced in an industry by the top four firms in that industry. In Canada the CR4 for cattle slaughtering is now 94%.[10] The CR4 for hog

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[8] *Growing Forward 2 Strategic Initiatives Consultation*, BC Ministry of Agriculture http://www.agrifoodbc.ca/growing-forward-2 and *Growing Forward 2: 2013 – 2018 Ontario's Strategic Initiatives* http://www.omafra.gov.on.ca/english/about/growingforward/2011-index.htm

[9] Canada's Farm and Food Sectors, Competition and Competitiveness, and a Path Out of the Net Farm Income Swamp. A report prepared by the National Farmers Union (NFU) for the House of Commons Standing Committee on Agriculture, June 11, 2009 Ottawa, Ontario.

[10] Red Meat Market Information, Distribution of Cattle Slaughtering Activity 2011. http://www.agr.gc.ca/redmeat-vianderouge/rpt/11tbl24_eng.htm#fn3 (accessed January 2013)

slaughtering in Canada is 66%, but concentration is greater regionally: in Ontario the CR4 for hog slaughtering is 99% and in Saskatchewan/Manitoba it is 100%.[11] Grain handling in Canada is dominated by three companies: Viterra, Richardson and Cargill.

Not only has agri-business become more concentrated, increased foreign investment in Canadian agricultural and food sectors – in the form of mergers and acquisitions, rather than building new capacity – means much of our upstream and downstream agri-food industry is no longer controlled by Canadian companies. An excellent illustration of the results of competitiveness promotion is the takeover of XL Foods by Brazil's JBS, the largest meat packer in the world.[12] It and US-based Cargill now process at least 90% of Canada's beef. Cargill – one of Canada's two major beef packers - is the largest private corporation in the USA[13]. On the grain side, Canada's largest grain company, Viterra, has been purchased by Switzerland-based Glencore International plc, one of the 100 largest corporations in the world.[14] Major seed, fertilizer, and farm chemical suppliers such as Monsanto, Bayer, Dow, BASF, and Yara are all based in the USA or Europe. A significant share of our retail food market is controlled by US-based global corporations.

On the other hand, there are more than 200,000 individual farmers in Canada, each of whom buys their inputs from and markets their product to large, often foreign-based, corporations. Pitting the market power of a single farmer against the market power of a giant transnational company is not a fair competition. The result is visible in the gap between the value of farm products produced (gross revenue) and realized net farm income (Figure 1) and in the gap between the prices paid to farmers and the prices paid by consumers. An increasing proportion of the retail price is captured by the powerful corporations

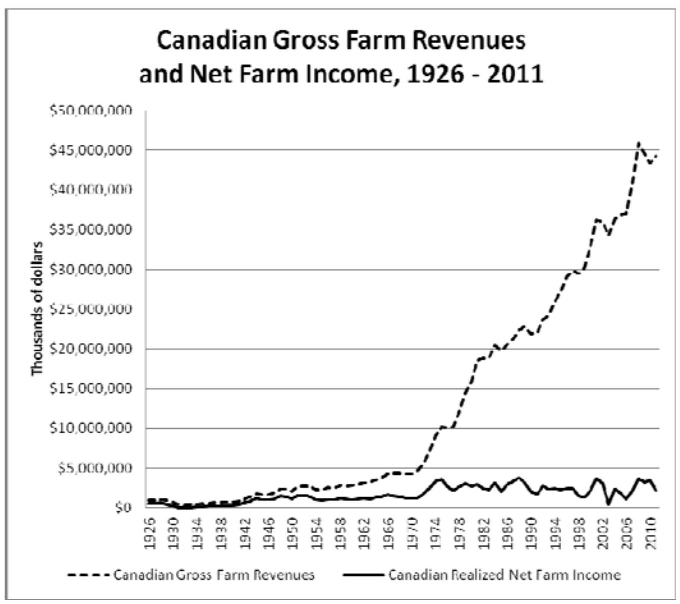

FIGURE 1 Source: Statistics Canada

[11] Red Meat Market Information, Distribution of Hog Slaughtering Activity 2011. http://www.agr.gc.ca/redmeat-vianderouge/rpt/11tbl31_eng.htm (accessed January 2013)

[12] JBS website states "JBS is the largest animal protein company in the world." http://www.jbs.com.br/JBS/Default.aspx

[13] America's Largest Private Companies, Forbes http://www.forbes.com/lists/2010/21/private-companies-10_Cargill_5ZUZ.html (accessed January 2013)

[14] Forbes Global 2000 Leading Companies, Glencore International. http://www.forbes.com/companies/glencore-international/

that operate between primary producers and consumers.[15] The example of ground beef demonstrates the rising difference in price between what farmers received for their cattle and what consumers paid in Ontario (Figure 2).

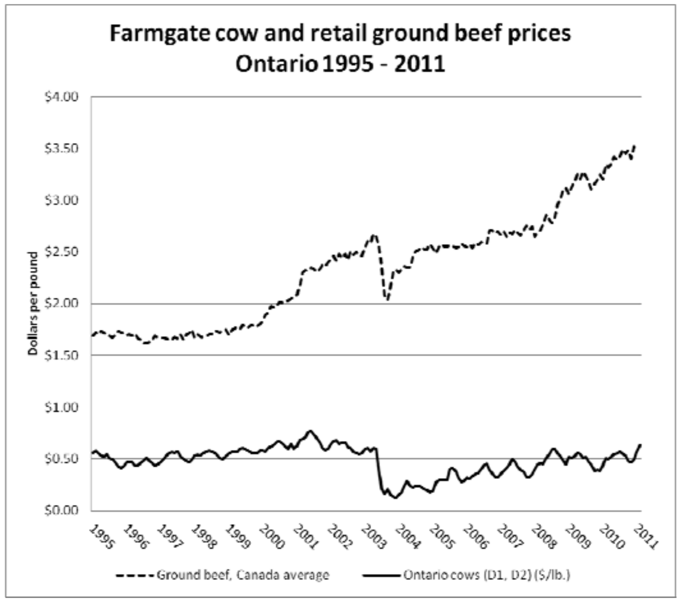

FIGURE 2 Source: Statistics Canada

GF2's strategic investments in Competitiveness and Market Development are intended to expand Canadian agri-food presence in export markets, which links directly to the federal government's commitment to globalization, and its unrestrained enthusiasm for trade deals. The federal government is in the process of negotiating several trade deals: the Canada-European Union Comprehensive Economic and Trade Agreement (CETA), the Trans Pacific Partnership (TPP), and bilateral deals with China, Japan, India, Columbia, and others.[16] These agreements are being negotiated behind closed doors and contain measures that will limit the scope of our elected governments' powers and prevent future Canadian and provincial/territorial governments from changing or terminating the agreements. In addition, if they are actually ended the terms of the agreements remain in force for an additional 15 to 20 years after notification of termination. The agreements' investor-state dispute resolution mechanisms mean that changes to legislation or regulations that negatively affect the profits of foreign corporations could result in substantial financial penalties for the people of Canada.[17]

Should these agreements be signed into force as planned, they will herald a significant shift in the balance of power in favour of the interests and rights of global corporations over the interests and rights of Canadian citizens. Future Canadian governments will be subject to the agreements' terms which entrench international corporate interests. Moreover, in return for market access for our products, we give companies based in other countries access to our domestic market, notwithstanding the fact that those international rivals may pay much lower

[15]The Farmers' Share: Compare The Share 2004. Diane J. F. Martz, Centre for Rural Studies and Enrichment, St. Peter's College, Muenster, Saskatchewan November, 2004. http://www.nfu.ca/sites/www.nfu.ca/files/CTSFINAL%202004.pdf (accessed January 2013)

[16] Foreign Affairs and International Trade Canada - Trade Negotiations and Agreements http://www.international.gc.ca/trade-agreements-accords-commerciaux/index.aspx?lang=eng&menu_id=57&view=d

[17] CETA's Harmful Constraints on Ontario: Trade deal with Europe threatens many costly ill-effects. John Jacobs, Canadian Centre for Policy Alternatives, October 1, 2012. http://www.policyalternatives.ca/publications/monitor/cetas-harmful-constraints-ontario

wages and benefits, have lower overhead, longer growing seasons, weaker environmental regulations, a lower-valued currency, and other factors that make their products lower-priced, and thus more price-competitive than ours. A further result is that this outside pressure eventually pushes down wages for workers in production and processing, and forces Canadian farmers to meet or beat the low prices of farm products grown or raised and processed elsewhere. GF2 plays a key policy role in implementing the trade agreements by way of its strategic investments in cost-cutting in order to support competitiveness in export markets.

Small and medium-sized farmers, while most numerous, as individuals have very little market power. By joining together to create and use farmer-friendly marketing structures and supports such as the Canadian Wheat Board and the Canadian Grain Commission, they have been able to redress some of the power imbalance in the marketplace. These institutions, however, are being systematically dismantled by a series of legislative changes tucked into Omnibus bills. These actions by the federal government have taken away the international market power -- competitiveness on the world stage -- that came from prairie grain farmers working together to advance their common interests through the Canadian Wheat Board's single desk. The CWB was the farmers' agency, finding premium markets around the world, and returning the full value of each year's crop to prairie farmers. Cutting down the CWB shows that the federal government is really more interested in helping multinational corporations than supporting a proven internationally competitive farmer-run Canadian institution.

Nor will the local food sector benefit from the competitiveness agenda of GF2. Made up of small producers who are not yet well-organized, this sector is succeeding because of support from a growing number of consumers. To build the sector, farmers need to be assured of stable markets for their perishable and seasonal products so they can plant their crops with the reasonable expectation of a market at harvest time.

Local governments, schools and hospitals constitute a promising and growing local market. They recognize the benefits to their institutions, the local economy, to health and to the environment that result when fresh nutritious food is supplied by a vibrant small farm economy. The local food initiative will be significantly harmed, if not eliminated, by the impending Comprehensive Economic and Trade Agreement, as the key demand of the EU is access to sub-national government procurement. Similar provisions are included in the proposed Canada-Japan Economic Partnership Agreement, and are likely to be in the Trans Pacific Partnership agreement, about which no details have yet been made public. The pursuit of markets abroad at the expense of local procurement is at odds with GF2's stated goal of serving consumer demand and the development of domestic markets.

A question arises from the high priority that GF2 places on competitiveness. It appears to be rooted in an ideological commitment to an abstract theory of economics that valorizes the idea of competition. Yet, if global competition is such an efficient way to organize the world economy, why does Canada have to spend so much public money to help agri-business become competitive enough to survive the international marketplace?

Innovation

> *Agriculture and Agri-Food Canada (AAFC) has committed funding under Growing Forward (GF) and from other sources to accelerate the pace of innovation and support the adoption of new technologies, develop business skills, enhance the safety and security of Canada's food system, and improve the long-term competitiveness of the agriculture and agri-food sector.*[18]

As was the case for Competitiveness and Market Development, at least 25% of provincial GF2 matching funds must be allocated to innovation activities, which are defined as "supporting competitiveness on the basis of product attributes and costs; and supporting the improvement and maintenance of the sector's capacity to be sustainable through natural, human, financial resources."[19]

Innovation means to make something old new again to achieve some benefit. In agriculture, innovation most often describes various technologies – biotechnology, computer/satellite-controlled machinery, herbicides, fungicides, veterinary drugs, etc. From the farmer's point of view, these are purchased inputs that increase costs of production and increasingly limit choice.

Innovation in the GF2 context begins with a program, AgriInnovation, that offers both a subsidy of up to $10 million per year per applicant for industry-led research, and helps to bring products to market so that those companies can become more profitable.[20] GF2 is mute on the effect of innovation on the profitability of farmers. Moreover, the allocation of GF2 funds to industry means that not only do public dollars work for these companies, but so too do public institutions. Universities and AAFC research stations must now partner with self-interested corporations to re-open the door to public funds.

The innovation priority of GF2 does not focus on solving the practical agronomic problems of farmers, or helping inventive farmers share their knowledge, ideas and processes with other farmers. Rarely do we hear innovation talked about in reference to improving crop rotations, harnessing synergistic relationships among plants, insects and micro-organisms, new ways of organizing work, more effective decision-making tools, and the like. Innovations like this are hard to lay claim to and commoditise - impossible to package, patent, isolate and sell, and thus are not interesting for agribusiness. They are, however, immensely interesting to farmers.

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[18] Government Response to the Third Report of the Standing Committee on Agriculture and Agri-Food entitled: Growing Forward 2
ttp://www.parl.gc.ca/HousePublications/Publication.aspx?Language=E&Mode=1&Parl=41&Ses=1&DocId=5714852&File=0

[19] *Growing Forward 2 Strategic initiatives Consultation,* BC Ministry of Agriculture http://www.agrifoodbc.ca/growing-forward-2

[20] AgriInnovation Program http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1354301302625&lang=eng (accessed January 2013)

As was the case with the Competitiveness and Market Development pillar, the question about agricultural innovation is: Who benefits? We have demonstrated that farmers are receiving a smaller share of retail food prices. Despite increased exports, farmers' net realized income remains low, and debt loads have exploded (Figure 3).

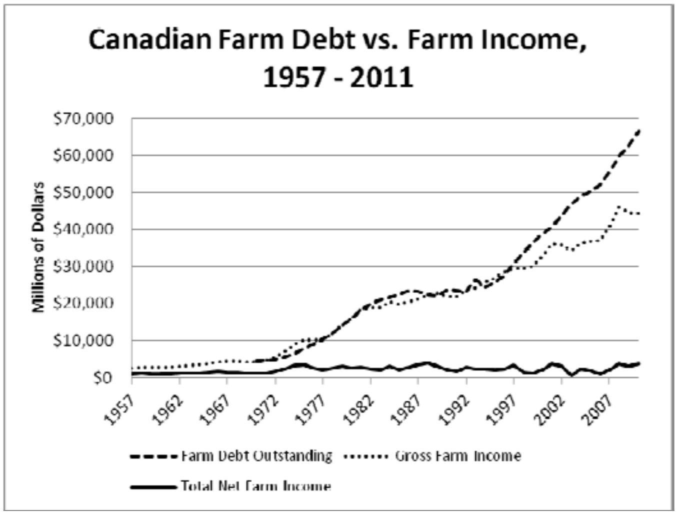

FIGURE 3 Source: Statistics Canada

The federal government's GF2 proposes a market-driven research agenda with commercial interests in the driver's seat. Abandoning public interest and non-commercial research will skew any research that is conducted towards the interests of corporate agri-business, which commands the resources to provide matching funds to universities and under-funded public research institutes. The Saint Andrews Statement includes a commitment to public research and development, but GF2 is in fact accelerating the privatization of publicly-funded research. Public-private partnerships are allowing private companies to obtain privileged access to formerly public facilities built over decades by the public for public purposes. The same companies gain access to Ag Canada researchers, professors and students whose education, careers and expertise have been supported and developed by the public to serve the public interest. GF2's commercialized research agenda shifts important and unique public resources and values into the service of private companies for private gain.

On the other hand, the innovation agenda does not support basic research – the foundational, curiosity-based research – needed to drive real innovation. In fact, GF2 comes on the heels of the 2012 federal budget which not only cut funding to AAFC research stations across Canada, but also shifted remaining research dollars to focus only on research with direct commercial application.

Public research has been dealt additional severe blows with the closures of, for example, the Cereal Research Centre and the Agroforestry Development Centre, and budget cuts resulting in layoffs of scientists at other federal research labs, farms and stations.[21] Funding for the National Research Council (NRC), a historic leader in agricultural research, was severely cut in the March 2012 budget. The NRC has been re-purposed as a portal for commercial research in the service of companies, and no longer has publicly funded, curiosity-based research as its mandate.[22]

Starving basic research while subsidizing the corporate commercialization of products is not an innovation strategy; it is a method of transferring public wealth into the bank accounts of

[21] Public Service Alliance of Canada http://www.psac-afpc.com/issues/campaigns/3c/labs-e.shtml
[22] National Research Council http://www.nrc-cnrc.gc.ca/eng/about/index.html

corporations and their owners and transferring the ownership of information and knowledge away from farmers, scientists and public institutions to private hands. A close reading of the funding application forms makes this point very clearly. As an example, one consideration is the applicant's readiness to manage the intellectual property rights for their innovations – a method of ensuring that the benefit of public research dollars is privatized, and the use of the innovation remains under the control of the grant-seeking company while providing a revenue stream back to the government.[23] And farmers pay the price – in effect, a covert tax -- for this shift in control every time they purchase agricultural inputs.

One area of innovation that has been heavily supported by the federal government is genetic engineering[24]. Investment in GMO technology is promoted as a way to increase yield, however production increases in output are due more to traditional plant breeding as well as increasing use of fertilizers, herbicides and other crop inputs, as well as the shift to continuous cropping, which keeps more acres of land in production each year (Figures 4 and 5).[25] Weather is still more important than crop variety as a factor in crop yields.

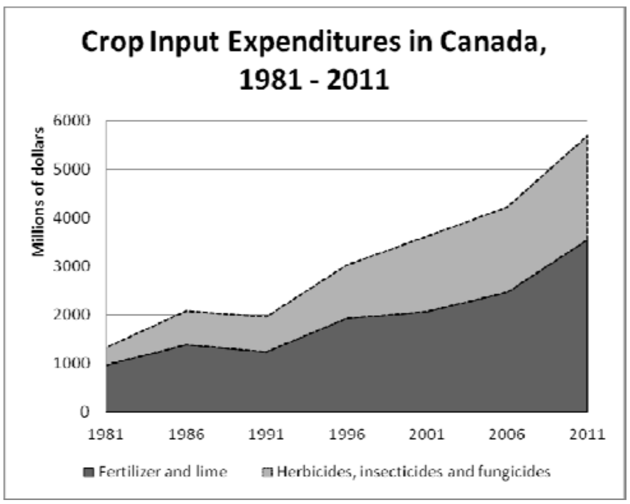

FIGURE 4 Source: Census of Agriculture

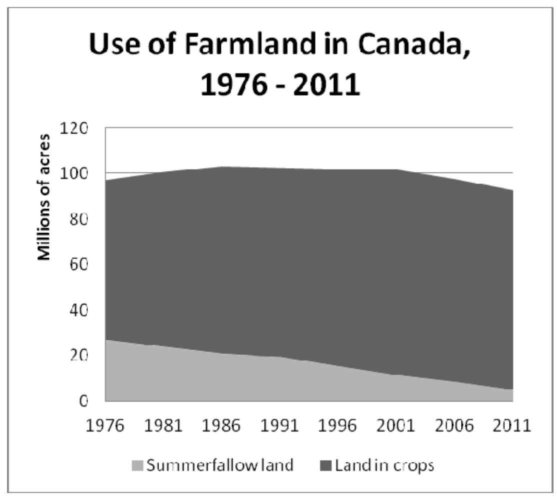

FIGURE 5 Source: Census of Agriculture

Yet the introduction of genetically engineered crops has resulted in significant market losses, as some of Canada's best export markets reject GMOs[26]. Even when legally permitted, Europeans for example, will not purchase GMOs or food products containing GMOs, so obtaining market access for these products is moot. If GF2 innovations include the development and commercialization of genetically modified alfalfa and/or genetically modified wheat, more markets will be lost. Prices paid to farmers by remaining, less sensitive markets will be

[23] AgriInnovation Program - Industry-led Research and Development Stream Applicant Guide
[24] Canada's Biotechnology Strategy http://www.hc-sc.gc.ca/sr-sr/biotech/role/strateg-eng.php (accessed January 2013)
[25] Failure to Yield: Evaluating the Performance of Genetically Engineered Crops, Doug Gurian-Sherman. Union of Concerned Scientists, April 2009.
[26] Contaminated Canadian flax barred from Europe, Lucy Sharratt. Seedling - January 2010 http://www.grain.org/article/entries/4080-contaminated-canadian-flax-barred-from-europe

discounted, and organic farming will be devastated. Even farmers who do not wish to grow GMO varieties would be affected if GMO traits spread by cross-pollination, admixture of seed and spillage. Co-existence is not possible, while segregation plans are not realistic, and generally offload costs onto those who do not want the GMO in the first place.

The GF2 innovation strategy is short-sighted and likely to rob the future of ideas, knowledge and creativity that could have been nurtured if public money had been directed instead toward public interest-based research. To demonstrate its commitment to research and innovation that serves family farmers rather than large agri-business corporations, the Canadian government could and should sign on to the International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD) (available at http://www.agassessment.org) and begin implementing policy based on the perspectives it reflects.

The IAASTD compiled the analysis and recommendations of hundreds of experts from all relevant stakeholder groups. It takes a multi-thematic approach that embraces nutritional security, livelihoods, human health and environmental sustainability; integration of local and institutional knowledge; and assessment of policies and institutional arrangements, as well as knowledge, science and technology. Key messages IASSTD has for North America include:

- Develop strategies to counteract detrimental effects of the agrifood system on climate change and reduce vulnerability to such change.
- Develop interventions that aid in prevention and better management of new and emerging human, plant and livestock diseases as well as weed and insect problems.
- Understand the processes and consequences of international trade and market liberalization and identify actions to promote fair trade and market reform to achieve development and sustainability goals.
- Reduce environmental impacts through diversification and selection of inputs and management practices that foster ecological relationships within agroecosystems.
- Enhance research in ecological and evolutionary sciences as applied to agricultural ecosystems to devise, improve and create management options that contribute to multifunctionality.
- Intensify the focus on nutrition, health, food quality, diversity and safety.
- Comprehensively assess new technologies for their impact on the environment, economic returns, health and livelihoods.
- Develop policy instruments to remove incentives for farm concentration and agribusiness concentration.
- Improve the social and economic performance of agricultural systems as a basis for sustainable rural and community livelihoods.[27]

[27] North America and Europe (NAE) Report, International Assessment of Agricultural Knowledge, Science and Technology for Development, Beverly D. McIntyre, Hans R. Herren, Judi Wakhungu ,Robert T. Watson, editors.

Unlike GF2, the IAASTD puts research that serves farmers, communities, food and the soil at the center of its concern.

Adaptability & Industry Capacity

> *" The Government agrees with the Committee's recommendation and is committed to regulatory modernization in order to enhance international market opportunities for the Canadian food industry by further aligning our food system with our trading partners."*[28]

Remaining GF2 funds are to be allocated to Adaptability & Industry Capacity, defined as activities that support an adaptive and resilient sector.[29] These qualities are being promoted via changes to regulatory structures and institutions as well as by building skills and knowledge within the sector as a whole.

Regulatory change is a powerful tool, as it restructures the business environment. The regulatory changes being implemented by the federal government favour those with the most power – corporations with the means to lobby for changes that grant them the greatest benefit. This is certainly true of the regulatory changes that are being proposed under GF2, which will help global agri-business corporations reduce their costs and give them more opportunities to choose where, when and how they operate.[30] In contrast, farmers are rooted in their communities and so are forced to adapt to new rules and a changed business environment. They generally do not pick up and move to a country that offers them more favourable conditions.

The federal government seeks to accelerate trade by taking away regulatory impediments that increase the cost of doing business for multinational agribusiness corporations – such as international borders and democratic decision-making. The heavy lifting on this front is being accomplished by trade deals, as discussed above. The finer points are taken care of through domestic policy instruments such as GF2. By making our rules the same as those of the trading partner, the international border is thinned, reducing the effect of regulatory differences among countries on business decisions, and ultimately, the corporate bottom line. Adopting or harmonizing with rules created by other countries disempowers and marginalizes Canadian citizens – including farmers -- both politically and economically.

[28] Government Response to the Third Report of the Standing Committee on Agriculture and Agri-Food entitled: Growing Forward 2, http://www.parl.gc.ca/HousePublications/Publication.aspx?Language=E&Mode=1&Parl=41&Ses=1&DocId=5714852&File=0

[29] Growing Forward 2 Strategic initiatives Consultation, BC Ministry of Agriculture http://www.agrifoodbc.ca/growing-forward-2

[30] Backgrounder - Growing Forward 2: Innovation, Competitiveness and Market Development http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2012&page=n120914b1

Currently, Canada is negotiating the harmonization of our regulations with those of the USA, our largest trading partner.[31] Reduced, streamlined, harmonized and/or suspended regulations governing approvals for pesticides, drugs and genetically modified organisms (GMO) raises a red flag for the health and safety of consumers as well as the farmers who use these products. Farmers stand to lose sensitive and high-value markets (e.g. Europe, Japan) when approvals are fast-tracked, particularly in the areas of GMOs and veterinary drugs used in industrial agricultural production.

Regulatory harmonization will eliminate Canada's ability to differentiate the quality and reliability of our product as a way to gain market share for our exports. With no difference in regulatory standards between countries, Canadian products will compete on the basis of price alone. Given our climate (winter), our prevailing wages and higher labour and environmental standards, it will be difficult to compete with countries with lower production costs, such as Argentina, China, and the Ukraine. This scenario would exert downward pressure on the price of Canadian farm products and force further lowering of environmental standards and wages for farm labourers.

The hog industry is a good illustration of this dynamic. After provincial single desk marketing agencies (except for Ontario's) were dismantled between 1996 and 1998 to shift the hog sector's focus towards export markets, production went up, prices went down and environmental regulations were weakened. The large intensive hog barns that now dominate the industry in western Canada are a low-wage sector, employing a large proportion of temporary migrant workers. Prior to 1997 there were several packers serving each region. Now however, hog production is heavily concentrated in Manitoba, Ontario and Quebec. Smaller regional packers have gone out of business, and only two packers process all of western Canada's federally inspected hogs. As the industry restructured itself to meet US competition a series of strikes, lock-outs and plant closures were used to significantly reduce hourly wages in pork packing plants.[32] Critics of globalization have warned that regulatory harmonization is a key mechanism in the race to the bottom. GF2, however, is greasing the policy wheels in exactly that direction.

A closely related issue is Canada's failure to consistently and strictly enforce Canadian standards regarding the use of unapproved pesticides and drugs on imported food and agriculture products.[33] Instead of adopting lower standards or lax enforcement of Canadian

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[31] Government Response to the Third Report of the Standing Committee on Agriculture and Agri-Food Entitled: Growing Forward 2
http://www.parl.gc.ca/HousePublications/Publication.aspx?Language=E&Mode=1&Parl=41&Ses=1&DocId=5714852&File=0

[32] The Pork Value Chain-Conception to Consumption: Processors Role. D.H. (Don) Davidson, Sr. Vice President, Hog Procurement & Government Relations, Maple Leaf Pork. 2000.
http://www.gov.mb.ca/agriculture/livestock/pork/pdf/bab13s07.pdf (accessed January 2013)

[33] Mr. Bob Kingston (National President, Agriculture Union), statement at Standing Committee on Agriculture and Agri-Food, February 15, 2012. Hansard.
http://www.parl.gc.ca/HousePublications/Publication.aspx?DocId=5389317&Language=E&Mode=1#Int-6617046

regulations, Canada should inspect imported products and refuse any that do not meet our standards. To do otherwise is to sacrifice the farmers in sensitive agricultural sectors, and to sacrifice the health of Canadians who consume food produced in substandard ways and/or with the use of banned substances. We would also be accepting food produced using labour practices that Canadians would not tolerate.

At the same time, however, GF2 proposes additional regulations that will offload costs onto farmers: comprehensive traceability measures for livestock producers; onerous biosecurity measures; and the promotion of private food safety standards that make it easier and cheaper for food corporations to source ingredients globally. The effect of all these is that risks to processors will be reduced while the extra costs of compliance will be paid for from the farmer's pocket. Food processors' pursuit of cost-cutting to increase sales in export markets means that producers will not see any off-setting increase in the prices they receive.

The spring 2012 Budget cuts to the Canadian Food Inspection Agency, along with the Agency's failure to recognize and act on food safety violations at the XL Foods plant later the same year, is further evidence of the federal government's policy of withdrawal from responsibility for food safety. The direction of GF2 towards replacing the public inspection system with one carried out by companies themselves shifts governance of our food safety regime into the private sector. Private companies will then have a greater say over the level and type of inspection that will be done. Private standards may well result in arbitrary discrimination and abrupt rule changes that affect farmers' access to market. Inspection processes and results may be considered confidential business information, and thus hidden from public scrutiny. This lack of public accountability and transparency leaves both farmers and consumers vulnerable.

As well, proposed reductions in interprovincial barriers to the movement of products, such as provincially-inspected meat and supply-managed commodities, would not lead to increased market access for provincial producers. More likely, this would cause a shift in both processing and production towards locations that are least cost for processors and a scaling up of processing capacity in a bid to reduce per-unit production costs and increase market share, as seen when the hog sector was restructured to focus on exports. Federally-inspected beef processing has become heavily concentrated in Alberta, and along with it, most of Canada's cattle feeding sector (see Figure 6). We would likely see a

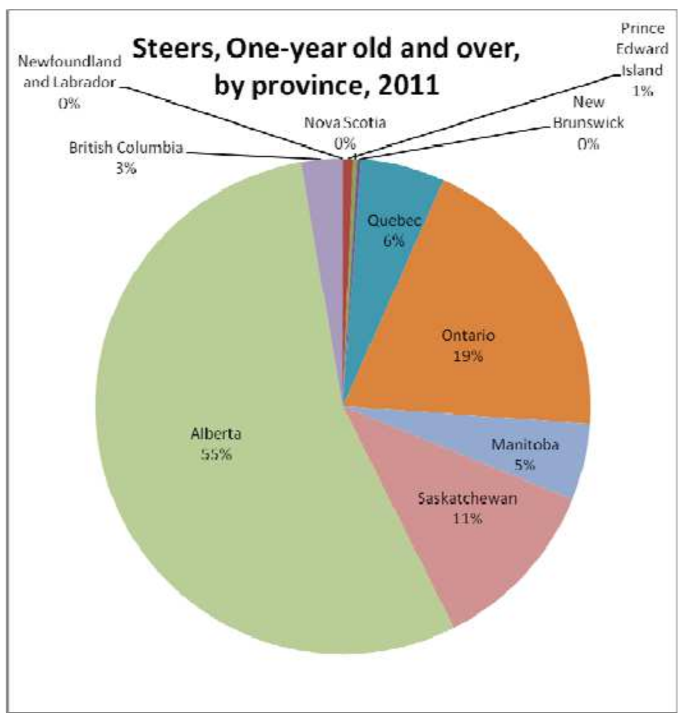

FIGURE 6 Source: Statistics Canada

similar trend with chicken, eggs and dairy if trade deals weaken the supply management system and interprovincial barriers are dropped.

The Environmental Farm Plan program was one of the Growing Forward programs that was very popular among farmers. It recognized the ability of farmers to decide on their own priorities based on local conditions, and thus provided two-thirds of the cost for farmers to make approved environmental upgrades on their farms. GF2 did not renew this program. Instead, the environmental activities under GF2 are to deal with specific situations identified as priorities by the federal government. While national coordination on serious environmental problems is valuable, it should not come at the expense of helping individual farmers invest in improvements that will help them protect their local environment and protect our valuable productive resources. In spite of the move towards centralized decision-making, neither climate change impacts nor mitigation is specifically mentioned as an environmental concern in the available GF2 documents, yet it is certainly an increasingly serious problem for agriculture that needs to be addressed through effective policy measures.

GF2 recognizes that Canadian consumers are increasingly interested in and concerned about their food. In many cases, these concerns are related to animal welfare, human health and the environmental impacts of agriculture.[34] GF2 frames these concerns as gaps in market research and a need to educate the public about industry practices and food safety issues.[35] GF2 makes no commitment to address the public's concerns head on. It would be better if GF2 would address the loss of regional and local processing capacity for meat, fruit and vegetables, the lack of access to capital to develop appropriate processing facilities, the need for new ways to organize retail purchasing to supply local products to consumers, and the need for support to develop farmers' markets. GF2 offers multi-million dollar support for promotional activities for export agriculture, but no investment in building and/or maintaining infrastructure to support the ability of our farmers to provide the food Canadians eat.

GF2 focuses on supporting farms with high capital costs that use expensive inputs. This disadvantages anyone looking to start farming. New young farmers often do not have the support needed to succeed. They face many challenges, with lack of access to credit and land the most significant. Often, government support program criteria do not recognize their land tenure arrangements (such as 99 year leases) or business models (such as small farms) as legitimate. GF2 speaks of assuring sustainability, but sustainable, adaptable agriculture requires successful transitions between generations. Census statistics show that the average age of farmers is increasing, and farmers under the age of 35 make up an ever smaller proportion of the farming population. Many young people, however, have started farming, and still more would like to farm. They need a policy environment that facilitates their entry.

[34] Growing Forward 2 (Includes a Summary of the Study of the Biotechnology Industry), Report of the Standing Committee on Agriculture and Agri-Food, Larry Miller, M.P., Chair. May 2012
[35] Saint Andrews Statement.

Conclusion:

Government should use its policy instruments to protect and promote the broad public interest. However, GF2 instead caters to the desires of the largest players in the food system, while paying scant attention to the real situation of small and medium-sized farmers nor to Canadians who wish to eat the food they produce. Through GF2, our government is prioritizing competitiveness, market development and innovation. There is no mention of the culture of agriculture. The farmer is absent. The rural community is invisible. Canadians who eat food are mentioned, but their concerns are framed as consumer preferences and opportunities for industry to manufacture “healthy foods” by rearranging certain attributes or components of real foods, rather than demands for changes in how the food system operates. With the help of GF2, Canadian sovereignty over our food system will either be off-loaded onto other jurisdictions via harmonization of regulations or privatized through public support for commercialization and industry self-regulation.

GF2 will further concentrate economic and political power in the hands of the largest, often foreign-owned, companies. It will divert billions of dollars of public money from supporting public interests toward supporting an economic and political agenda set by foreign private interests seeking to increase market power. As federal governments tie their own hands with trade deals negotiated behind closed doors and adopted without public debate, GF2 must be seen as both a product of, and a method of implementing, the terms of trade deals that will entrench the power of those same private interests for decades to come.

During the House of Commons Agriculture Committee hearings on Growing Forward 2, many Canadians called for policies to reorient our agriculture and food system to become one grounded in fairness, resilience and health. They called for vibrant and diverse small and medium-sized farms and more support to help young farmers acquire a land base, learn skills and build successful farms. If instead, Canada harnessed federal-provincial-territorial funding to policies rooted in food sovereignty, we would create a much different picture: a more inter-dependent, ecologically sound, inventive, resilient agriculture and food system in Canada, one that is governed democratically by the citizens who live and work here.

Appendix A: Agriculture Policy Framework Goals, 1981 – 2013

We can trace the pedigree of GF2 back through several generations of policy over the past thirty plus years. The goals of these major policy initiatives have many commonalities regarding markets, profitability and competitiveness. However, you will notice that over the years, the focus on farmers, rural communities, food and the natural environment has sharply diminished.

The great-grandfather of GF2 was *Challenge For Growth, an Agri-Food Strategy for Canada*, (1981), the federal discussion paper which for the first time, lumped input suppliers, food processors, distributors, retailers and governments together with farmers in the "agri-food sector."[36]

The objectives of the *National Agriculture Strategy (*1987) were to increase income and employment by promoting continued economic activity based on realistic possibilities in each region, to facilitate the development of an agriculture and food industry that is market-oriented in all regions, through policies and programs that reinforce the sector's competitive position, and given the uncertain character of many factors influencing agricultural activity, to strive to provide farmers in the medium and long term with the means to survive the difficulties created by climatic variations and commodity price fluctuations.[37]

The vision of *Growing Together: A Vision for Canada's Agri-Food Industry* (1989) was for a more market-oriented agri-food industry that aggressively pursues opportunities to grow and prosper; consistent and predictable government programs that encourage a more self-reliant sector that is able to earn a reasonable return from the market place with national policies which reduce regulatory barriers and treat all farmers equitably while recognizing and responding to regional diversity. The vision was also to be environmentally sustainable, preserving our soil and water resources so that our agriculture producers can continue to provide a safe and wholesome supply of food to all Canadians.[38]

The vision of *Future Directions for Canadian Agriculture and Agri-Food* (1994) was for "Canada's agriculture and agri-food industry to be a growing, competitive, market-oriented industry that is profitable; responds to the changing food and non-food needs of domestic and international customers; is less dependent on government support; and contributes to the well-being of all Canadians and the quality of life in rural communities, while achieving farm financial security, environmental sustainability and a safe, high-quality food supply.[39]

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[36] *Challenge For Growth, an Agri-Food Strategy for Canada*. Minister of Agriculture, 9 July 1981.

[37] *A National Agriculture Strategy: Report on Challenges Facing Agriculture.* Submitted by the Ministers Responsible for Agriculture to the Annual Conference of First Ministers, Vancouver, BC. November 20 – 21, 1986.

[38] *Growing Together: A Vision for Canada's Agri-Food Industry*. Minister of Supply and Services, Ottawa, 1989.

[39] *Future directions for Canadian agriculture and agri-food: a vision of growth through security, security through growth, creating the balance*. Notes for remarks by the Honourable Ralph Goodale, P.C., M.P., Minister of Agriculture and Agri-Food Canada to the House and Senate Standing Committees on Agriculture, September 29, 1994.

The Agriculture Policy Framework (2003 – 2008) was characterized as a long-term action plan that provides the Canadian agriculture and agri-food industry with the tools, services and options to strengthen business, increase prosperity and meet the demands of consumers at home and abroad, and to help brand Canada as a leader in agriculture in both the domestic and international marketplace.[40]

Growing Forward's (2008-2013) vision was "A profitable, innovative, competitive, market-oriented agriculture, agri-foods and agri-based products industry."[41]

Growing Forward 2's (2013-2018) is to "achieve a profitable, sustainable, competitive and innovative agriculture, agri-food and agri-products industry that is market-responsive, and that anticipates and adapts to changing circumstances and is a major contributor to the well-being of Canadians."[42]

[40] Agriculture Policy Framework, Agriculture and Agri-Food Canada
[41] Growing Forward Agricultural Policy Framework, Agriculture and Agri-Food Candada. http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1200339470715&lang=eng
[42] *Saint Andrews Statement*, Her Majesty the Queen in right of Canada, 2011.