Growing Forward 2
A federal-provincial-territorial initiative

The State of the Canadian Agriculture and Agri-Food Sector

National Engagement Session

Ottawa, Ontario

June 9, 2016

British Columbia · Alberta Government · Government of Saskatchewan · Manitoba · Ontario · Québec · Newfoundland Labrador · Nova Scotia · New Brunswick / Nouveau-Brunswick · Prince Edward Island Canada · Yukon Government · Northwest Territories · Nunavut · Canada

Purpose

To provide a high level “state of the sector” heading into the development of the next policy framework

This presentation will:

1. Set the context for development of the next policy framework based on the performance in the agriculture and agri-food sector; and,

2. Validate and get feedback on whether the risks and opportunities presented accurately reflect the state of the sector

Outline

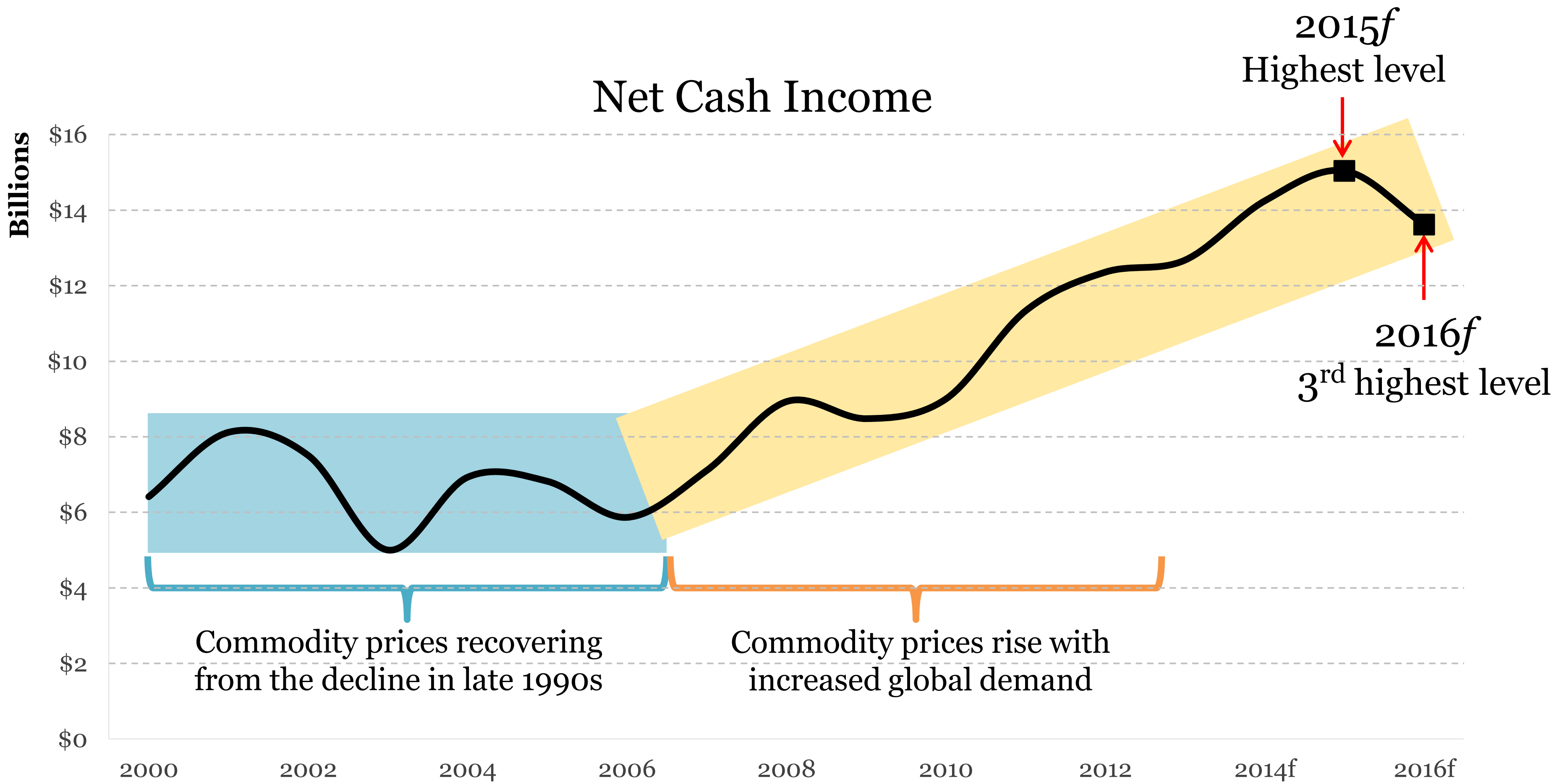
1. Detail the current performance of the Canadian agriculture and agri-food sector

2. Key opportunities and risks facing the sector across a number of spheres, including:

   - International trade;
   - Innovation and technology;
   - Changes in consumer preferences;
   - Climate change and the environment; and,
   - Labour

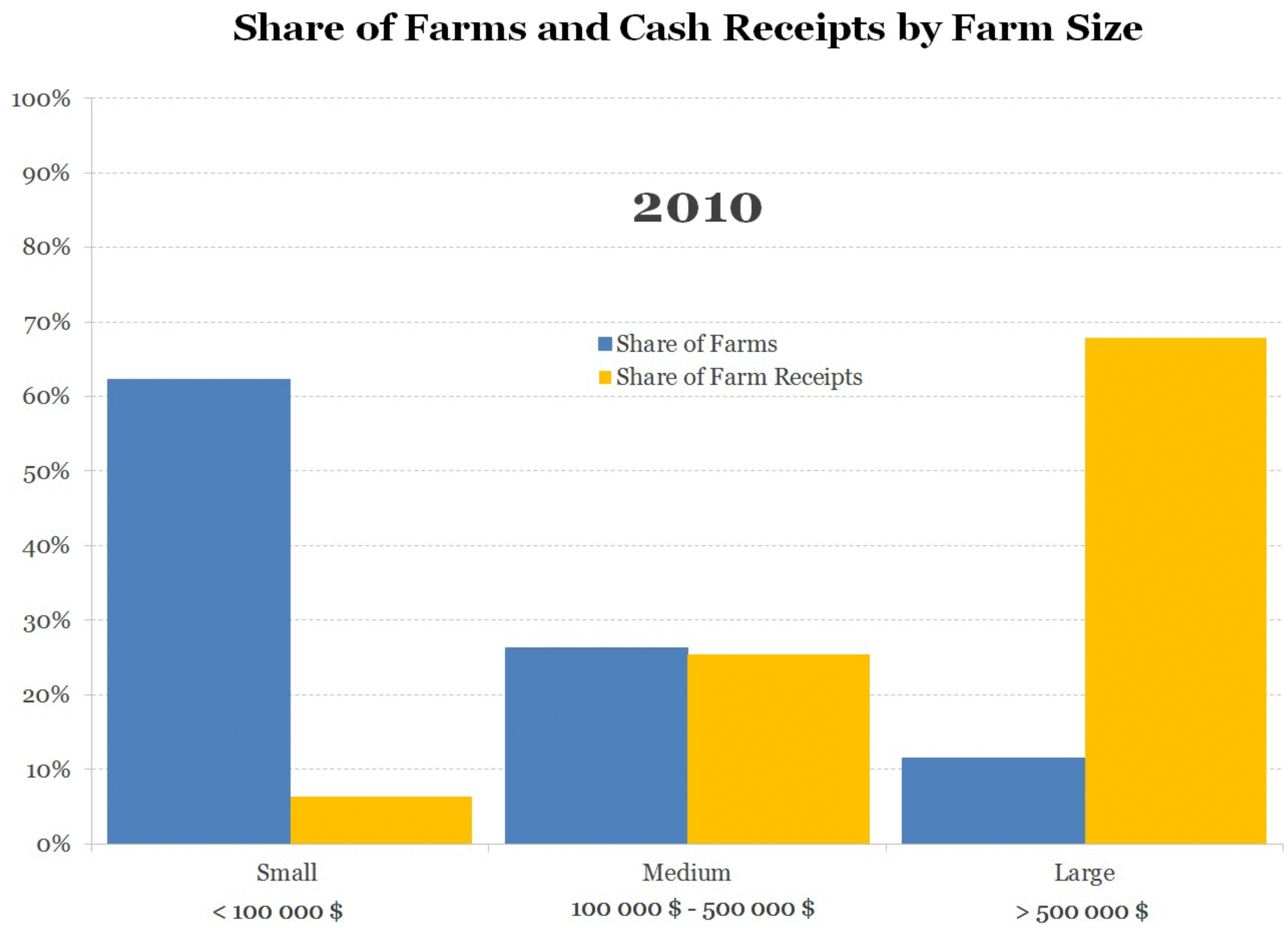
1. Sector Performance

Farm incomes at historically high levels

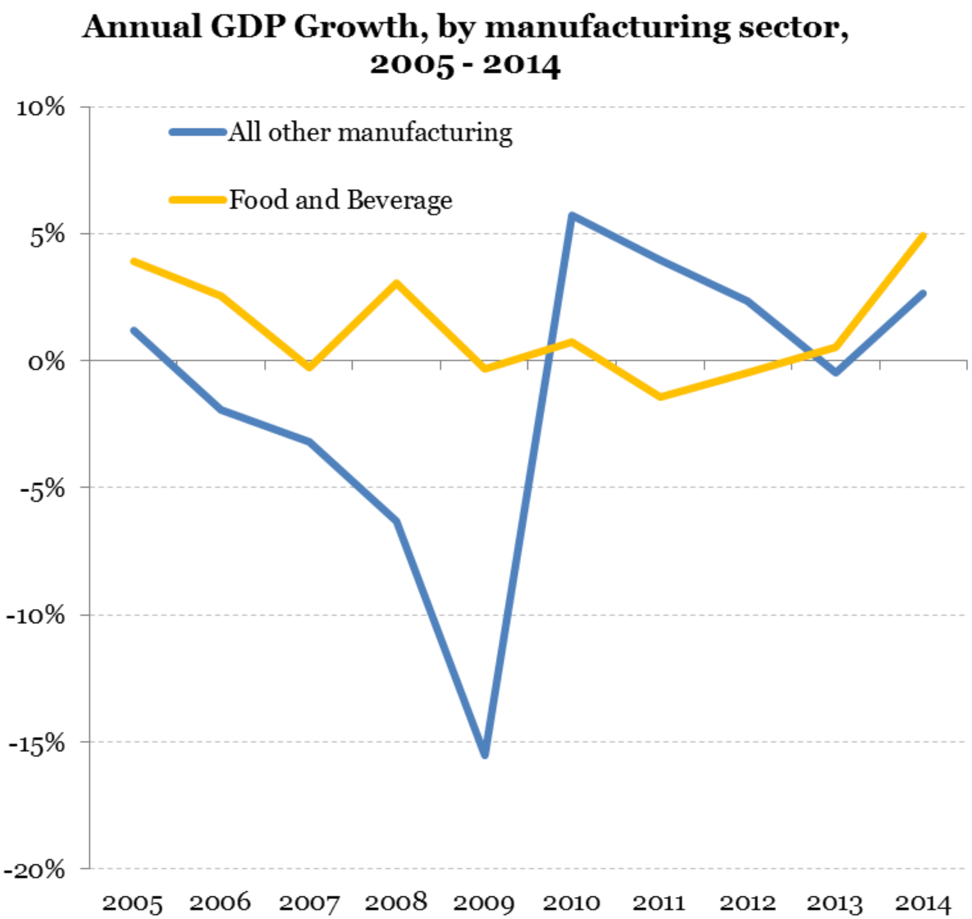


Current global commodity prices have weakened in recent years, but Canadian producers have benefitted from a weaker Canadian dollar that has kept domestic prices relatively high

The majority of cash receipts are generated by large farms but there are still many small farms



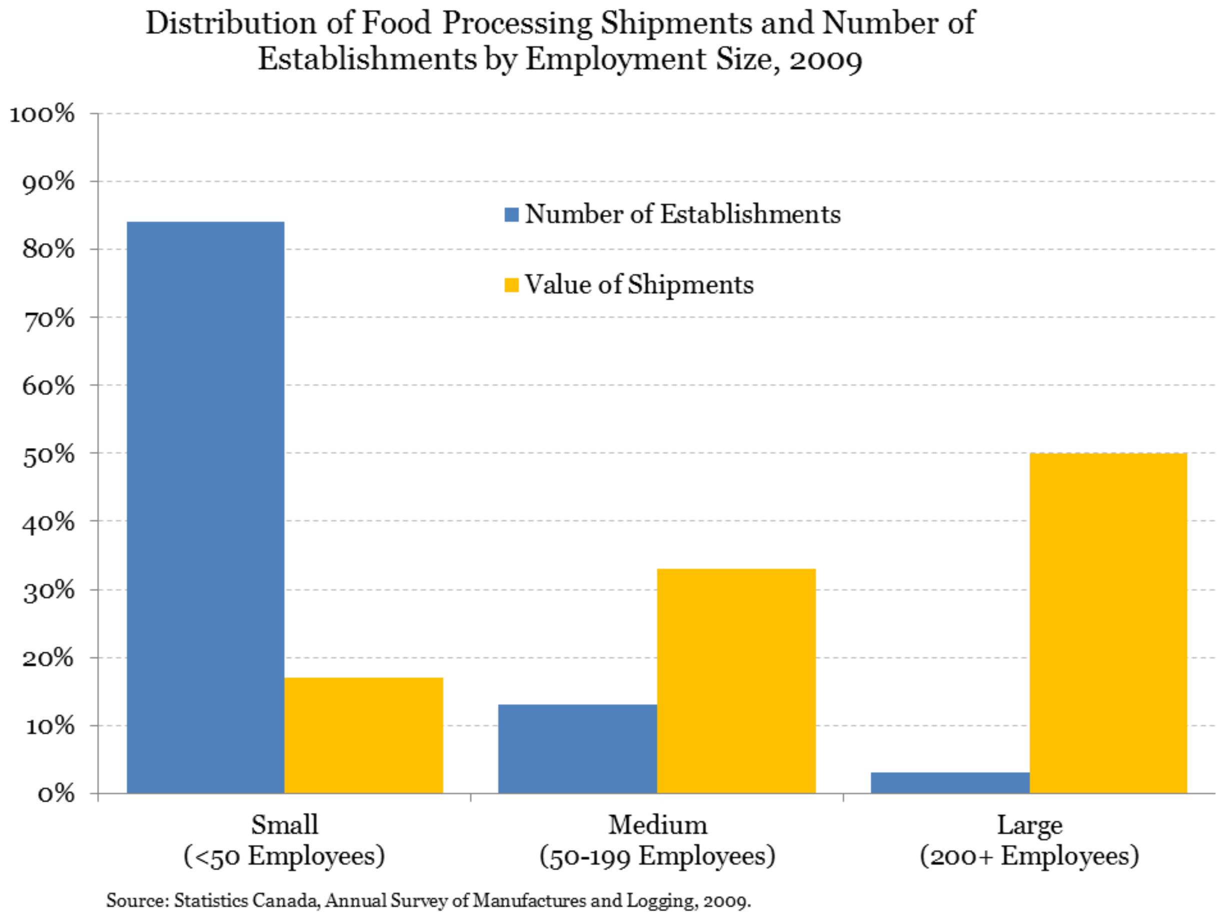
The Food and Beverage Processing (FBP) sector has steady growth and less volatility compared to other manufacturing sectors



The FBP sector is strong and has growth potential

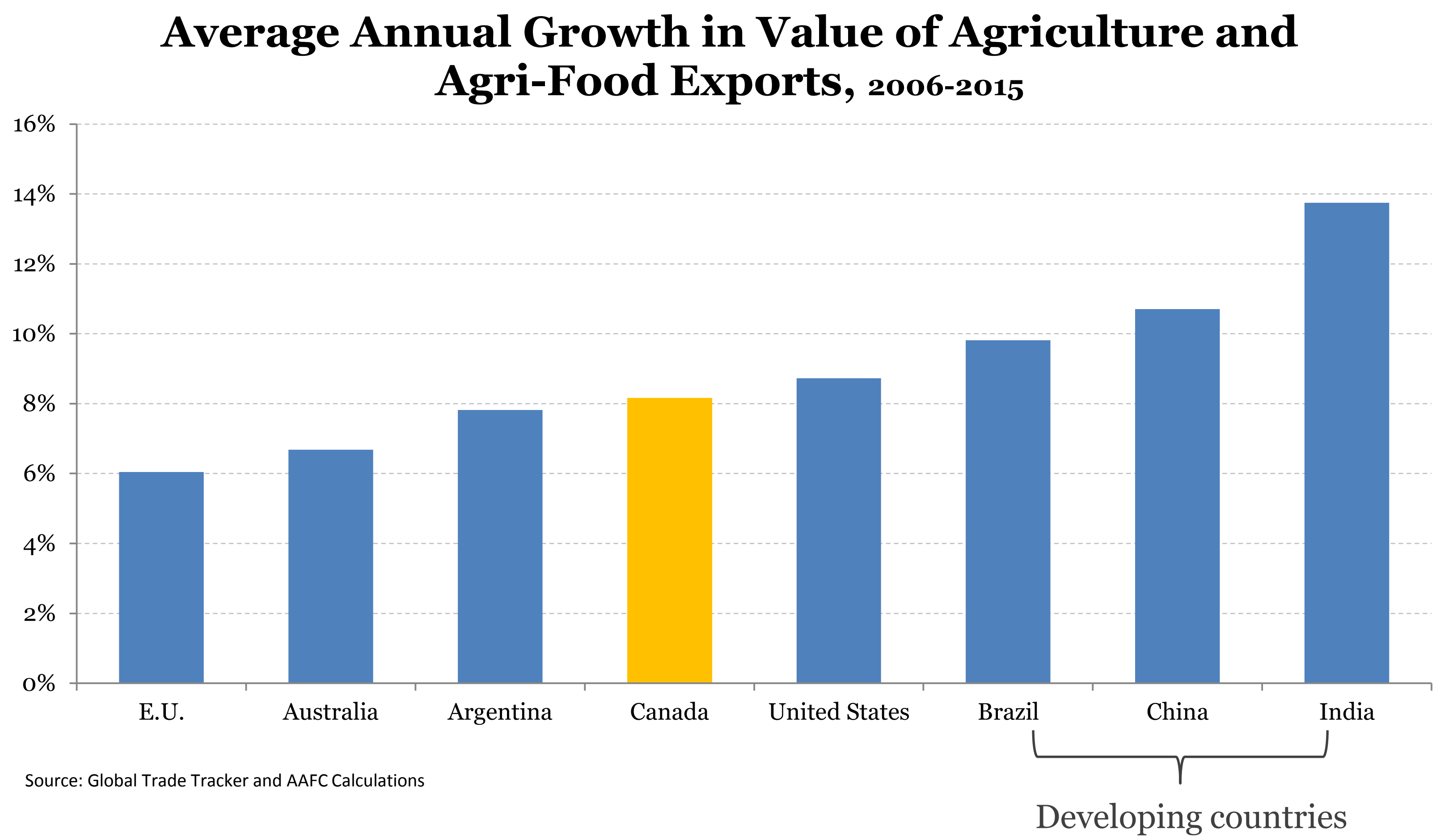
Growth in the FBP sector is important for the primary sector as over a third of primary agricultural products produced in Canada are used as raw material inputs by the domestic food processing industry

Similar to the primary sector, there are many small food processors but large operations account for the bulk of production



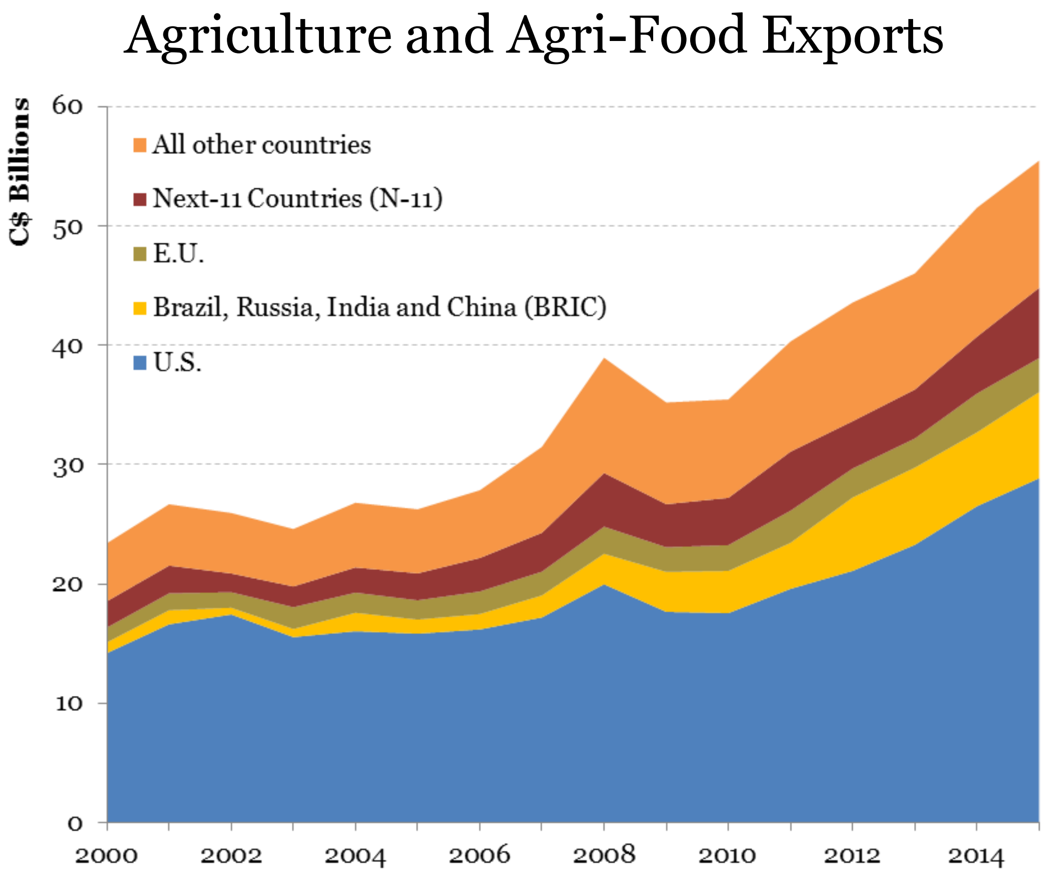
The food and beverage processing industry has become increasingly concentrated, especially among processors of dairy, beverage, and grain and oilseed products

Canada's export growth is on par with many of its competitors



2. Key Opportunities and Challenges Ahead

Much of the growth in Canada's agri-food exports is coming from non-United States destinations



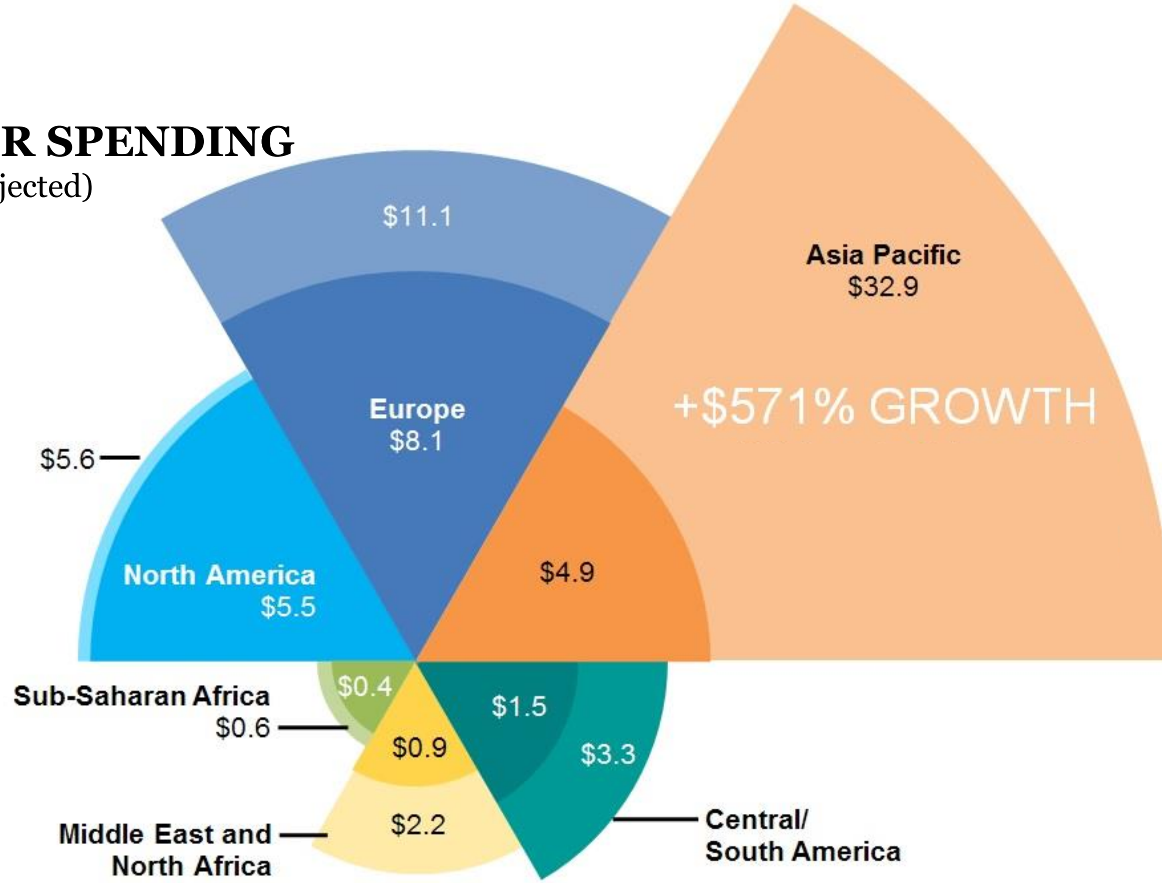
Source: Statistics Canada and AAFC calculations

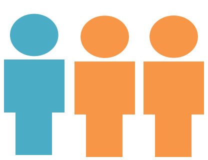
The U.S. is still the most important destination for Canadian exports

New trade opportunities are coming from non-U.S. destinations, especially the largest emerging economies

Canada can position itself to take advantage of shifts in global food consumption

MIDDLE CLASS CONSUMER SPENDING
OUTER RING: 2030 in trillions, USD (projected)
INNER RING: 2009 in trillions, USD





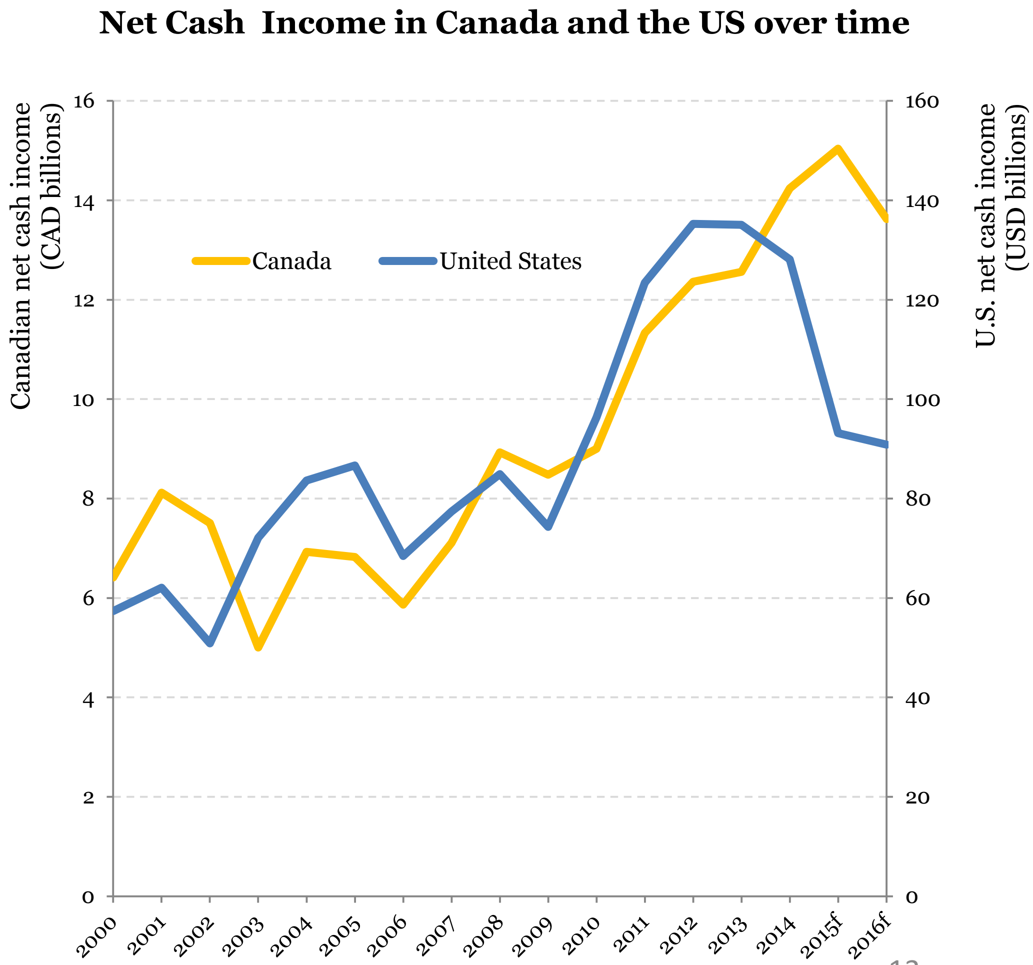
Source: OECD

2030 | Two-thirds of the global middle class will reside in the Asia-Pacific region

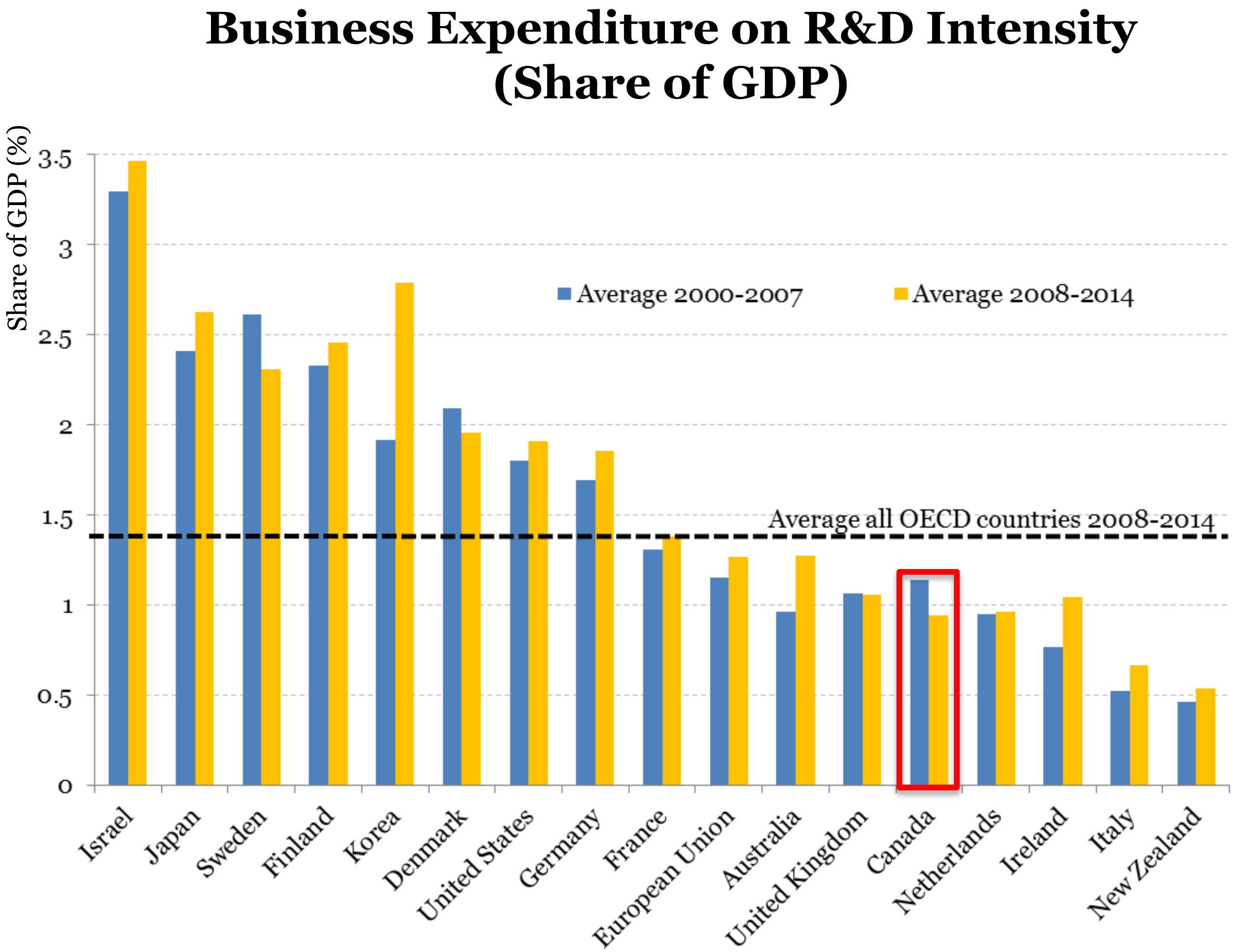
Fluctuations in the exchange rate can have a significant impact on the sector

Returns to Canadian producers have remained higher because of the weak Canadian dollar and lower oil prices

Highlights the need for continued focus on the sectors competitiveness and to proactively risk manage in order to position for sustained future success



Innovation is key to positioning for success in world markets



Innovation can enhance the sector's resilience, foster new areas of opportunity and support competitiveness

Precision farming

Adoption of Precision Agriculture technologies is key, as the technological advancement outpaces on-farm utilization

This is a key bridge between agriculture and high-tech communities that should contribute to long-term innovation

Clean tech and bio-products

Value can be developed from biomass in ways that produce more environmentally-friendly and sustainable bio-based products

Farms are becoming more integrated operations and are using their waste-stream bi-products to generate energy or nutrients

Genetics and genomics

Faster analytics, new research tools and enabling technologies are allowing the frontiers of genetic and genomic science to expand at an exponential pace

These technologies will be fundamental in meeting the food demands of the future

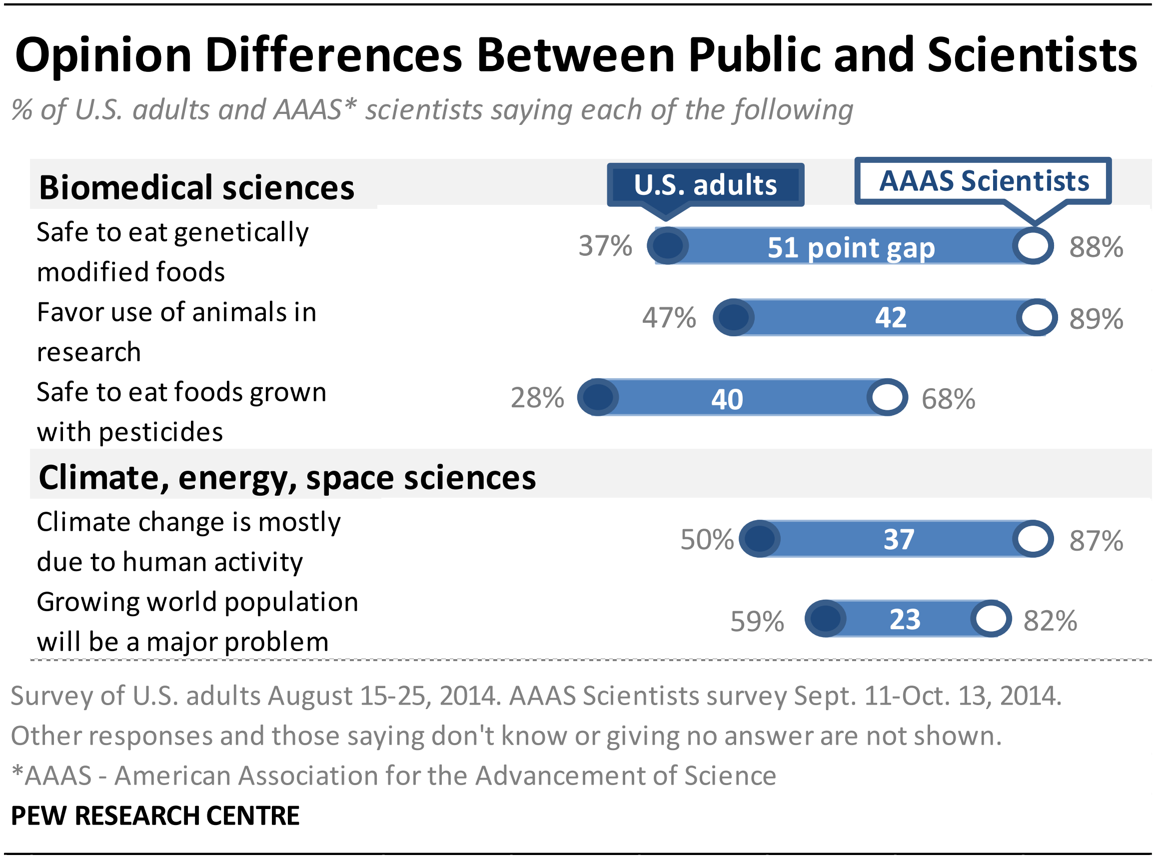
Public trust is becoming a key issue for the sector

The methods by which food is produced and processed are increasingly affecting purchasing decisions

This is a challenge for some producers and processors as the accepted production methods are changing and they are forced to adapt

Important to be aware of consumer perceptions and proactively develop strategies to respond

Public perceptions about agriculture can affect consumption choices



There is a large gap between the perceptions of the public and of scientists regarding food safety

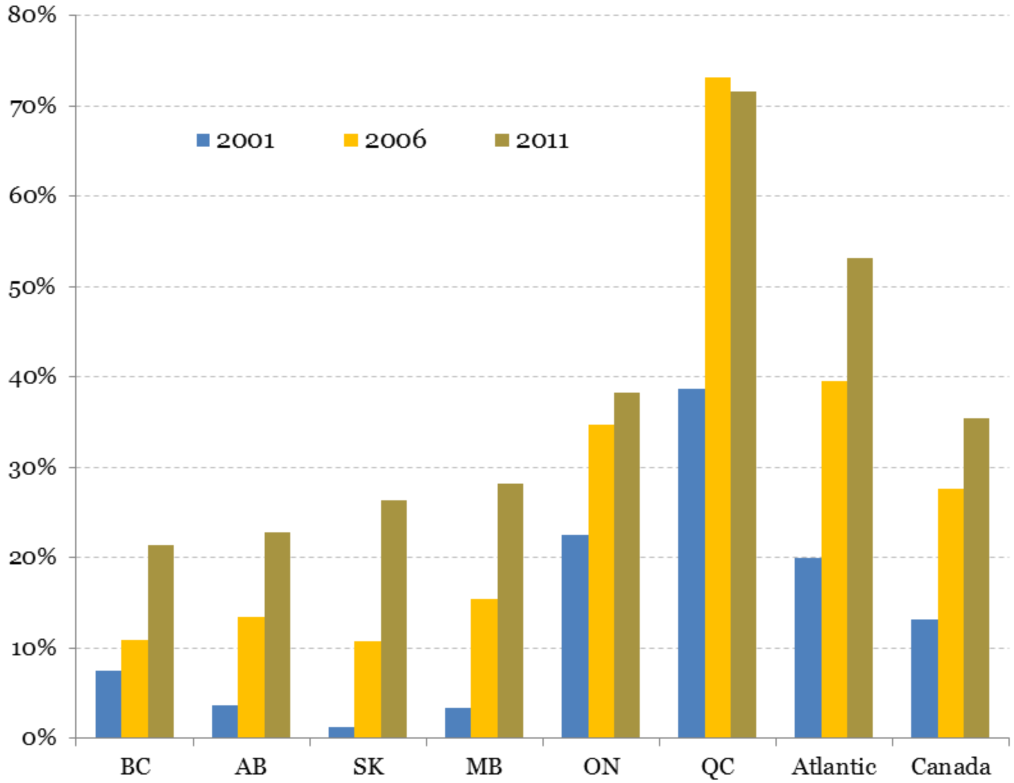
Closing this gap and gaining public trust in food production using innovative technologies will be a key challenge in the years to come

Demonstrating environmental sustainability can enhance public trust

Environmental sustainability in agriculture also contributes to sector competitiveness

The diversity of Canada's agricultural landscapes, commodities, and production systems means that agri-environmental issues and solutions vary across the country

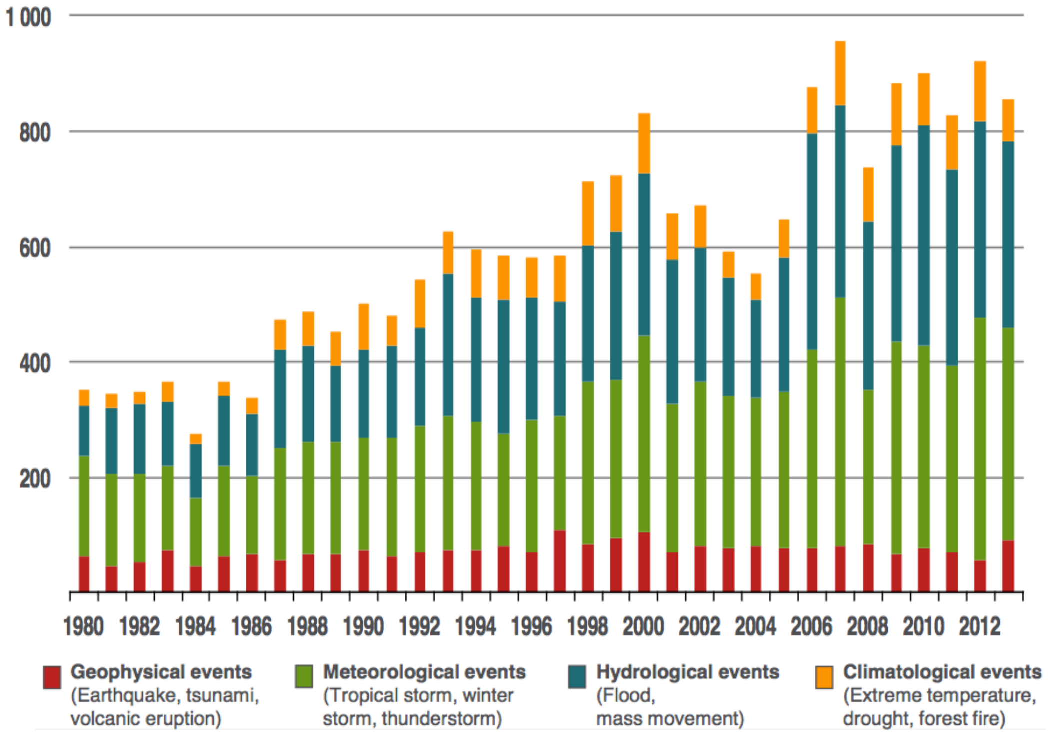
Percentage of Farms with an Environmental Farm Plan, by Province



Source: AAFC (with data from Statistics Canada, Farm Environmental Management Survey 2001, 2006 & 2011)

Climate change could increase the frequency of extreme weather events

Number of natural catastrophes around the world 1980-2013



Source: 2013 Munich RE America Natural Catastrophes

In the context of rising global temperature, scientists have agreed that the frequency and severity of extreme weather events are likely to increase

Extreme weather poses unprecedented challenges to the agriculture sector because of the sensitivity of agricultural productivity to growing conditions

Demand for labour across the value chain is strong

The 2015 unemployment rates in primary agriculture (4.2%) and in food processing (5.6%) were lower than the national rate for all industries (6.9%)

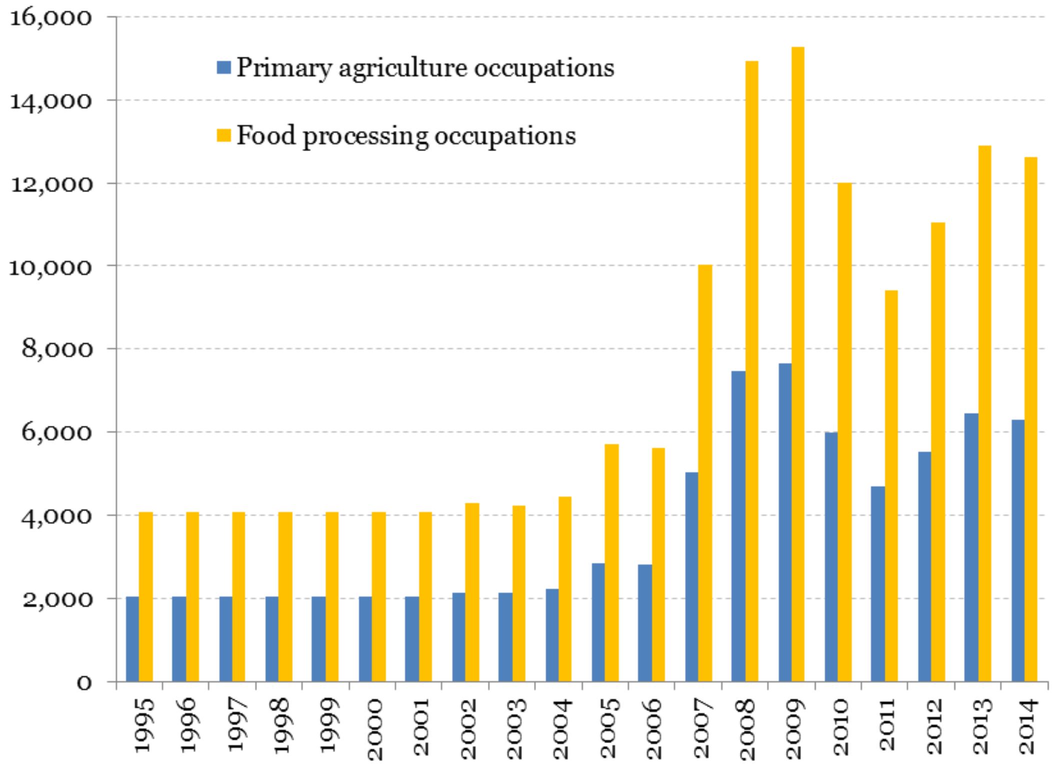
While good news for workers in those sectors, this highlights the issue of tight labour supply across the agriculture value chain

Temporary Foreign Workers (TFW) have become an important part of the sector's labour supply

Several policy changes in 2006 and 2007 eased the hiring of TFWs and likely led to the sharp rise of TFWs since 2007

However, the number of TFWs is expected to decrease in the coming years due to the changes in the Temporary Foreign Worker Program in 2014, although these changes are under review by parliamentary committee

Number of Temporary Foreign Workers, 1995-2014



Source: Citizenship & Immigration Canada, RDM as of September 2015.
Here Temporary Foreign Workers refer to foreign workers who entered Canada through the Temporary Foreign Worker Program.

Questions for discussion

- Does this representation of the sector's performance and challenges accurately depict your experience?

- What is your perspective on the emerging challenges and risks facing the sector?

- What opportunities do you see for the sector?