



CANADA'S ECONOMIC STRATEGY TABLES

Agri-Food

The sector today
and opportunities
for tomorrow

INTERIM REPORT

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Budget 2017 proposed the establishment of six Economic Strategy Tables to **lead the creation of Canada's economic growth strategies**. Working with leading Canadian innovators, Innovation, Science and Economic Development has now established the Economic Strategy Tables to identify growth opportunities in advanced manufacturing, agri-food, clean technology, digital industries, health/biosciences and clean resources.

Canada's economic growth is expected to continue at a moderate pace, potentially impacting Canadians' standard of living. The Economic Strategy Tables will galvanize stakeholders in six high impact sectors by setting ambitious growth targets, identifying sector-specific bottlenecks to growth, recommending specific strategies to achieve the targets, drive long-term and sustainable economic growth, and create high quality jobs for Canadians. The Tables will also help guide the Government of Canada in its efforts to provide relevant and effective programs for Canada's innovators.

Long term sector specific action plans to meet ambitious economic growth targets for 2025 and beyond across six sectors where Canada is globally competitive will include:

- A common vision for both industry and government that sets the course for moving forward to identify sector strengths, overcome obstacles, and improve competitiveness and growth;
- Business-led solutions, government policy recommendations and public-private partnerships based on short-, medium- and long-term actionable areas;

- Greater inclusion of those traditionally underrepresented in the workforce, such as Indigenous Peoples, women, Canadians with disabilities and older workers, in these sectors; and
- A mechanism to champion and monitor sector growth strategies and results.

Each Table is chaired by an industry leader who drives the agenda of the Table and facilitates candid discussion. The Chairs of each Table also meet to take stock of progress and address key horizontal issues affecting all sector tables.

The sectors under the Economic Strategy Table Initiative have strong potential for innovation, growth and the creation of good, middle class jobs for all Canadians, including currently untapped pools of talent. They also face powerful forces of competition that demand action now to build on their strength and secure a place in the global economy.

Taking a sector-wide approach and sharing best practices will speed up and spread out the adoption of innovations, making sectors stronger on the whole. This will help make Canada's economy be more resilient, better able to weather market cycles, and will help cement our world leadership where we excel.

"Canada needs to seize value-added opportunities, including more domestic processing, innovative end-uses for our agri-food products, co-product manufacturing and turning waste products into revenue streams"

Murad Al-Katib
President and CEO, AGT Food and Ingredients

THE AGRI-FOOD SECTOR TODAY

Canada's agri-food sector is complex and interdependent. Agri-food includes agriculture, fisheries and aquaculture, and food and beverage processing. While Canadian agri-food products have high profile and a strong reputation around the world, competition is intensifying.

AT A GLANCE

AGRI-FOOD IS A SIGNIFICANT CONTRIBUTOR TO CANADA'S ECONOMY

- Accounts for 2.9% (\$49.4 billion) of Canada's GDP¹ and 12% (\$62.5 billion) of the country's exports²
- Employs 575,800 people³

AGRI-FOOD MARKETS ARE POISED FOR GROWTH

- Agricultural demand in 2050 will be 50% higher than it was in 2013⁴ — meaning Canada's agri-food sector has a strong, global growth opportunity
- The biggest growth market will be Asia-Pacific, where middle-class consumer spending is projected to climb from US\$12.3 trillion in 2015 to \$36.6 trillion in 2030⁵
- Changing preferences will boost demand for dairy products, alternative proteins, lean meats and processed foods with enhanced health benefits

1 Statistics Canada. Table 379-0031 – Gross domestic product (GDP) at basic prices, by North American Industry Classification System (NAICS), monthly (dollars), CANSIM (database); AAFC calculations

2 Statistics Canada, Canadian International Merchandise Trade Database; AAFC calculations

3 Statistics Canada, special tabulation based on Labour Force Survey; AAFC calculations

4 Food and Agriculture Organization of the United Nations. *The future of food and agriculture: Trends and challenges*. 2017.

5 Kharas, Homi. *The unprecedented expansion of the global middle class: An update*. Brookings Institution. 2017.

CANADA HAS MANY STRENGTHS

- Abundant land and water resources
- Positive global reputation as a trusted supplier of safe food in foreign markets
- Well-placed to access global markets
- Strong R&D capacity, particularly in agriculture

THE SECTOR FACES CHALLENGES

- Food Processing sector investment in machinery and buildings as a percentage of sales is trending downward — from 3% in 2002 to 2% in 2015⁶
- Labour markets are tight and the skill set for the sector is evolving
- As a highly export-oriented sector, continuous need to keep markets open

6 Statistics Canada. Tables 029-0009,029-0046,301-0003 and 301-0008; AAFC calculations

PRIORITY THEMES

The global market for agri-food products continues to expand. For this reason, Canada has set an ambitious target to grow its agri-food exports to at least \$75 billion annually by 2025. In recent years, industry growth has been strong, with annual exports reaching record highs. Members of the Agri-Food Economic Strategy Table made it clear that in order to seize its share, Canada's agri-food sector needs to be competitive. This view is shared by the Agri-Food Table's Producer Advisory Council, which was established to provide a producer perspective to the Table's work. The following priority themes were identified by the Agri-Food Table to scale up capacity and boost productivity.

1. INCREASING INNOVATION AND SEIZING VALUE-ADDED OPPORTUNITIES

Canadian food producers and food processors can no longer afford to compete on the basis of price alone. Growing middle classes around the world are demanding higher-quality products, while socially conscious consumers want foods with specific qualities, such as being locally sourced and sustainable. Canadian leadership in agri-food demands companies embrace innovation to maximize the value derived from their products and to position Canada as a preferred supplier to high-value markets.

2. ADOPTING TECHNOLOGY AND ADVANCING DIGITIZATION

Today, Canada's agri-food sector has low rates of technology adoption compared to other countries. This is a liability: in a very short time, players who do not embrace automation, digitization and other technological advances will simply become non-competitive. Canada's entire agri-food value chain needs to recognize this and actively adopt. Doing so demands a cultural shift so the sector sees itself as a technology industry, not a resource industry.

3. MODERNIZING INFRASTRUCTURE AND REGULATIONS

Agri-food products have a long and multi-stage journey to market. The country needs modern infrastructure to facilitate that journey, as well as a forward-looking, synchronized regulatory system that supports the development and commercialization of innovative products. This involves an interconnected, coordinated approach that removes impediments

to the movement of goods and services as well as the development of state-of-the-art supply chains that are lean and adaptive to shifting opportunities. Canada's overall business environment needs to be competitive and enable growth.

4. INCREASING MARKET ACCESS AND GROWING EXPORTS

Population growth and rising incomes around the world present huge opportunities for the agri-food sector over the next 10 to 15 years, especially with the demand for protein. Canada's firms must be competitive to diversify their markets and capture domestic and global growth opportunities. To diversify successfully, Canada must focus on areas where it has strategic advantage. Achieving this will require a whole-of-government approach to market access and business development, seizing new trade agreements with high-growth that support both exports and domestic growth opportunities, and a greater opportunity for small-and mid-sized companies to seize new market opportunities.

5. DEALING WITH LABOUR SHORTAGES AND BEING PREPARED FOR THE FUTURE

Canadian agriculture currently faces labour shortages that impact production levels and tomorrow's growth opportunities. These shortages will intensify as markets for Canadian products expand. Reliance on foreign workers has lessened the impact of the labour shortage. In order to compete, the sector will need a workforce with the right skills to succeed in an automated, digitalized future.



WHAT'S NEXT

With this release of interim reports, Tables will: work on establishing a vision and aspirational, top-down targets for long-term sectoral growth; integrate sectors' action-oriented proposals into one comprehensive report; develop an action plan that includes short-term early deliverables and long-term initiatives; and identify performance indicators to track and measure results.

Ongoing consultations and transparency are key components of the Economic Strategy Tables. Canadians are invited to share their answers via the following email: ic.est-tsse.ic@gc.ca.

- What is your aspirational vision for your sector? What would success look like in 2025?
- It is often suggested that countries need to target their growth efforts toward areas of competitive advantage. In your sector, where does Canada have strength or emerging strength?
- What are the obstacles to innovation in your sector? (You may wish to think about investment, talent and skills, access to markets, rules or regulations, or demand.) How could these be overcome?
- What is, or will be, the most significant innovation globally in your sector for the next 10 years? What is needed to capitalize on this innovation and establish Canada as a world leader?
- To ensure that all Canadians benefit from accelerated economic growth, what actions and partnerships could governments, businesses, educational institutions and Canadians undertake?

To support a transparent process, Table minutes are posted at <http://www.ic.gc.ca/eic/site/098.nsf/eng/home>.



AGRI-FOOD ECONOMIC STRATEGY TABLE MEMBERS

Chair

Murad Al-Katib, AGT Food & Ingredients

Members

Robert Coallier, Agropur Dairy Cooperative

Sarah Davis, Loblaw's

Marie-Pier Drouin, Joly Drouin et Filles

Bryana Ganong, Ganong, Ganong Bros., Limited

Richard Harry, R Harry Fishing Ltd.

John Heimbecker, Parrish & Heimbecker

Robert Irving, Cavendish Farms

Shelley Martin, Nestlé Canada

Michael McCain, Maple Leaf Foods Inc.

Lee Moats, LLAMM Acres Ltd.

Susan Niczowski, Summer Fresh Salads Inc.

Ian D. Smith, Clearwater Seafoods Inc.

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