Competitiveness in Canadian Agriculture

Briefing Paper to the
Commons Standing Committee on Agriculture and Agri-Food

Presented by
Les Routledge
Frontier Centre for Public Policy

First, I want to express the appreciation of our organization for being given the opportunity to comment on this topic. As a person who comes from the rural and agricultural community, I always welcome the opportunity to discuss policy issues that affect both me and our rural communities.

**Competition Levels**

This is a complicated topic with respect to farm input but is one that does need to be dealt with in public policy. The simple answer is to open up our borders to unrestricted imports of ag inputs without regard to the standards that exist in Canada.

The problem with this approach is that it runs the risk of destroying the Canadian brand of quality in the international markets and community.

Instead, we need to look at harmonizing input product standards among our trading partner to promote more competition in the inputs sector of the ag industry.

Competition in the processing and retail sectors is a very complex issue that requires careful thought in public policy. Processors and retailers have to operate in a global competitive environment where they do not enjoy the privilege of setting their market price. Like farmers, they too must accept what the market is willing to pay for the end product.

There is an exception in Canada with the Canadian Wheat Board and marketing boards that address this problem. I will come back to this topic later in this paper.

**Impact of Competition**

Competition for primary agricultural producer in important on both the upstream and downstream sides of the operation. On up-stream inputs such as fertilizer, we have seen a “buyer strike” this last year in response to high fertilizer prices. Personally, I have incorporated hog manure and plan to plant peas to avoid the high cost of inputs. The input suppliers have driven me and many other ag producers to the wall. We cannot afford their products under current market environment.
There is a remedy that is out there for this situation and that is if harmonization of farm input products from the USA and other countries. While we may love to complain about non-tariff barriers on our farm exports, we do not speak much about our comparable non-tariff barriers that are applied to farm input imports in Canada. Harmonization of the standards and regulations is one solution for this situation.

**Solutions to Competition and the Competitiveness of the Sector**

From a starting point, this topic may not framed correctly. Competition in the ag production sector is only one part of the equation for creating a competitive agricultural and rural economy.

There are many more factors of production that should to be considered,

For example, beyond basic inputs, we should consider how much do we pay for energy or could earn from energy produced on our land and in our rural communities. Similarly, the cost of accessing effective education, training and a skilled workforce is quite important. Even the cost of operating vehicles or securing housing needs to be considered. Competition and competitiveness needs to be considered as a much broader topic than one dealing only with upstream inputs and downstream activities.

In this paper, I will not step into the CWB or marketing Boards debate. Instead, we need to develop a policy framework that ensures the competitiveness of the sector with or without these systems.

In terms of “competitiveness” of the sector, there are a few comments.

First, safety nets need to be refocused on investing in research and rural innovation. Instead of preserving past production practices, safety net systems should encourage all producers to adopt practices that will compete with Brazil, Russia, the Ukraine and Argentina to name a few. These are our new competitors in the global market and we have to develop business strategies and public policies to deal with that reality. We need to move beyond preserving a romantic version of the rural and agricultural economy as being the “breadbasket of the world” and create policies that move us into the future.

Second, we need to consider how in-bound migration and immigration work in our agricultural economy and rural communities. There is a significant lack of social supports for new arrivals and that increases the cost of labour in our agricultural economy. It is time for our nation to recognize that rural communities can be and are growth communities. We need to invest in the social support systems that new arrivals from both within and outside of Canada require to get settled and thrive in our communities,
Competitive Advantages and Disadvantages

Canadian farm operators are among the most productive in the world. However, we have to recognize that low cost operators are emerging in countries such as Brazil, Russia and Argentina in addition to traditional competitors in the EU, New Zealand and Australia.

On the advantage side, we have one of the best food quality assurance systems in the world. The CFIA and other federal and provincial agencies ensure that we produce what is most likely among the safest and highest quality products in the world. This is a fact that we should be promoting around the world.

We also have a very competitive crops and livestock development system in Canada that has demonstrated its ability to develop new traits in crop products and livestock genetics that contribute to healthy foods and other innovative uses for ag production.

While we do have a great history in crops like canola, we may be falling behind on the innovation cycle in wheat and barley and in some supply managed sectors. While we admire recent moves by the Canadian Wheat Board to look at new ideas, there are many more steps to take. Some people call for the elimination of single desk selling and others defend that idea. This debate should be outside the issues that this committee needs to consider at this time. Whether or not the CWB and marketing boards maintain single desk authority, we need to figure out a path to encourage innovation, timely commercialization, and creative marketing of new crops.

Rural Canada, and in particular, rural western Canada is well positioned to produce wind, bio-mass and bio-mass energy. Bio-mass crops can be produced on marginal land and reduce nutrient transport into our waterways. Bio-gas capture systems can eliminate odor problems, reduce greenhouse gas emissions, and improve the management of nutrients in the livestock sector. Both of these approaches could really benefit from the introduction of a national feed-in tariff that prices the value of their energy production in relation to the full cost of bringing new hydro, nuclear or other forms of production online. If full cost issues such as storage of spent nuclear fuel or the need to sequester Carbon Dioxide are considered, the costs of those options also increases compared to the past. For example, last June the Manitoba PUB concluded that the full cost of constructing new hydroelectric plants and transmission lines in Manitoba was 11 cents per kilowatt hour. Wind, Bio-mass and Bio-gas energy production could be competitive at those rates.

There should also be some thought given to the existence of the local food and the small farm moments and how they can contribute to competitiveness. There are many different methods to make a living in agriculture and rural areas. There are many small and not-so-small farmers who are developing direct-to-consumer markets for a variety of areas including food, fibre, energy, nutrients, bio-chemicals (including pharmaceuticals), recreation, and environmental goods and services. We believe that these types of efforts should be supported and encouraged.
**Standards and Regulations**

Standards and regulations are an essential part of the agricultural value chain. They create a positive assurance for our food and environmental safety. They also play a key role in ensuring the fair and equitable functioning of the market economy.

Regulations need to be based on facts, science, and logic instead of raw emotions or volatile public opinion. It does not matter whether one is talking about hog farms or herbicides, it is time for Canada to return to rational, science-based regulation instead of regulation dictated by one-issue lobbyists or volatile opinion polls. Regulations need to be designed to serve the public good instead of the vested interests of special interest groups.

Regulations should also be based on clearly defined and articulated public policy goals and objectives. Wherever possible, alternatives to direct regulation should be considered as a potential means of achieving desired public policy objectives.

**Improving Competitiveness**

The first step of improving competitiveness is to recognize that innovation has to include and benefit all elements of the value-chain including rural communities and farmers. While it is a great idea to shovel money into academic research the implementation of those ideas occurs throughout the value chain, including innovation in farmer’s minds, yards, herds, and fields.

While we suggest a greater focus of ag sector investment on research and applied development, we need more emphasis placed on value chains and how innovation can be diffused throughout this model. There is no use of creating innovative ideas in research labs here in Canada if there is not a system to pass those ideas onto primary producers, ag processors, and product marketers.

**In Conclusion**

We envisage a bright future to agricultural and rural communities in the future provided that we take wise steps today in public policy. In this document, we have attempted to provide a non-partisan agenda of ideas that can take us in that direction.