



Growing the Island Way

The Next Chapter for the Agriculture and Agri-Food Economy of Prince Edward Island



Report of the Commission on the Future of
Agriculture and Agri-Food on Prince Edward Island



January 2009



“The Commission believes, first and foremost, that the industry has a promising future. We foresee an industry that, rather than merely surviving, proves to be a source of prosperity for our Island community.”

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Commission on the Future of Agriculture and Agri-Food on Prince Edward Island

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for the Agriculture
and Agri-Food Economy
of Prince Edward Island



THE COMMISSION ON THE FUTURE OF AGRICULTURE AND AGRI-FOOD ON PRINCE EDWARD ISLAND

January 29, 2009

The Honourable George Webster
Minister of Agriculture
Government of Prince Edward Island
PO Box 2000
Charlottetown PE C1A 7N8

The Honourable Gerry Ritz
Minister of Agriculture & Agri-Food
Government of Canada
930 Carling Avenue
Ottawa ON K1A 0C5

Dear Ministers:

On behalf of the Commission on the Future of Agriculture and Agri-Food on Prince Edward Island, we are pleased to submit our final report entitled *GROWING THE ISLAND WAY: The Next Chapter for the Agriculture and Agri-Food Economy of Prince Edward Island*.

The Commission on the Future of Agriculture and Agri-Food on Prince Edward Island believes, first and foremost, that the industry has a promising future. We foresee an industry that, rather than merely surviving, proves to be a source of prosperity for our Island community. The Commission has set out an ambitious vision for the future — one that is hugely challenging. This must be a vision adopted by the agriculture and agri-food industry of Prince Edward Island, embraced by the community, and supported fully and consistently by governments at all levels.

As a Commission, we cannot emphasize enough both the enormity of the challenge, and the absolute necessity of our success. The current path is not sustainable. The future outcome will depend primarily on leadership from all partners: industry, governments, research and academia, and the community. It will depend on the willingness of the farm community of Prince Edward Island to be part of the attitudinal and cultural changes necessary to implement the Commission's recommendations.

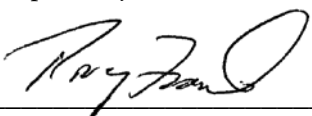
The Commission recognizes the fact that the PEI farming sector faces daunting short-term economic challenges. It was not our mandate to deal with short-term issues; that is the purview and responsibility of farm organizations and the provincial government. We urge farm organizations and governments to move on this quickly.

We wish to commend our fellow Commission members for their dedication to the Commission process, given their other commitments, and their contributions and counsel in the deliberations and preparation of the report. We appreciate their professionalism and willingness to see the "big picture" as we deliberated and debated the myriad of issues raised in this review.

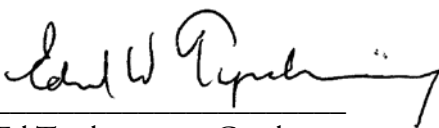
Finally, we acknowledge the overall quality, sincerity and thought provoking nature of presentations, submissions and discussions that we have had with a broad range of people and organizations during our public meetings and subsequent deliberations.

It has been our pleasure to co-chair this challenging assignment. We truly believe that, effectively implemented, this Report will mark a new beginning for PEI agriculture and agri-food.

Respectfully submitted



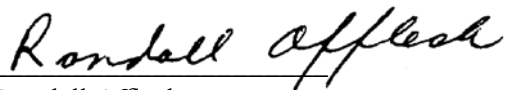
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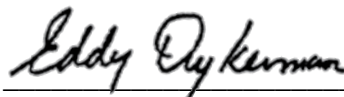
Ed Tyrchniewicz, Co-chair

THE COMMISSION ON THE FUTURE OF AGRICULTURE AND AGRI-FOOD ON PRINCE EDWARD ISLAND

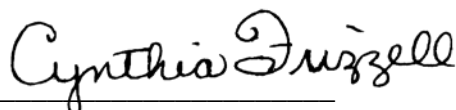
Members of the Commission



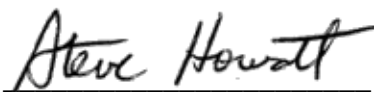
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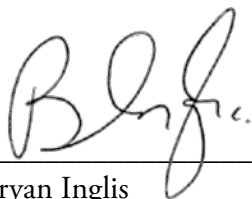
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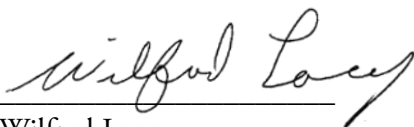
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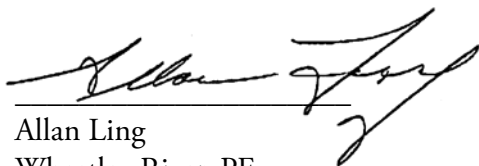
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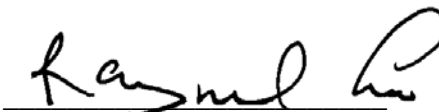
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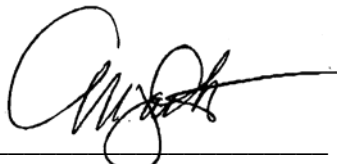
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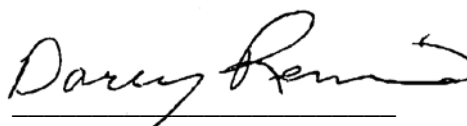
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ACKNOWLEDGEMENTS

This has been a challenging exercise and a collective learning experience. The Co-chairs and members of the Commission thank the Prince Edward Island Department of Agriculture and Agri-Food Canada for the opportunity to participate in this critical undertaking.

The Commission wishes to express its gratitude for the support of staff from the PEI Department of Agriculture. We especially are appreciative of the efforts of Jerry Gavin, our Executive Secretary, who has been an integral part of guiding the Commission process. Other Department staff, particularly Dian Ling, Deborah Hagen, and Juanita Diamond, were most helpful in arranging the logistics of Commission meetings and preparing and distributing background material. The logistical efforts of Barb Mitchell and Jennifer Lenentine of the PEI BioAlliance office are also gratefully acknowledged.

We acknowledge the guidance and advice received from the Project Management Committee: Brian Douglas, Deputy Minister, PEI Department of Agriculture; Matt McGuire, Senior Policy Advisor, Office of the Premier; Janet Steele, Regional Director, Atlantic Regional Office, Agriculture and Agri-Food Canada; Andrew Goldstein, Executive Director, Policy, Planning and Integration, Agriculture and Agri-Food Canada; John Colwill, President, PEI Federation of Agriculture; and Elwin Wyand, District Director, National Farmers Union PEI.

We were fortunate to have the expertise of Stuart Baker, Ronda Bellefontaine and Jim Folwell in providing the Commission with timely analysis and sound advice. We acknowledge the superb skills of David Wylynko and his firm, West Hawk Associates, in the writing, editing, and design of this report. These individuals provided assistance at all hours of the day or night – truly a 24/7 operation!

To everyone, a big “thank you.”

With gratitude

Co-chairs and Members
Commission on the Future of Agriculture and Agri-food on
Prince Edward Island

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“Growing the Island Way means enabling the industry to emerge anew by connecting it to all the necessary elements of prosperity in a way that is of our own making.”





1.0 EXECUTIVE SUMMARY

The Commission on the Future of Agriculture and Agri-Food on Prince Edward Island believes, first and foremost, that the industry has a promising future. We foresee an industry that, rather than merely surviving, proves to be a source of prosperity for our Island community. The Commission has set out an ambitious vision for the future — one that is hugely challenging. This is not government’s vision — nor should it be. This must be a vision adopted by the agriculture and agri-food industry of Prince Edward Island, embraced by the community, and supported fully and consistently by governments at all levels.

As a Commission, we cannot emphasize enough both the enormity of the challenge, and the absolute necessity of our success. The current path is not sustainable. The future outcome will depend primarily on leadership from all partners: industry, governments, research and academia, and the community. It will depend on the willingness of the farm community of Prince Edward Island to be part of the attitudinal and cultural changes necessary to implement the Commission’s recommendations.

Established in the spring of 2008, the Commission was mandated to assess the state of agriculture in the province, articulate a vision for the future of the Island’s biggest industry, and develop an action plan to achieve that vision. The Commission was comprised of 12 leaders from the agri-food industry and the community (Appendix C). The co-chairs were Rory Francis, Executive Director of the Prince Edward Island BioAlliance and former Deputy Minister of the Department of Agriculture, and Dr. Ed Tyrchniewicz, Senior Scholar in the University of Manitoba Department of Agribusiness and Agricultural Economics and former Associate Dean of the Asper School of Business. The Commission was independent, and its recommendations were derived through a fully autonomous exercise that stemmed from 39 presentations, six written submissions from concerned stakeholders, and 12 Commission meetings.

After the Commission heard from stakeholders and undertook some of its own analyses, a Consultation Draft was released at the end of October 2008. The Consultation Draft was intended to encourage discussion, debate, and consensus-building during consultations with all agri-food system partners in November. Four public meetings were held, a number of presentations were made to farm organizations, and numerous “one on one” meetings were held with stakeholders during December. This final report is a reflection and synthesis of a wide array of thoughtful

suggestions and opinions from many partners in the agri-food value chain.

The Commission found that, historically, the PEI agriculture and agri-food industry had great success cultivating traditional, mixed-farm agrarian agriculture. This “first wave” of the industry was rooted in the agrarian models of the 19th and early 20th centuries. However, by the 1990s, farms had grown in size to industrial scale, and the industry adopted a “second wave” characterized by a trend toward fewer but more specialized farms, and a concentration of processing and retail, declining economic viability, and environmental degradation. This wave is unsustainable; PEI farmers have found themselves unable to prosper by competing in these globalized, efficiency-driven commodity markets. Today, the sector must embark on a “third wave” based on innovation and re-forged relationships between farmers and suppliers, researchers, processors, consumers, and governments.

The Commission has set out a new vision for agriculture:

Our Vision

- **We value an agricultural industry on Prince Edward Island which empowers farmers to create and maintain wealth for our Island communities by working more effectively with fellow producers, suppliers, processors, communities and governments.**
- **We aspire to be more creative, knowledgeable, innovative, adaptive and resilient.**
- **We are caretakers of our environment and are determined to preserve the value of our soils and waters for future generations.**

To fulfill this vision, the Commission identified three over-arching themes the Industry must focus on: competitiveness, sustainability, and collaboration. Competitiveness means becoming more innovative, knowledgeable, adaptable, and profitable. Sustainable means preserving our soils and waters for future

generations. Collaboration means developing healthy relationships with fellow producers, the markets, the community, and governments. Building healthy relationships is critical to achieving this vision.

In this report, the Commission makes recommendations in each of the three thematic areas. To become more competitive, the industry must adopt a market-led culture, using modern market intelligence tools and techniques to make management decisions. To become more sustainable, agri-food sector partners should establish a Sustainable Agriculture Working Group to focus on rebuilding the relationship between agriculture and the community. To become more collaborative, partners in the PEI agriculture and agri-food system should form an industry-led, private not-for-profit organization, to be known as the Prince Edward Island Agri-Food Alliance. The new organization would coordinate, facilitate and monitor the implementation of all of the Commission’s 14 recommendations for the future of the industry on PEI.

Riding a “third wave” of agri-food prosperity means re-building relationships along high-value supply chains (rather than pursuing commodity prices). We must learn to do difficult things well, which means drawing on our natural advantages, investing in our people and our infrastructure, and utilizing world-class expertise. The industry has no choice but to embrace this path. It’s a journey we must take together, building a new road on the foundation of our great agricultural tradition toward a renewed and re-invigorated tradition of prosperity. This must become *the Island Way*.



2.0 INTRODUCTION

In Prince Edward Island, the agriculture industry has a tremendous heritage and great potential. The Island's agricultural history is a good news story of perseverance and success, a story based on relationships forged over generations between Islanders and the land. Farmers have built a tradition of triumph generated by hard work and a climate conducive to growing food.

The Island has a small population, a high proportion of agricultural land relative to total land mass, and nearby markets of over 20 million people. PEI has well trained and experienced people, and a sound agricultural infrastructure. Agriculture is the largest contributor to the Island economy. Moreover, agriculture contributes significantly to the Island's social fabric and pastoral geography.

In recent decades, however, economic trends have set PEI farmers on a downward spiral. As traditional, mixed-farm agrarian agriculture, or the “first wave” of the industry, gave way to industrial commodity

agriculture (the “second wave”), the Island's agriculture and agri-food sector became increasingly less competitive. Today, farmers are fighting a losing battle of mere economic survival. The industry cannot thrive by competing in globalized, efficiency-driven commodity markets where the largest scale, lowest operating cost, and least regulated operations win the day. The industrial, commodity-based model of agriculture is a system that does not play to our strengths. The emphasis has shifted to “entitlement” for survival, rather than competitive success.

The commodity system has created a “vicious circle” in PEI, where ever-declining profit margins have forced farmers to consolidate and intensify their operations, resulting in negative environmental impacts that lose farmers the respect of the community and, in turn, costs them their own self-respect (Figure 1). Without profit or pride, the next generation of potential farmers, the “new entrants,” are turning away from agriculture. The industry loses ideas, innovation, and investment, leading, invariably, to even poorer financial returns.

But new beginnings grace the horizon. The “industrial” chapter in the Island's agricultural history is nearing the end. Island farmers are now presented with the opportunity to enter a new chapter: a new agriculture based on market-led knowledge and innovation. In a sense, PEI farmers must become pioneers once again, cutting a new path to success. Growing the Island Way means enabling the industry to emerge anew by connecting it to all the necessary elements of prosperity in a way that is of our own making.

The Commission believes, first and foremost, that the industry has a promising future. We foresee an industry that, rather than merely surviving, proves to be a source of prosperity for our Island community. The industry is entering a “third wave,” a post-industrial, knowledge-based agriculture highlighted by research, new technologies, and local and regional food systems that can feed the world with a smaller environmental footprint (Figure 2).



Figure 1. The vicious circle of decline

What will this third wave look like? How will we use the advantages of science, technology, ecosystem awareness, and sound management to follow the third wave? In many ways, we believe that Prince Edward Island is the ‘canary in the coal mine’, reflecting early and at a micro-scale the challenges that will face global agriculture in the decades ahead. The drivers of these challenges will be:

- peak oil: the tipping point of supply and demand in global fossil fuels and resulting energy cost pressures;
- peak food: when global population growth outstrips global food supplies;
- peak water: when many food producing regions of the world that rely on irrigation reach the limits of unsustainable practices.

For PEI, the answer lies in developing niche markets and providing them with safer and higher quality products. Riding this third wave means re-building relationships along the supply chain (rather than pursuing the cheapest price). We must learn to do difficult things well, draw on our natural advantages, invest in our people and our infrastructure, and take advantage of world-class expertise.

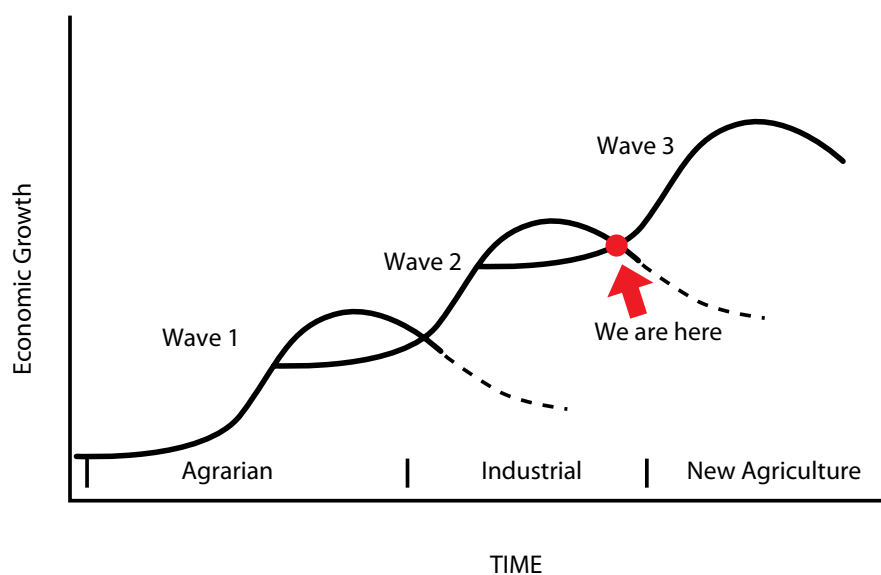


Figure 2. Cycles of growth and decline in systems of agriculture

2.1 The Commission Process

In the spring of 2008, the Government of Prince Edward Island and the Federal Government established the Commission on the Future of Agriculture and Agri-Food on Prince Edward Island. The Commission was mandated to assess the state of agriculture in the province, articulate a vision for the future of the Island’s biggest industry, and develop an action plan to achieve that vision.

The Commission was comprised of 12 leaders from the agri-food industry and the community (Appendix C). The co-chairs were Rory Francis, Executive Director of the Prince Edward Island Bio-Alliance and former Deputy Minister of the Department of Agriculture, and Dr. Ed Tyrchniewicz, Senior Scholar in the University of Manitoba Department of Agribusiness and Agricultural Economics and former Associate Dean of the Asper School of Business. The Commission was independent, and its recommendations were derived through a fully autonomous exercise that stemmed from 39 presentations, six written submissions from concerned stakeholders, and 12 Commission meetings.

The Commission released its State of Agriculture Report in July, 2008. After the Commission heard from stakeholders and undertook some of its own analyses, a Consultation Draft was released at the end of October 2008. The Consultation Draft was intended to encourage discussion, debate, and consensus-building during consultations with all agri-food system partners in November. Four public meetings were held, a number of presentations were made to farm organizations, and numerous “one on one” meetings were held with stakeholders during December. This final report is a reflection and synthesis of a wide array of thoughtful suggestions and opinions from many partners in the agri-food value chain.

3.0 TRENDS AND CURRENT SITUATION

Over the past 40 years, PEI has followed a national – and indeed international – trend in which small, mixed-product farms have consolidated to form larger, more specialized, family-owned farm businesses. In this report, these are characterized as the first and second wave of agriculture, from an agrarian to industrial model (Figure 2). Signs are emerging, however, of a third wave, a post-industrial, “new agriculture,” one that takes advantage of local strengths while embracing post-industrial, knowledge-based innovations and environmental sustainability.

3.1 The State of PEI Agriculture

PEI is a million acre mixed farm. Farm cash receipts are dominated by potato production, and potatoes in rotation with grains, oilseeds, and forage crops (Figure 3). The dairy, beef and swine sectors are important components of a multi-dimensional industry, with horticultural crops of vegetables, fruits and berries gaining in importance.

Smaller scale farms have grown in response to opportunities in local and export organic food markets. Where local supply volumes and production efficiencies have allowed, the processing and agri-business sectors have grown to capture markets for value-added products.

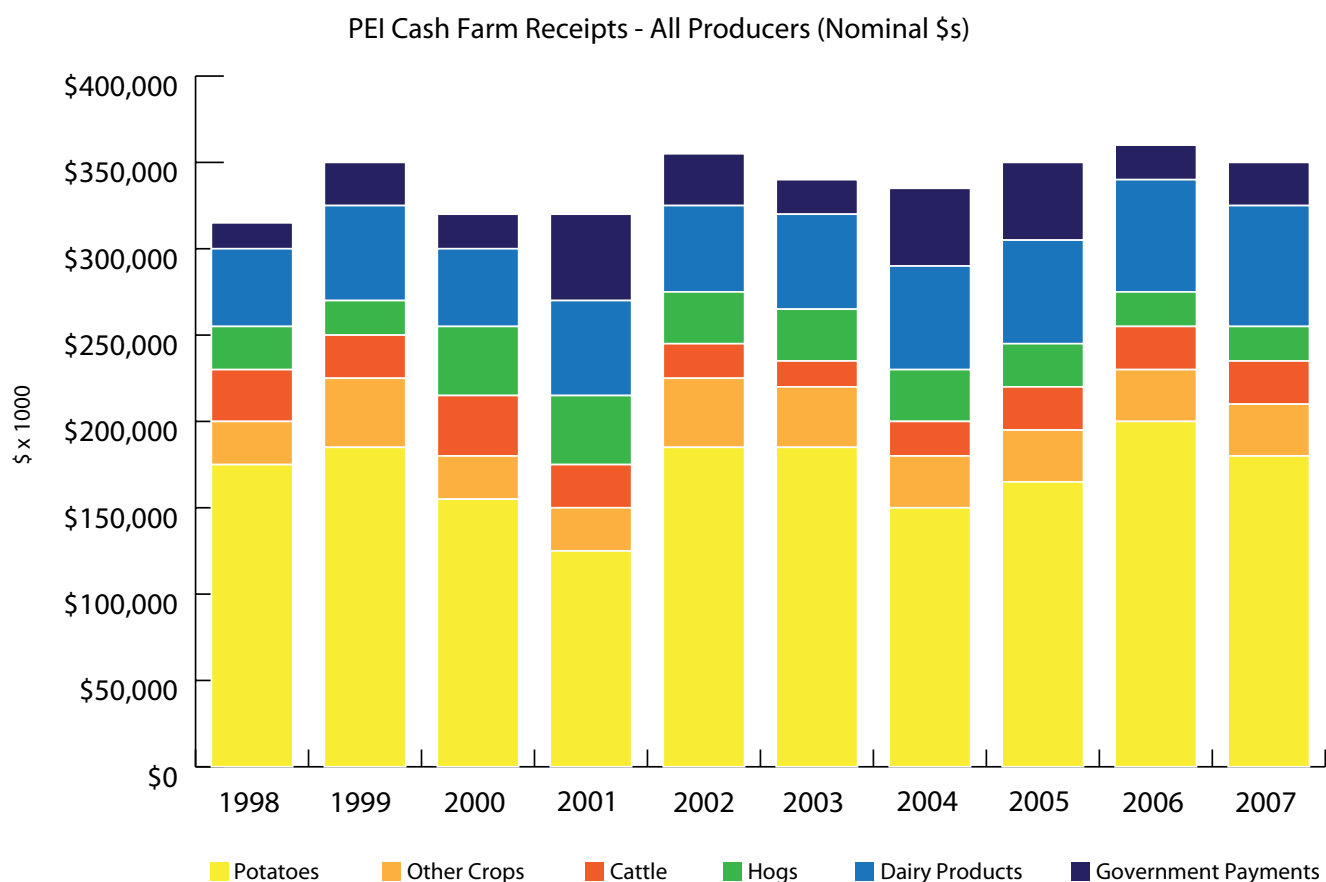


Figure 3: PEI Cash Farm Receipts

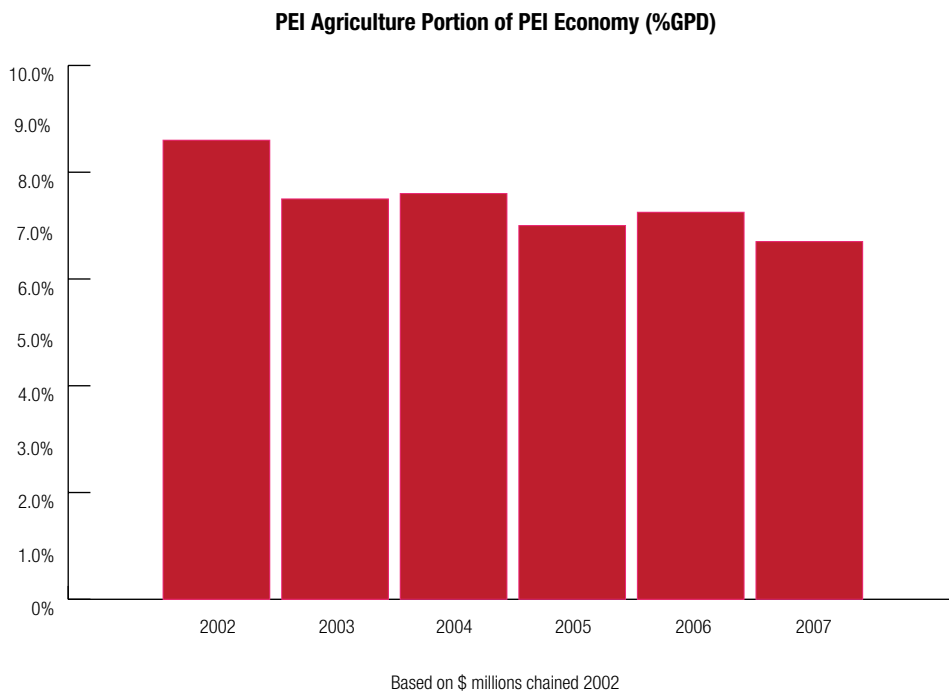


Figure 4: PEI Agriculture Portion of PEI Economy

3.2 Agriculture's Contribution to GDP

PEI's economy is still dominated by the agri-food industry, but farm cash receipts represent a declining share of the province's GDP, falling to 6.7% in 2007 (Figure 4). While on-farm employment had declined with mechanization, the total wages paid by farms has actually increased as higher wages are paid to more highly skilled and more productive employees.

The processing of agricultural products now accounts for half of the Island's manufacturing sector, having grown substantially in value and employment impact over the past two decades. In total, the direct impact of the agriculture and agri-food sector is over 13% of GDP, or approximately \$560 million (Figure 5). Of all the provinces, only Saskatchewan's agri-food sector has a comparable impact.

Many fail to realize the multiplier effect of primary agriculture; it supports aspects of other sectors of the economy that would not exist without the creation of economic value by agriculture (Figure 6).

Longer-term trends reveal a dramatic consolidation of the number of farms and farm revenue. Between 1981 and 2006, the number of farms in PEI dropped from more than 3,000 to 1,700. Of all farms, only a third are considered larger, commercial farms, defined as having an annual gross income of \$100,000 or more. Over the same period, the number of farms earning gross revenues of under \$100,000 declined from about 2,500 to just 1,060. Conversely, between 1986 and 2006, farms with gross revenues of over \$500,000

increased fivefold, from 44 to 240 (Figure 7).

The total area of land on farms in PEI has been gradually declining since 1986 to 620,000 acres in 2006, while land in crops has been increasing, reaching 423,000 acres in 2006. PEI had the largest area dedicated to potatoes in Canada in 2006, with nearly 100,000 acres. That area has shrunk by 8.7% since 2001 as producers attempt to match supply and demand.

The 637 farms reporting gross income of over \$100,000 occupy over 80% of our agricultural land and generate about 80% of PEI's farm cash receipts. The remaining 1,060 farms generate about 20% of farm cash receipts. While we should not confuse 'scale' and 'profit,' the larger farms are understandably the main contributors to wealth creation.

PEI's commercial farms create wealth in both the province's rural communities and urban centres. They attract investment, provide economic stimuli throughout the agri-food sector and the broader service economy, and are central to sustaining the quality of the landscape and environment.

The Island's 1,060 smaller farms (less than \$100,000 in gross income) are valuable contributors to local

PEI GDP by Business and Public Sectors

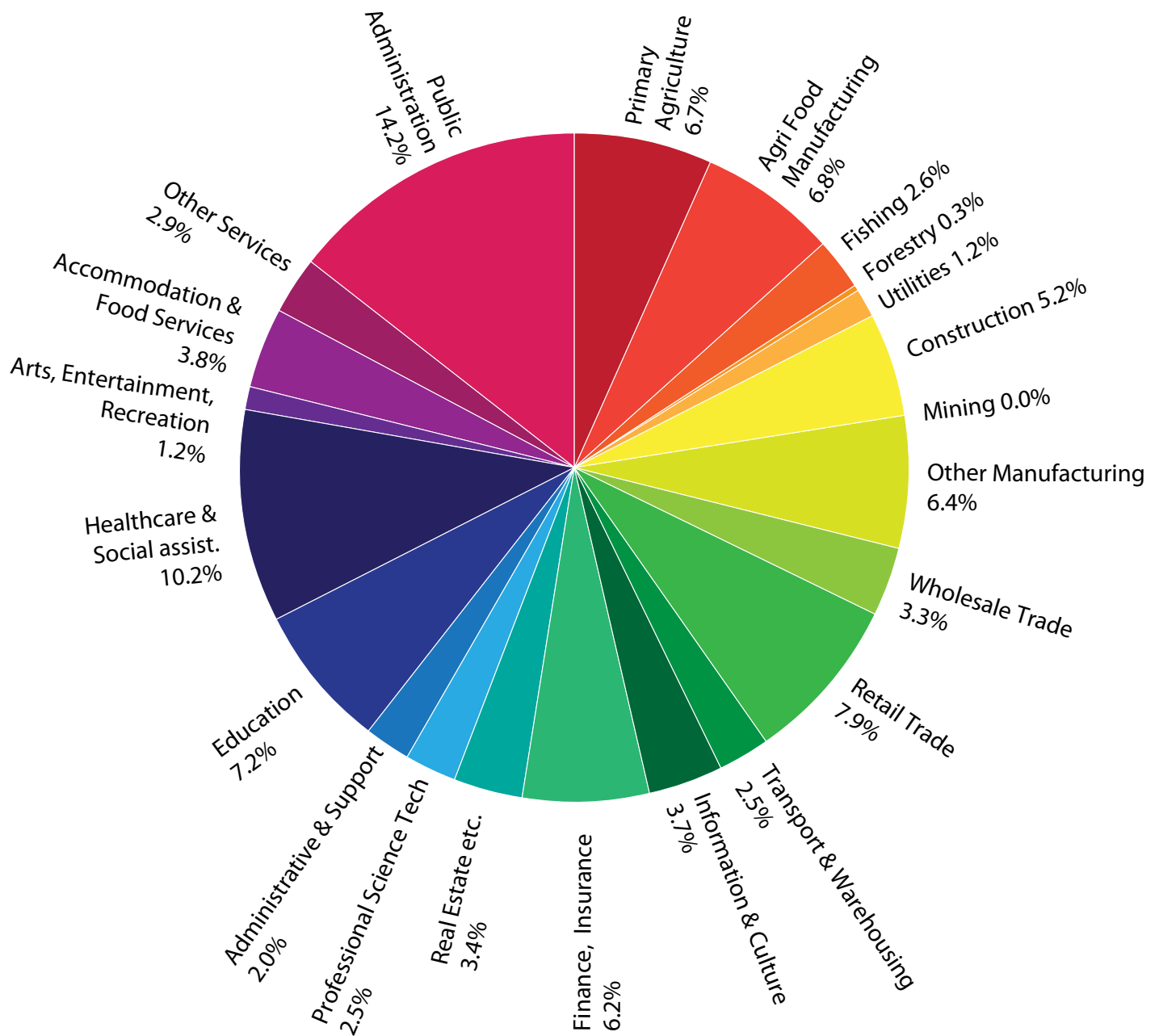
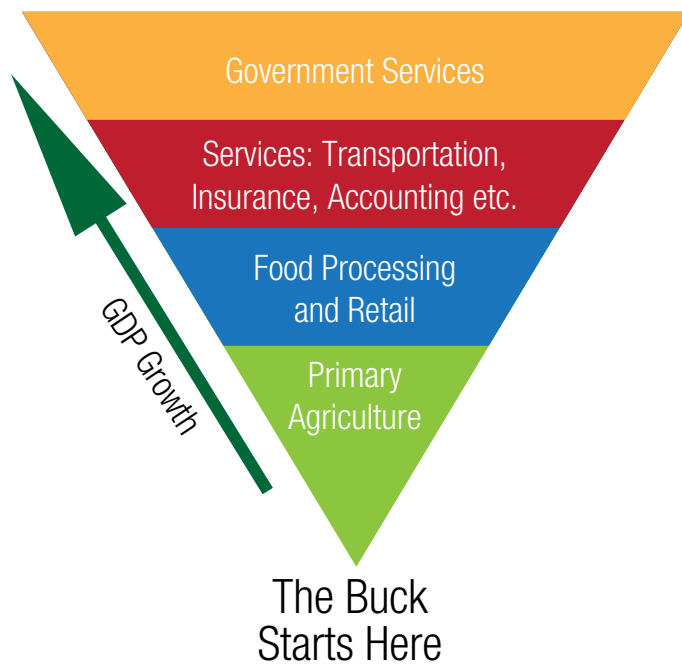


Figure 5: PEI GDP by Business and Public Sectors 2007

and specialty food supplies. Like the larger farms, they define the PEI landscape, the quality of the environment, and the character of rural community life. They contribute to agri-tourism and the economy as a whole.

These farms consist of a wide range of typology, including:

- Full/part-time farms supported with off-farm income;
- Life-style farms where the operators choose to be part of the rural farming community with little expectation of making a full-time living from farming alone;



- Beginning farmers who are building up their equity and stake in farming;
- Organic operations which typically are smaller with lower input costs and a higher profit margin in relation to gross farm receipts;
- Semi-retired or senior farmers who are supplementing their retirement income;
- Enterprises such as soft fruits (blueberries, raspberries, strawberries) which are short season and often part-time.

The Commission's vision for the future includes both small and larger farms, as they bring different and complementary values to the social and economic face of Prince Edward Island.

Figure 6: The economic impact of agriculture and agri-food

PEI Number of Larger Farms by Gross Revenue Category

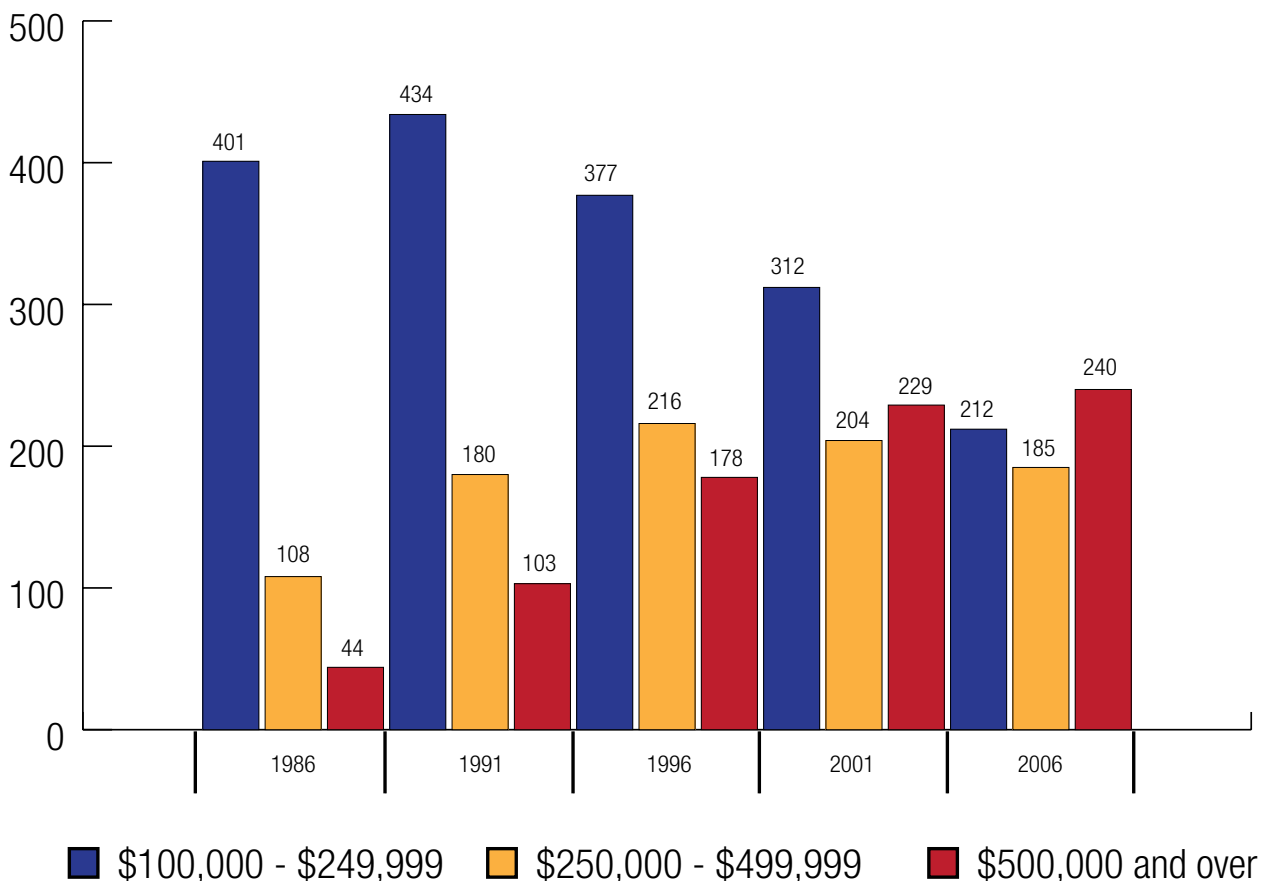


Figure 7: PEI Number of large farms by gross revenue category

3.3 Net Farm Income

Historically, net farm income has fluctuated widely from year to year, sometimes as much as tripling or quadrupling in as little as two years, only to see profits drop by 75% the next year (Figure 8). Canada as a whole sees a similar but less dramatic pattern, with farms reporting year-to-year variations of less than 50 percent. These variations serve as a reminder that PEI's relative size and reliance on world prices has made it more vulnerable to the changes affecting the industry than some of its competitors.

This volatility has been accompanied by an unmistakable long-term decline (Figure 8). In 1928, net income on PEI farms was over 60 cents per dollar of gross revenue. By 2007, PEI farms were reporting a net loss of 10 cents per dollar. Farming in PEI must become more profitable to survive.

3.4 Farming as a Career

In general, young people are leaving the farms for more lucrative careers or a more balanced lifestyle. In the 1970s, one in seven Island farmers was under 35 years of age. Today it's less than one in 10 and there is no sign that the trend will reverse any time soon. The age distribution of farm operators in PEI is similar to that in Canada; however, the 55 and older group is increasing at a more rapid rate.

3.5 Three Waves of Agriculture

Today, globalized industrial agriculture is on the verge of a third wave. Until the 1960s, the industry consisted of small mixed farms that evolved from the agrarian models of the 19th and 20th centuries, providing local food under a low-intensity agricultural model, with relationships forged at the

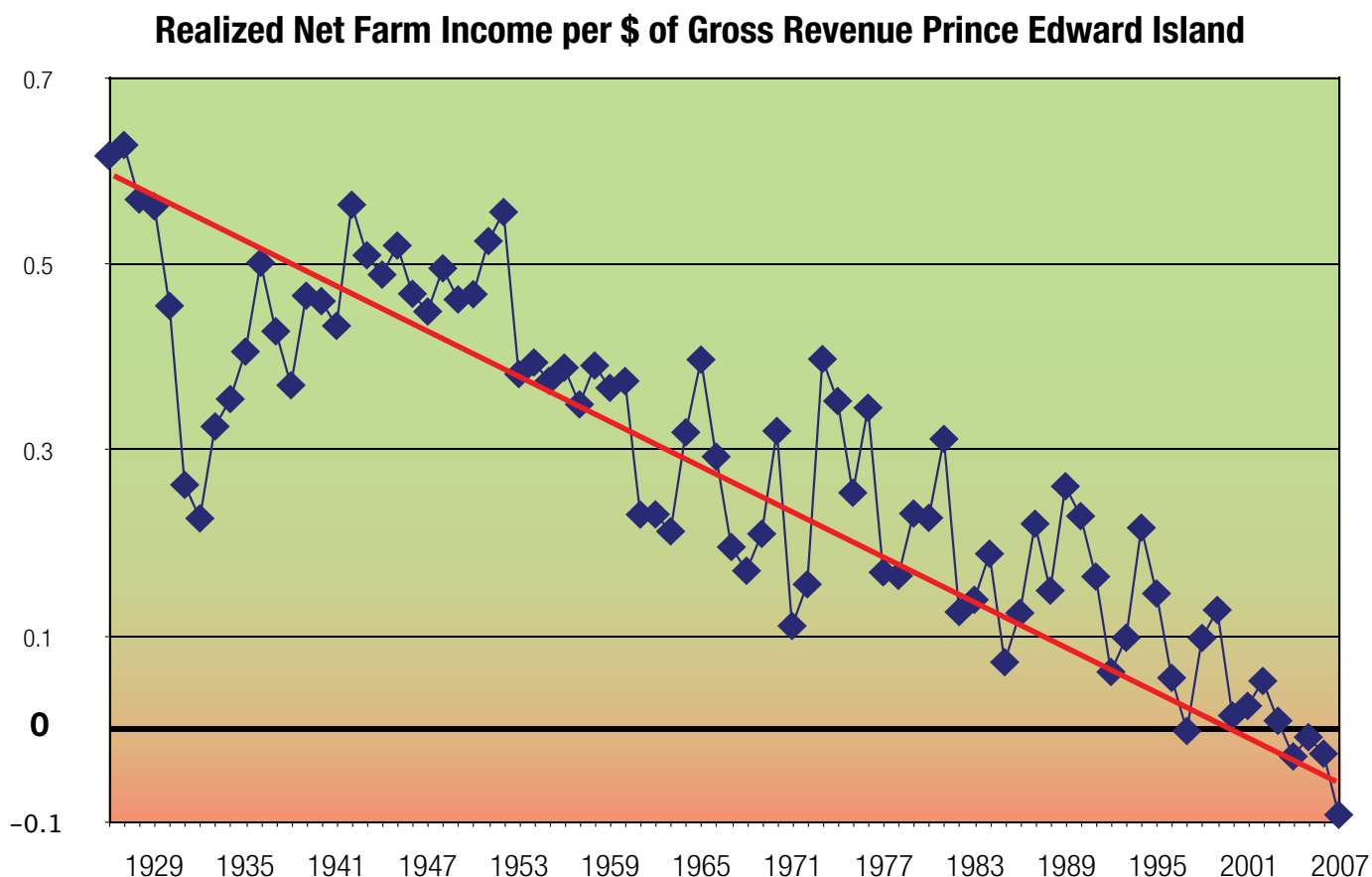


Figure 8: Net farm income in PEI is negative, and the trend is unmistakable

community level. By the 1990s, family farms had grown in size to a more “industrial” scale, but still small by international standards. The trend was toward fewer but more specialized farms, along with a concentration of processing and retail, declining economic viability, and environmental degradation. Relationships were built around specific commodities. Today, and as we complete the first decade of the 21st century, the industry is faced with the challenge of embracing the latest scientific advances and technological innovations. This third wave will feature a global agricultural response to energy and environmental issues. It will include new technologies like customized, satellite-based weather forecasts, genetic improvements in crops that allow for reduced pesticide and nutrient inputs, and foods with improved health benefits to consumers.

3.6 International Conditions

Despite decades of top-level negotiations among developed and developing nations, support for

national subsidies continues for agriculture products, putting those farmers who cannot rely on government support at a distinct disadvantage. Supply management remains an important mechanism to ensure viability of Canada’s dairy, poultry, and egg sector.

Populations in many countries are expanding and per capita gross domestic product is rising, especially in Southeast Asia and South America. The result is a global marketplace characterized by steady increases in demand for food, feedstocks, and other agri-food products. Working against these forces, however, are expanding agri-food industries in those same countries.

At the same time, the industry is experiencing a narrowing of the “food chain funnel” as food products move from many farmers through a small but powerful number of processors and retailers (Figure 10). Many of these processors and retailers operate as multinationals and wield extensive economic power. For example, Wal-Mart has become the largest food retailer in the US and is rapidly expanding to other countries.

The expenses of running a farm, meanwhile, continue to move in the opposite direction. Rising oil prices driven by increasing demand, from expanding economies in China and India in particular, is increasing Canadian production costs. Domestic and international freight costs – along with every other element in the process of bringing products from the farm to the market – have reached historic highs.

Recent reversals in the long-term trend toward higher oil prices may be short-lived, and have yet to translate into comparable declines for most commodities as industry executives hedge their bets. In any event, the anticipation of peak oil – the point after which global production will fall, and which some experts believe has already arrived – means long-term planning must assume energy prices will tend to rise for the foreseeable future.

The advent of newly competitive suppliers in Asia, South America and Eastern Europe makes the marketing of Island products an ever-more daunting

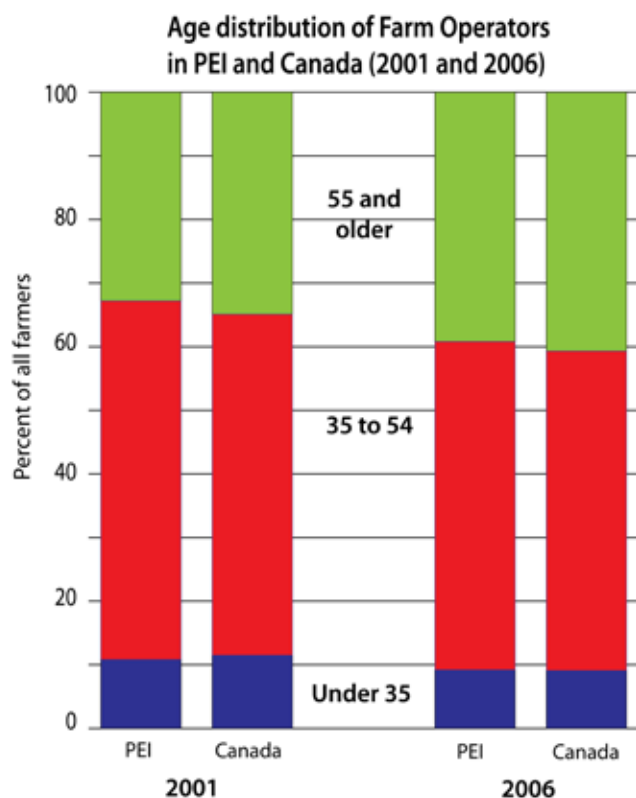


Figure 9: Age of Farm Operators, PEI and Canada (2001 and 2006)

task. Much of the growth of foreign competitors' market share has come at the expense of less stringent environmental and food safety standards. However, as their economies develop, their low-cost advantages are expected to gradually diminish. In addition, global climate change has already begun to undermine the viability of some farming regions as they struggle to adapt to rising temperatures, more intense weather, and dwindling freshwater supplies. Developed economies like Canada's are facing the same ecological challenges, but are expected to be more able to adapt than are developing nations. Still, PEI farmers cannot afford to wait for global trends to play themselves out. They must find competitive strategies now.

3.7 Canadian Realities

Thanks to its relatively small population and vast agricultural resources, Canada benefits greatly from exports. More than half of our red meats, grains and oilseeds find their way to markets in other countries.

By comparison, most products grown or raised on US or EU farms are consumed domestically. In an expanding global economy, Canada's export capacity has proven historically advantageous, but competition from developing nations means Canadians can no longer rely on traditional trading relationships.

The forces at work behind the transformation now underway in the agri-food sector pose enormous challenges to Canadian farmers. As farms grow in size and diminish in number, specialization is unavoidable, leaving farmers increasingly vulnerable to market fluctuations and cross-border trade disputes.

Some parts of Canadian agriculture are in the mature or declining stage of their life cycle. Given the current conditions, clearly many farmers will be forced to abandon the field, figuratively and literally. Falling prices mean Canadians are spending less of their income on food; many now devote less than 10% of household income to filling their cupboards and

The Supply Chain Funnel

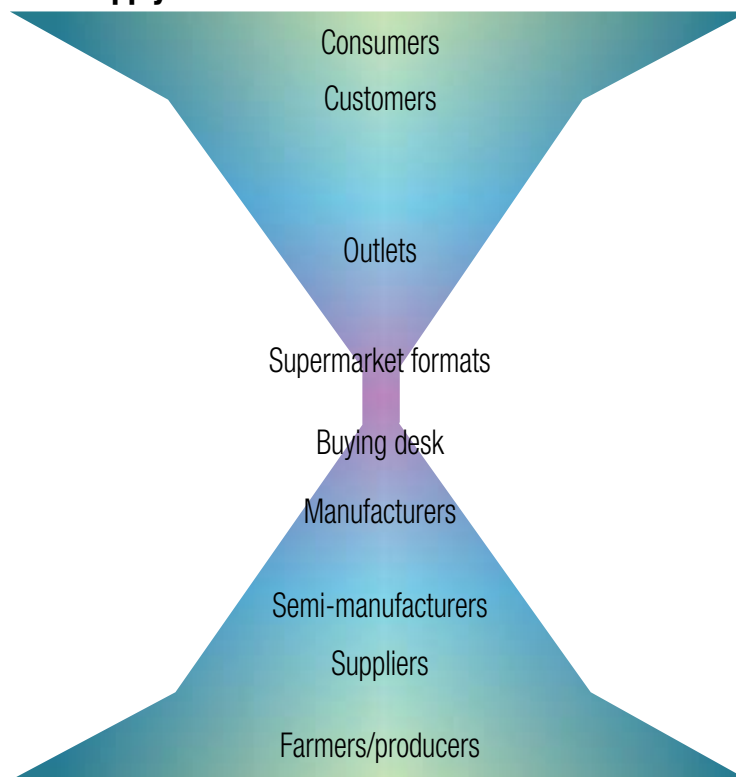


Figure 10: Selling into commodity markets. The concentration at processing and retail is the point of control in the system.

refrigerators. As a result, the economic, political and social influences of primary agriculture, though still the source of essential products to society at large, are diminishing at both the national and regional levels.

Farmers are already a minority in most rural areas, where agriculture now represents only 6% of employment. Rural Canada is, in fact, no longer inextricably associated with farming. Alternative sources of employment are replacing the farm in rural regions, while metropolitan areas explore the possibility of raising their own agricultural products in or near city limits.

Agriculture is not an entity unto itself, of course, but an integral part of broader society. Agricultural profitability requires that all of the links in the agri-food value chain find strategies to ensure long-term economic health, and especially at the primary production level where return on investment has been inadequate for farm viability.

3.8 The Challenge Today

Despite the turmoil of the recent past, PEI's agriculture and agri-food sector has displayed a remarkable resiliency when it comes to what the Island's farmers produce. Potatoes remain the single largest contributor to farm receipts; the relative share of cattle, hogs, dairy, and other products has changed little over the last decade (Figure 3). The challenge facing the sector today is to determine whether that "stability" represents a failure to adapt to changing demands of the marketplace, or evidence that future success will be tied to traditional strategies.

Today, farmers need to treat agriculture as a science that is as reliant on research and technology as any other field. That means attracting PEI's young minds

to the future of agriculture, not just as laboratory researchers, but as professional agri-food operations managers and owners.

These are lofty but achievable challenges. Though physically isolated, PEI is relatively close to some of the largest markets in North America. That isolation makes controlling agricultural pests and diseases somewhat easier for PEI than its competitors. These advantages have already been recognized internationally in the seed potato and swine sectors. As we chart a new path through the third wave of agriculture, it is essential for the PEI agriculture and agri-food sector to nurture strong relationships among producers, suppliers, research institutions, governments, and the community and other businesses in an integrated effort to forge a more competitive and sustainable Island industry.





4.0 WHAT WE HEARD

Over a two-month period in August and September 2008, the Commission heard numerous presentations from industry and government representatives. In total, there were 23 formal presentations and six written submissions, as well as five staff presentations, and value chain consultations with commodity organizations (Appendix D). Although the presenters expressed a range of views, some consistent themes emerged. These 12 major themes are described below.

4.1 Competitiveness

PEI producers and processors are challenged to compete with the very large players of the global commodity markets. Some presenters pointed out that the extremely concentrated retail sector in Canada means less market options and lower margins for farmers and processors. As well, the cost

of production for most agri-food products is higher in PEI given higher energy costs, transportation costs, input sales taxes, and availability of skilled labour. Other presenters emphasized the challenge of being competitive as exporters when producers in target markets like the USA, Europe, and even Quebec are highly subsidized by their governments. Even in products like potatoes, dairy, and forage-fed beef, where PEI has natural and strategic advantages, subsidies and non-tariff trade barriers tilt the balance in favour of competitors. The playing field is not level.

4.2 Market Information

Several presenters bemoaned the absence of sound market information. There is no systematic compilation of, or access to, market intelligence for the major commodities that can inform production or marketing decisions at the producer level. Without this information, and the skills to use it, it is little wonder that producers are left with an unsustainable trickle at the end of the revenue stream. Presenters suggested that producer groups must become as

sophisticated in their use of market intelligence as any other participant in the supply chain. Information IS power in this case. A noted exception was the supply managed commodities (milk, chicken, eggs), where market information is assembled and communicated at the national level. Recently, the United Potato Growers of America and the United Potato Growers of Canada initiated a North American effort to use high quality market information to balance supply and demand of tablestock potatoes, with impressive results. Presenters emphasized that such initiatives are only possible when producers cooperate. Relationships matter.

Presenters noted that market intelligence, market assessment, and market development are rarely the work of individual producers. Nor was it felt that government agencies are close enough to the market to effectively provide these services. PEI producers and processors need access to a high level of expertise

in this area to ensure that market information is driving production and marketing decisions.

4.3 Marketing

Presenters noted that marketing programs of the provincial government have virtually disappeared for agriculture and agri-food since the early 1990s. The federal government's programs are unwieldy, or available only for national initiatives. Once target markets are identified, whether by individual farmers, or by industry sectors, there is a cost to develop and maintain those markets, including advertising, product support, brand development, and relationship development. The business case for pursuing any market must take these costs into consideration, but there is an important role for government in sharing the risk of the new market development process.





The concentration and scale at the retail level also means that producers need to work together locally and regionally to assemble sufficient products on a predictable basis to meet the needs of the retail chains. Producer cooperatives have been an effective means of consolidating marketing and sales for some products, but even they note the need for Maritime-wide initiatives to compete with suppliers from other parts of Canada. The producer cooperatives suggest that provincial governments in the region support projects that facilitate stronger relationships among regional producers and processors. Notwithstanding some serious challenges, the cooperation of the Maritime Provinces in the beef sector was seen as a positive sign.

“Local Food” and “Buy Local” campaigns have emerged as a consumer response to concerns about food safety, the climate change impacts of long

distance food transportation, and as a mechanism to support local farmers. Farmers’ Markets are the fastest growing food retail segment in North America and are important outlets in PEI for market garden, organic and specialty products. However, it is estimated that if Islanders and visiting tourists consumed only PEI sources of the foods that are produced here, only 7 to 9% of the value of farm products would be consumed locally. We are an exporting province.

Several presenters pointed to the provincial ‘Buy Local’ program as a politically ‘nice-to-do’ initiative, rather than as the best use of limited market development resources. In fact, several groups felt that “Buy Local” campaigns were creating trade barriers among eastern Canadian provinces and thwarting cooperation initiatives. A “Buy Atlantic” approach was seen as a minimum marketing scale to be effective.

4.4 Infrastructure

Some presenters emphasized the need for better and more flexible infrastructure. In response to new market opportunities, a significant shift has occurred from a barley-based rotation with potatoes to soybeans, milling wheat and canola. The Commission heard that the province-owned and operated Grain Elevators Corp. is developing initiatives to improve handling capacity for these products.

Many presenters cited transportation problems. PEI is an exporting province at a distance from markets; transportation costs are increasing due to fuel prices, putting the province at a competitive disadvantage. The agriculture industry is burdened by high fuel costs and a forced reliance on trucks. The nearest rail is in Moncton, and no export-ready container facility exists closer than Halifax and Saint John. Cheaper ways of getting products to markets are needed. Another impediment is higher energy costs, including prices of electricity, propane, and oil. Alternative energy sources are needed, which means infrastructure expenses for setting up new modes of generating power. The PEI government is taking a major step in this direction with its recent announcement to dramatically increase the percentage of PEI power drawn from wind technologies.

4.5 Research and Innovation

Scientific research and technology transfers are essential components of innovation in all aspects of the food system. Jurisdictions where the food industry does not influence the priorities for research, and does not have access to the results, cannot remain in front of the competition in providing safe, affordable, high quality, environmentally sustainable food for consumers.

The Commission heard that the relationship between producers and the government-funded agricultural research system in PEI is in very poor condition. There is effectively no working relationship between Agriculture and Agri-Food Canada's Research Centre in PEI and the industry. Agriculture and Agri-Food Canada's investment in scientific expertise at the



Charlottetown Crops and Livestock Research Centre has declined by over 50% in the past decade as various rounds of restructuring of the Research Branch nationally have decimated its research capacity. There is no process by which producers have a voice in determining research priorities.

Provincially, funding for applied problem-solving research has declined in recent years. The Food Technology Centre, working within the Economic Development portfolio of the provincial government, received mixed reviews. Presenters referenced both good experiences with the FTC, and very poor experiences, noting problems of timeliness, costs, and technical capacity.

The Nova Scotia Agricultural College in Truro has for many years been a source of technical and degree-level training for Islanders, planning careers in agribusiness, farm businesses, and food science. This relationship should be further strengthened in light of

the importance of agri-business skills at the primary producer level and along the supply chain. Research collaborations between NSAC and the PEI agri-food industry are receiving less emphasis, perhaps because local industry is more focused on survival than innovation. NSAC has a mandate to serve as a strong regional partner, both in training and research. More attention should be paid to maximizing the impact of its contribution to the PEI industry.

For the past 20 years, the University of Prince Edward Island's Atlantic Veterinary College has been an important source of expertise for the regional livestock sector. The AVC's research capacity in the swine, dairy, and equine areas are world class and the level of engagement with industry has been very solid. In the swine sector, the AVC provides the research expertise behind the Atlantic Swine Research Partnership, a regional government and producer-funded initiative.



Holland College's proposed Smart Kitchen, now being constructed, and funded in partnership with potato processor Cavendish Farms Inc., will provide new capacity in food product development.

Taken together, and along with the regulatory-focused Canadian Food Inspection Agency's Level 3 Containment Research Lab in Charlottetown, one would expect such a considerable investment in expertise and infrastructure to have a greater impact on the industry. Producer groups referenced great difficulty in having rather basic trials for new crops and new genetics carried out, limiting timely evaluations of, and response to, new market opportunities.

Presenters also pointed out that producers might become more involved in the research and technology transfer process if they were investing more of their own resources in it. Producers have not invested levy and check off proceeds in a significant enough way to influence research and development.

4.6 Niche Markets

Niche markets have traditionally been dismissed by PEI producers as "too small" or "too demanding" or "inconsistent." But several presenters provided insight into recent market development initiatives involving a larger scale and greater potential in niche markets, with built-in profit margins.

Entrepreneurial farm businesses have developed relationships with brokers and processors in regional and international markets for numerous products, including identity-preserved (non genetically modified) canola and soybeans, premium quality and specialty table potatoes, milling wheat, flax, swine breeding stock, crops for cosmetic ingredients and nutraceuticals, and organic vegetables, dairy products and meats. These farm businesses are taking a market-led approach to determining what to produce on the farm.

A niche market for the right product in Japan, China, or Europe can be bigger than Prince Edward Island can supply. Cultivating a niche market means providing something that a specific customer believes

you can provide better than someone else. A niche market isn't necessarily won over by price, but also quality, safety, reliability, and consistency (trust in the product). But success will only come with a guarantee of product quality.

High quality seed potato production for local and export markets is a 'niche' market that remains an important component of our potato industry.

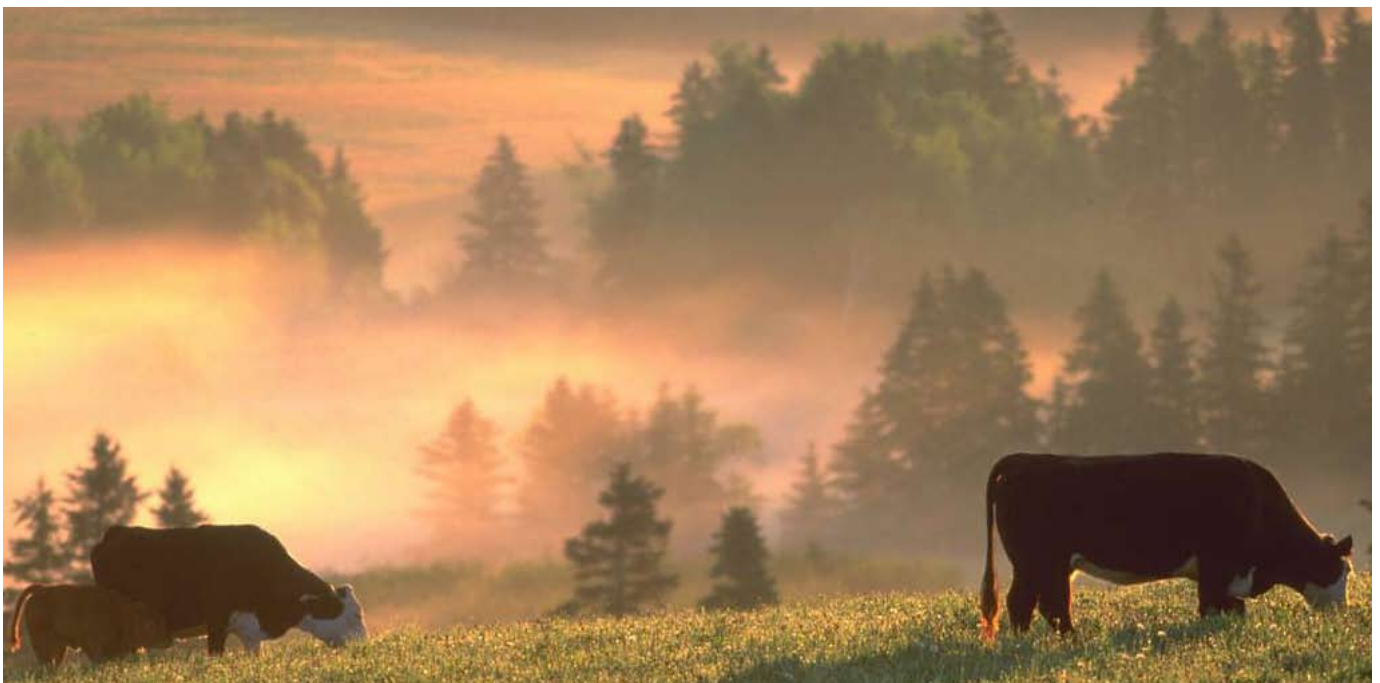
Perceptions about organic farming were also addressed. Contrary to popular belief, organics are not "farming in the old days." Large scale organic production is possible and financially lucrative for current producers. The science behind organic agriculture is sophisticated: building soil fertility and health, protecting clean water, sequestering carbon, and reducing overall farm energy usage. Organic agriculture also succeeds in attracting more new entrants than any other agricultural industry. The Commission was told that many conventional farms are shifting parts of their operations to organics, as their children are interested in capturing the emerging markets, rather than replicating the conventional agricultural model. Supporting organic agriculture does help encourage farm succession and farm innovation.

4.7 The Red Meat Sector

The disastrous financial situation of Canadian beef and swine farmers in recent years resulted in much discussion about the prospects for these sectors. Is there a future for PEI farmers in producing these products, given the globally-oriented low cost suppliers that dominate world markets?

The future of these sectors was said to be important to PEI not only from the perspective of farmers still in the business, but also in terms of the importance of nutrient cycling from animal manures to our organics-poor soils, and in turn their productivity for other food crops.

The Commission's assessment, based on the evidence presented, is that the beef industry is facing serious start-up issues with the Atlantic Beef processing facility in Borden PE. However, with important improvements in attitudes and relationships along the supply chain, this sector has a very large potential for growth in PEI and the Maritimes. Exceptional management of the Atlantic Beef Products facility is also a pre-requisite. A safe, consistently high quality beef product can earn 'brand value' in an Atlantic 'local' market that is still larger than Maritime producers can supply. Producers who are not committed to the quality requirements need not apply.



The pork industry, though considerably downsized and at a disadvantage marketwise provincially due to the closure of the federally inspected NOFG facility in early 2008, has opportunities to stabilize and even recover some of its resilience through regional cooperation. Slaughter capacity is currently concentrated in Nova Scotia, while the bulk of market hog production is in PEI and New Brunswick. Economically, it is ideal for hog production to continue to reside near grain production, while traditional crop rotations within the province can be complemented by the value-adding of feed grains and supplying of organic fertilizer. Producers do have access to Quebec processing facilities, though that market has shortcomings in terms of access and transportation costs.

The specialty marketing concepts of organic or natural pork trumpeted in the NOFG business plan still have potential, though more likely provincially than export focused. Market opportunities for minimal disease breeding stock can continue to play a role in providing high health genetics due to the strategic advantage of being an island, but local and export potential would not exceed 25% of available production at best, and still requires access to a meat stream to remain viable. The marketing of both fresh and processed red meat under a Maritime or Atlantic brand, as well as measures to address regional food security, hold considerable potential. Further processing would not only add value but can also provide these two sectors with long-term sustainability.

4.8 Sustainability

The Commission heard that PEI farmers want to “do the right things” to sustain the quality and productivity of their land and water resources. At the same time, society’s expectations for environmental stewardship are increasing through detailed environmental regulations. For farmers, meeting these expectations comes at a cost that is especially onerous during difficult economic times. Farmers are supportive of society’s recognition of these “private costs for public services” through programs such as ALUS (Alternative Land Use Services), which compensates landowners for undertaking initiatives that protect



watersheds and fragile lands. Farmers also recognize that improving sustainability presents a double advantage: they become more competitive in the marketplace by providing products that are produced “sustainably,” and they improve their reputation with the community in today’s environmentally-conscious climate.

4.9 Cooperation and One Voice

Farmers have long recognized that working together has its advantages. This applies to garnering market power as well as being heard. The economic benefits of “orderly marketing” through supply management are widely recognized. The sharing of market information and intelligence, as occurred during recent negotiations between contract potato growers and processors, leads to a more balanced relationship at the bargaining table. A number of presenters proposed Maritime-wide cooperation in dealing with specific sector challenges, especially marketing.

In PEI, most agricultural sectors are, in one way or another, interdependent. For example, crop farmers benefit from the manure generated by livestock farmers and are able to use the livestock as a local market for feed crops. In turn, the livestock industries rely on crops for feed and as a means of recycling

the nutrients in manure. Working together can only benefit both in terms of product quality, soil and water quality, cost savings, and market opportunities.

There was widespread, but not unanimous, support among farm groups for a single farm organization that could speak with one voice in dealing with public policy matters, as well as lobby for solutions to problems facing the agriculture and agri-food industry. In addition, such a unified organization could be of sufficient size that it would have the critical mass to provide professional services such as branding,



marketing, promotion and communications in support of new business development, human resource recruitment, coordination of research efforts, public sector investment and public awareness and education.

4.10 Attracting New Farmers

Many presenters expressed the concern that young farmers (less than 35 years of age) are a small percentage of the total farm owners and managers (9%) and that the percentage is dropping. Young farmers have great value, as they are more likely to be attuned to the business side of farming, and have a better grasp of issues such as marketing, branding, communications, and developing niche markets. Without young, energetic farmers to take over existing farms, the industry will suffer, and new technologies and innovations will not be introduced to meet the challenges of this ever-changing sector. A key issue is access to capital to facilitate the intergenerational transfer of farms.

Numerous approaches were suggested that would bring young farmers into the industry, including: promoting a career in agriculture at the post-secondary level; adding agricultural education to school curriculums so that students learn about the importance of the sector and how it functions; increased investment in initiatives like the Province's Future Farmer Program; educational awareness campaigns to educate the public about the industry, which will filter down to young people; and establishing a mentoring program for young people to get experience in farming life.

4.11 Role of Governments

The Commission heard that the relationships between industry and governments have become more strained as industry struggles with serious economic pressures and environmental issues. Over the past 10 to 15 years, poor profitability has driven producers to request that governments allocate more resources to so called "business risk management" programs. The resources that are provided to industry constitute "crisis responses" to production



and price issues, rather than “preventative measures” such as research, technology transfer, and market development. This emphasis is counterproductive to a sustainable industry. Governments and industry must work together to find the appropriate balance, one that includes investing in more profitable market development strategies.

Provincially, the Commission was told that the division of public policy responsibility for agriculture (Department of Agriculture) and agri-food (Department of Innovation and Advanced Learning-DIAL), creates an unwieldy communication and collaboration barrier along the value chain. The Department of Agriculture should take the lead provincial government role for all projects involving the agriculture and agri-food value chain, with DIAL providing high quality “services” in business development, lending, and investment to the Department of Agriculture and its clients.

The Commission also heard that out-of-date legislation and regulations were barriers to progressive business processes in the dairy sector.

4.12 Image

With fewer people having a direct link to farms, there is less awareness and appreciation for the complexities of modern farming practices. Stretched by commodity markets to eke out a livelihood, farmers are forced to farm every inch, occasionally creating non-sustainable environmental impacts that create poor relationships with non-agricultural PEI residents. Meanwhile, many presenters felt that governments tended to make the same support announcements over and over, giving the erroneous impression that farmers are constantly being bailed out. Overall, farmers feel they have very little support, or respect, from government. The Commission was told many times that the agriculture and agri-food sector consists of committed and hard-working people who care a great deal about the industry, but feel they are sometimes working in a vacuum. The challenge is for industry, government and society to better understand one another’s perspective and work together toward a dynamic and thriving agriculture and agri-food sector that is vital to the well-being of PEI’s citizens.



5.0 VISION, MISSION, GOALS AND TARGETS

There is an old cliché that says: “When you don’t know where you are going, any road will lead you there!” Setting out on any journey into new territory is a daunting task. If you are traveling in a group, there will be many opinions on where North is. A compass can help. That’s the purpose of a Vision. Agreement on the reason for the journey and the desirability of the destination is critical. Otherwise, why set forth at all? Just stay home.

While on the journey, we must ask: what do we stand for? What’s our role, our Mission? We need some ways of measuring our progress and the condition of our vehicles. Those are our Goals. And we want to know what success looks like, our Targets.

The Commission members believe that the following statements of Vision and Mission must be broadly adopted by the PEI agriculture and agri-food sector. Only through the alignment of purpose and commitment can our Vision be achieved.

5.1 Vision

We value an agricultural industry on Prince Edward Island which empowers farmers to create and maintain wealth for our Island communities by working more effectively with fellow producers, suppliers, processors, communities and governments.

We aspire to be more creative, knowledgeable, innovative, adaptive and resilient.

We are caretakers of our environment and are determined to preserve the value of our soils and waters for future generations.

5.2 Mission

Prince Edward Island Agriculture and Agri-food: Pillar of Our Economy, Steward of Our Land

Our Vision recognizes the need for PEI agriculture to contribute to the Island community's economy in a self-reliant, and environmentally sustainable, manner. This aspiration is only possible through healthy relationships within the agri-food system, with partners along the supply chain, with customers, with the sources of research and innovation, with governments, and with the PEI community (Figure 11). The current state of relationships is unproductive; the stresses on the system of agriculture have caused breakdowns in cooperation, collaboration, and communications.

What constitutes a healthy relationship?

Well-defined and productive roles

- Open communications
- Agreement on expectations (who does what)
- Cooperative attitude

Commitment/fulfillment

- Culture of quality and continuous improvement.

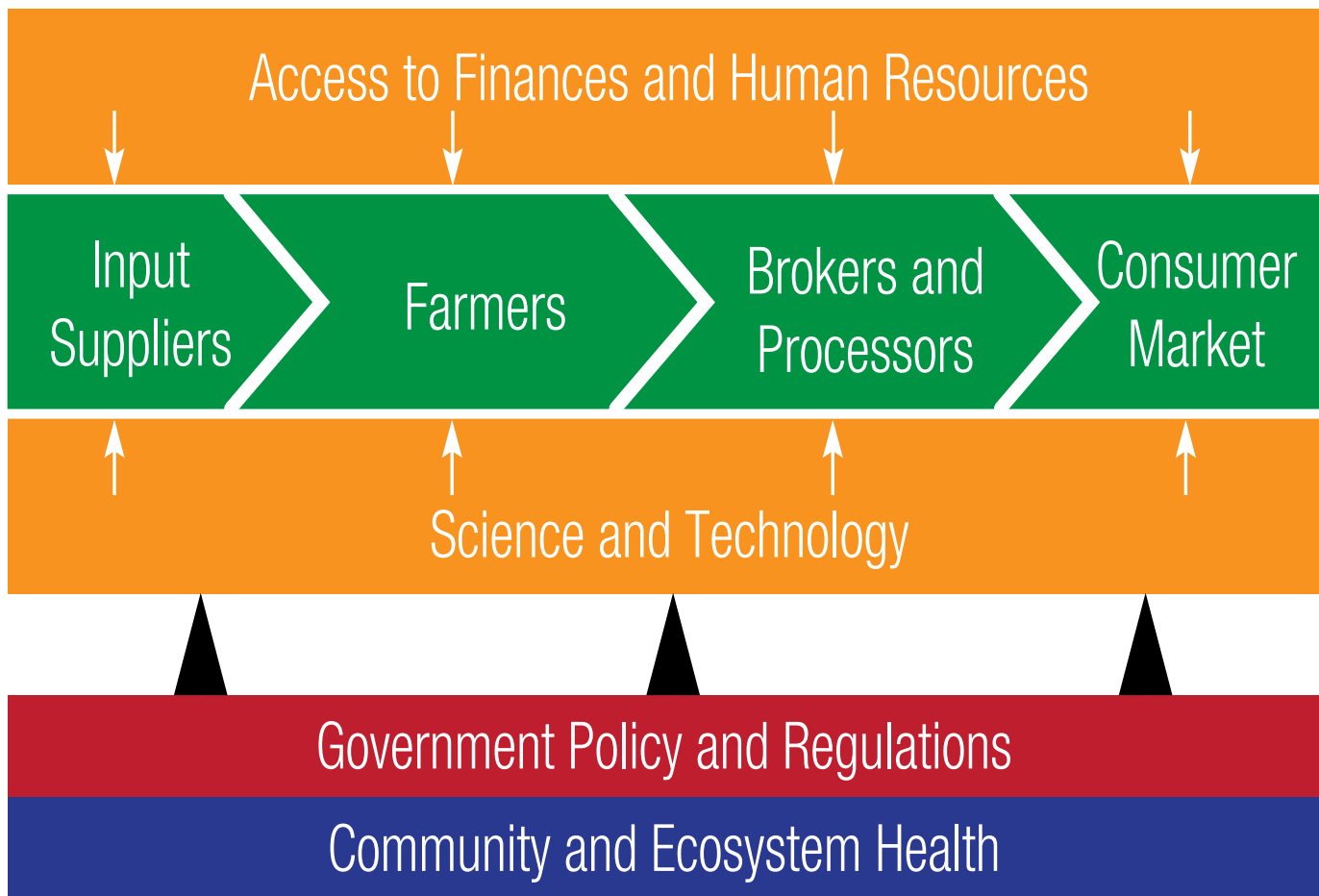


Figure 11: Relationships matter in the Agri-Food system

The following Goals have been established by the Commission as measurable results that are enabling conditions to achieving our vision. Our targets focus our attention on the principal outcomes and define just how big the prize can be if we work for it.

5.3 Goals

- Improved financial viability of farms and agri-food processors in Prince Edward Island;
- Increased contribution of the agriculture and agri-food sector to the PEI economy;
- Increased beneficial impact of agriculture on the province's environmental resources and landscape;
- Enhanced community recognition of the value of agriculture to the economic and social wellbeing of the Province;
- Increased number of new entrants to PEI agriculture;
- Improved access to capital for the agriculture and agri-food industry;
- Increased availability of skilled human resources to support industry growth;
- Improved quality of relationships:
 - o Among farmers
 - o Along supply chains
 - o With governments
 - o With the community
- Reduced cultural and attitudinal barriers to changing mindsets; increased willingness to change.

“The industry is entering a ‘third wave,’ a post-industrial, knowledge-based agriculture ... that can feed the world with a smaller environmental footprint.”

5.4 Targets

The Commission proposes five main targets for the agriculture and agri-food system on PEI. By 2015 we will:

- **Double agriculture and agri-food's contribution to GDP to \$1 Billion per year;**
- **Increase jobs in agriculture and agri-food by 20% to 12,000;**
- **Reduce the use of higher environmental risk pesticides by 50%;**
- **Increase the proportion of our farmers under 35 to 15%;**
- **Increase investment in R&D by the PEI agriculture and agri-food sector (public and private) by \$5 million to \$10 million per year.**

The Commission believes that consistent execution of the full set of strategies and plans recommended in the following section can allow Prince Edward Island to achieve our Vision. We must turn the vicious circle of Figure 1 into the virtuous circle below (Figure 12).

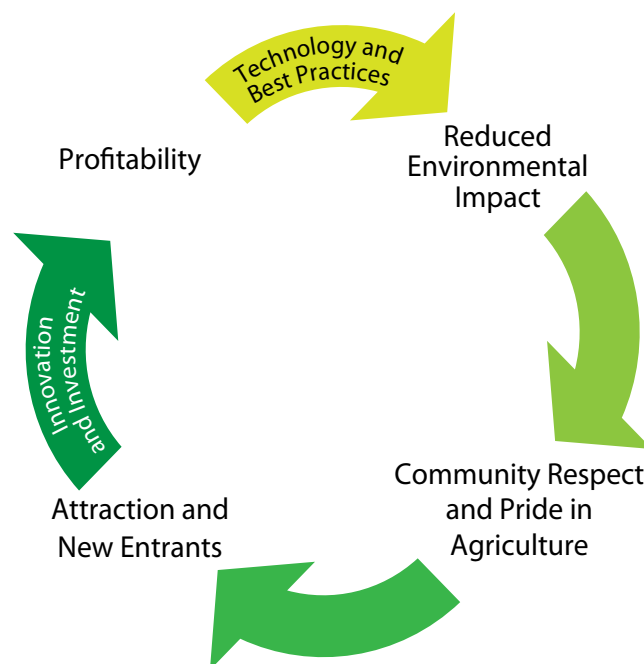


Figure 12: Desired state of PEI agriculture

6.0 RECOMMENDATIONS

“The agricultural community must work to establish partnerships and marketing arrangements that enable high quality PEI products to penetrate markets at a sustainable economic level.”

-- PEI Institute of Agrologists,
Submission to the Commission
on the Future of Agriculture and Agri-Food
on Prince Edward Island,
September 30, 2008.

The Commission on the Future of Agriculture and Agri-Food on PEI has set out an ambitious vision for the future – one that is hugely challenging. This is not government’s vision – nor should it be. This must be a vision adopted by the agriculture and agri-food industry of Prince Edward Island, embraced by the community, and supported fully and consistently by governments at all levels.

As a Commission, we cannot emphasize enough both the enormity of the challenge, and the absolute necessity of success. The current path is not sustainable. The future outcome will depend primarily on leadership from all partners: industry, governments, research and academia, and the community. It will depend on the willingness of the farm community

“The future outcome ... will depend on the willingness of the farm community of Prince Edward Island to be part of the attitudinal and cultural changes necessary to implement the Commission’s recommendations.”

of Prince Edward Island to be part of the attitudinal and cultural changes necessary to implement the Commission’s recommendations.

The Commission recognizes the fact that the farming sector faces daunting short-term economic challenges. It was not our mandate to deal with short-term issues; that is the purview and responsibility of farm organizations and the provincial and federal governments.

Fulfilling the vision put forward by the Commission means making changes that result in a more competitive, sustainable, and collaborative industry. Building healthy relationships among all partners in the agri-food system is critical to achieving this vision. Relationships must be improved among farmers, along the supply chain, between industry and government, between industry and the research community, and between the industry and the public. The industry must establish a ‘virtuous circle’ of profitability, progress, and pride.

6.1 Competitiveness

Competitiveness is a key theme of the Commission’s vision for PEI agriculture. The industry must become more creative, knowledgeable, innovative, adaptive, and resilient. Above all, competitiveness means accessing the right markets, markets that build on our competitive advantages. PEI is not competitive in large scale, low margin commodity markets.

To achieve this objective, the industry needs to improve its market intelligence, which means educating itself on supply-demand status, trends, and timing at the food processor level and at the farm level to allow for sound management decisions. To make the right decisions, the industry needs access to specialized expertise that can provide relevant market intelligence, and can communicate to all farmers. Moreover, farmers need financial resources to support market assessment and market development initiatives. They must have the leadership of entrepreneurial producers and brokers,

the “risk takers” who are willing to become immersed in the markets and grasp opportunities.

To become competitive, PEI must improve conditions in numerous areas, including: transportation costs, costs of labour, training and skills, marketing and branding, access to capital, innovation, tax policy, land use policy, infrastructure, and fuel and other input costs. Moreover, the industry must face up to an aging agricultural workforce, and determine where the next generation of farmers will come from. The Commission believes that improving the industry’s competitiveness will improve the financial viability of farms and agri-food processors on Prince Edward Island.

Recommendation 1

The PEI agriculture and agri-food sector must adopt a market-led culture, using modern market intelligence tools and techniques to set production planning, processing, and market decisions.

The Commission has concluded that PEI agriculture remains, in general, in a production-driven system where too much of our crops and livestock are produced without reasonable assurance of marketability at an acceptable price. In this circumstance, producers become price-takers, affecting both their returns and those of other producers.

The industry must establish market and production information systems across all our major commodities,

ensuring access for all farmers, and training farmers in the effective use of these tools. The supply-managed commodities, particularly dairy, have been using this approach to achieve viable financial returns while maintaining competitiveness, for many years. The potato industry has recently shown signs of the intelligent use of market information in achieving better prices for table stock and processing potatoes, both locally and across North America.

The industry should engage specialized expertise, on an ongoing basis, to provide the human resources to operate the market intelligence service, carry out market assessment and market development initiatives, and facilitate industry-market relationships. High-speed internet in all rural areas will be an essential tool to support this fundamental shift to a market-led industry.

Recommendation 2

The agriculture and agri-food industry should establish a “Market Opportunities Working Group,” as an industry-led partnership of research agencies, commodity groups, processors, and contracted marketing specialists, to plan and execute targeted market development initiatives for PEI agriculture and agri-food products.

The Working Group, which would fall under the leadership of a new PEI Agri-Food Alliance Inc. (see Recommendation 12), should:

- Focus on high-value niche markets;



- Build on the unique capabilities and competitive advantages of PEI agriculture;
- Develop the capacity to access new market development funding to support these projects, emphasizing cooperative initiatives;
- Identify key agri-businesses inside and outside the province who sell agri-food products to high-value niche markets and whose business models require high quality, differentiated agricultural products that can be provided by Prince Edward Island producers and processors;
- Partner with Maritime, nationwide, or international collaborators in cases where coordinated production and marketing is advantageous;
- Establish networks of farmers and processors to share information on market opportunities.

In the supply chain between producers and markets, the role of entrepreneurial farm businesses and brokers cannot be understated. Farm businesses and brokers are the individuals who develop the relationships with the market that include a full understanding of their customers' requirements, and the best means of fulfilling these needs. The key for PEI is to establish positive relationships with the brokers and processors who are doing business in higher-value, non-commodity markets. This approach creates larger profit margins for products that can meet the special requirements of these markets.

Recommendations 1 and 2 will require considerable investment of new government funds. Serious consideration should also be given to the reallocation of existing, lower impact provincial and federal resources currently dedicated to agriculture.

Recommendation 3

The Atlantic Canada Opportunities Agency (ACOA) of the federal government, and the provincial Department of Innovation and Advanced Learning, should re-establish agriculture and agri-food as a priority sector for economic development. Access to capital is essential to accelerate quality business initiatives.

The agriculture and agri-food sector remains integral to the PEI economy, even with all the challenges that



have burdened the sector. ACOA is the lead federal economic development agency in the region. The agency holds policy and program tools and resources that are essential enablers to achieving our economic vision for agriculture, particularly where Maritime and regional cooperation is required.

The PEI government's new economic strategy, *Island Prosperity: A Focus for Change*, reflects the spirit of transformative change necessary to building a competitive economic platform in the knowledge economy. One of the strategy's major goals is the development of "an information technology sector that will be recognized for its innovation capacity." For the agri-food sector, the Commission's vision conveys a complementary message: that an enrichment of the knowledge assets of the PEI agri-food system – particularly in rebuilding relationships and capacity in the R&D and market development components – is essential to future economic success.

The policy tools and program incentives of ACOA and the provincial Department of Innovation and Advanced Learning must be made available to reduce risk and leverage private sector investment in the third wave of the agriculture and agri-food sector on PEI.



Recommendation 4

The PEI government should collaborate with Nova Scotia and New Brunswick on a strategic review of transportation options and potential initiatives that will reduce transport costs and enable the Maritime region to be more competitive in distant markets.

Due to its remote location and small volumes of production, PEI incurs high transportation costs for both imported inputs and exported products. This state of affairs is aggravated by a limited transport and handling infrastructure. The likelihood of justifying and attracting financing for “high end” infrastructure projects, such as a container port in PEI, is remote. According to the province’s economic strategy, *Island Prosperity*, much has been done to improve transportation infrastructure. The Confederation Bridge is the obvious example, along with increased air linkages, improvements to a key arterial highway (Route 2), and the new cruise ship facilities in Charlottetown. The recently released *Atlantic Provinces Transportation Strategy* estimates that \$200 million is required for needed enhancements to Prince Edward Island’s key highways.

Recommendation 5

The PEI government should align the work of the departments of Tourism and Agriculture to create economic opportunities for farms that are focused on organic foods, farm markets, agri-tourism experiences, and value added products. This effort should broaden to involve other sectors in establishing a unique PEI brand strategy.

The provincial government must recognize that the rural landscape is more than agricultural production.

It also contributes significantly to tourism, and has the potential to contribute much more. The Island’s famous natural beauty is largely a product of the pastoral romanticism and patch-quilt effect created by diverse crops and livestock operations, which help convey the image of a pristine landscape that tourists from around the world come to see. Therefore, tourism – a significant economic activity in PEI – depends largely on the efforts of farmers and other landowners to nurture a unique rural landscape. Moreover, farmers are the major guardians of the water aquifers that supply water to the Island. Provincial government departments must work together, rather than at cross purposes, to further integrate tourism with the province’s renowned agricultural flavor.

PEI’s recently published economic strategy, *Island Prosperity*, identified the province’s tourism industry as a strong contender in the world’s most rapidly growing industry. According to the strategy, in 2005 the Island had 1.6 million visitors, creating \$400 million in tourism revenue. GPI Atlantic, an independent, non-profit research and education organization, “very conservatively” estimates that tourism in PEI would drop by 20% were there no farms on the Island. One way to assess the value of farms to tourism is to quantify the number of annual visitors to various farm-related attractions. For example, at the Orwell Corner Historic Village, 14,000 visitors pay admission to visit the site annually, while 26,000 people annually visit the Ross Farm Museum. Of course, the Green Gables house and surrounding farmland in Cavendish – the setting for the world-famous Anne of Green Gables stories by Lucy Maud Montgomery – is one of the most-visited historic sites in Canada.

Two regions of similar size and economy to PEI – Vancouver Island and the Niagara Region in Ontario – have made agri-tourism a priority for economic development. In the Niagara Region, the wine industry has developed several “wine routes” to be traveled in the countryside, increasing the contribution of agri-tourism to farm cash receipts. Vancouver Island relies heavily on direct farm marketing and agri-tourism, to the extent that a 2002 survey reported that 81% of farm island income came from these activities. The BC government has dedicated staff and made amendments to existing legislation to encourage and support these activities.

Recommendation 6

The PEI Agriculture and Agri-food sector must develop a comprehensive strategy for human resource development, including labour market development, training and entrepreneurship, succession planning, and emphasizing the absolute necessity of attracting new entrants to farm business ownership and other agri-businesses.

In PEI, the age distribution of farmers has risen dramatically over the past 20 years; it has become disproportionate to the demographics of the Island population. Moreover, the percentage of farmers under 35 has declined from 14% in 1971 to 9% in 2006. The industry’s capacity to attract new entrants – and create the conditions where farm families foresee a viable career for their children in the farm business – may be the single biggest challenge of the future.

Attracting new entrants ultimately hinges on three fundamentals:

- (i) evidence of return on investment;
- (ii) a desirable lifestyle; and
- (iii) respect for farmers and agriculture in the community.

Currently, the state of agriculture does not provide much reinforcement for any of these concerns. Young, bright, and innovative individuals are easily convinced to explore preferable career options. On the other hand, agriculture runs deep in the bloodlines

of many PEI families and is consistent with many young people’s interests and values.

The Commission believes that implementing a comprehensive strategy can tip the balance toward a virtuous circle that consists of farm profitability, sustainability, and community respect, making agriculture and agri-business a more attractive career choice. Initiatives like the PEI Department of Agriculture’s Future Farmer Program are important and progressive steps. A well designed Mentorship component to the Program would provide added value.

In an intricate, competitive agri-business world, the PEI agri-food sector will need to operate at a very sophisticated level. Thus, a high level of education and training of the workforce, and early-in-life contact with related skills development, are essential. Business management skill is often the determinant of a profitable farm operation. All of the relevant education programs should be participants in the development of a human resources strategy for the sector, including high school courses in agricultural science, the Nova Scotia Agricultural College’s Agriculture Certificate and Degree programs, and training supported by the PEI Agriculture Sector Council. 4-H Programs have been a very important training ground for youth in our rural communities and should be encouraged to continue to strive for excellence in this role.



Recommendation 7

The PEI agri-food sector partners should work with the provincial government to review tax policy as it relates to the sector. Particular consideration should be given to eliminating the competitive disadvantage to PEI agriculture created by adoption of the Harmonized Sales Tax (HST) in other Canadian provinces.

PEI does not use the HST tax system as is used in the other Atlantic Provinces. As a result, farmers on PEI pay more tax than their counterparts in the other Atlantic Provinces. PEI should remove the inequities that the lack of the HST creates for PEI farmers and their support infrastructure. If the government is unwilling to adopt the HST province-wide, other methods should be sought out to address the economic disparities for bona fide farm operations.

Recommendation 8

The PEI agriculture and agri-food sector should take the lead in developing an assessment of energy opportunities for the sector. The assessment should connect new and emerging energy conversion technologies to the current non-food biomass production capacity and biomass waste stream of PEI agricultural and forested lands. To support this initiative, the provincial government should establish an “Energy from Biomass Program” that provides access to risk capital for private sector companies and individuals who establish energy businesses in PEI that utilize agriculture-based and forest products-based alternative energy technologies.

PEI is very dependent on imported petroleum products for transport and heating. The province spends over \$440 million on imported energy, including 76% on petroleum products and 12% on electricity. Fossil fuels have a negative impact on local air quality, and produce greenhouse gas emissions. Replacing a fraction of gasoline and diesel consumption with alternatives represents significant economic and environmental opportunities.

Large scale ethanol and bio-diesel developments have limited potential in PEI at current levels of technology and feedstock sources. However, biomass energy and wind energy, as well as small scale “boutique” initiatives (e.g., pure plant oil) have shown the potential to replace imported energy, including on-farm fuel requirements. Pure plant oils can be used in modified diesel engines and as a blend in heating oils. Increasing electricity generation from wood biomass, once considered prohibitive in terms of cost and labour, is worth examining given the escalating, unpredictable costs of traditional forms of energy. It currently accounts for 10% of PEI’s energy mix. Biomass feedstocks (wood, straw, grasses, crop residues) offer significant potential for space and water heating applications and electrical generation.

Wind energy, meanwhile, has become a provincial priority. In its new economic strategy, Island Prosperity, the provincial government made renewable energy a central focus of its emphasis on innovation, pledging to build wind turbines that generate a four-fold increase in generating capacity, or 500 megawatts of





power, (30% of our electrical energy requirements) by 2013. Currently, wind energy accounts for 18% of the Island's electricity generation. Wind energy is expected to contribute to the Island's energy self-sufficiency, and holds the potential to make the Island a major energy exporter. By taking advantage of this initiative, the agriculture and agri-food sector may be able to tap a more cost-effective energy source. The need exists to provide low cost loans to farmers who wish to utilize wind energy for their on-farm needs and as a means of being paid for supplying the grid.

6.2 Sustainability

Sustainability refers to economic, social, and environmental cohesion. In essence, the concept suggests that in order to sustain an industry that is based on natural resources such as land and water, environmental considerations must be paramount. PEI enjoys many sustainable resources, including good quality soil, favourable climatic conditions for production of many crops, well trained and experienced people and a well developed agricultural infrastructure.

Nicknamed the "Million Acre Farm," and the "Garden of the Gulf," PEI has fertile soil and a temperate climate that supports a diverse agricultural sector consisting largely of potato production, dairy

products, cattle and hogs. The primary fruit crops grown include blueberries, strawberries, and apples. The most commonly-grown vegetable crops are carrots, rutabagas and turnips, and cauliflower. The Island's diverse agricultural economy is sustained by interdependence: potato and other crop production systems have organic matter replaced through ruminant and other livestock production.

Much potential exists for improvement. The Commission agreed on the importance of increasing agriculture's beneficial impact on the PEI environmental resources and landscape, largely through innovation. A healthier production system can be achieved through leading edge technologies, new crop varieties, and new rotational crops. In particular, the industry must reduce pesticide use, ideally through using new technologies, low-input genetics and techniques that reduce input costs.

The PEI agri-food industry must become a centre of knowledge in sustainable agriculture, emphasizing soil health, nutrient cycling, systems thinking, and environmental protection across all crop and livestock production. The industry must expand research and technology transfer efforts in reduced input and organic agriculture, with an emphasis on commercial farming operations. It must communicate its successes in this area to Islanders and the world.

The industry should also consider partnering with internationally recognized initiatives like Natural Step to obtain independent training, support, and accreditation for the achievements of the industry in reducing the environmental footprint of agricultural food production.

The Commission recommends that the industry take three critical steps to ensuring the agriculture and agri-food sector is sustainable. Agri-food sector partners must establish a Sustainable Agriculture Working Group to rebuild relationships between the industry and the community. Both levels of government should support the Alternate Land Use Services (ALUS) Program, launched in the spring of 2008, along with other measures to sustain PEI's land and water resources. As well, the provincial government must establish an Advisory Committee to review the province's land use policies and make recommendations that better reflect the current situation in PEI.



Recommendation 9

The PEI agri-food sector partners should establish a Sustainable Agriculture Working Group to focus directly on rebuilding the relationship between agriculture and the community.

The working group, which would fall under the leadership of a new PEI Agri-Food Alliance (see Recommendation 12), should:

- Identify areas of stress and mistrust between farmers and the community, and implement science-based solutions;
- Take a lead role in responding to the recommendations of the Nitrate Commission;
- Develop a strategy to reduce the use of higher environmental risk pesticides by 50% by 2015;

- Develop a communications plan to support the positive environmental initiatives being taken in agriculture;
- Identify and encourage industry sponsorship of watershed improvement projects, where industry involvement in habitat improvement is essential.

Recommendation 10

The federal and provincial governments should continue to support ALUS and other environmental programs that encourage sustainable use of PEI's land and water resources.

Launched in the spring of 2008, the province-wide Alternate Land Use Services (ALUS) Program is a voluntary program, based on financial incentives, that recognizes farmers for the contributions they make to clean air and water, to the protection of water quality, and to biodiversity. The program is based on the principle that society should help share the costs incurred by farmers for the

conservation and maintenance of critically important environmental assets in the community.

Under the ALUS program, the provincial government will work on developing incentive programs that reward landowners and farmers who adopt management practices that protect wild areas and watersheds. The benefits include clean water, improved flood control, fish and wildlife habitat conservation and carbon sequestration. Although not finalized yet, the program is expected to reward landowners in a variety of ways, including financial payments or tax breaks. The focus of the program will be to reduce soil erosion/stream siltation, improve water quality, and enhance wildlife habitat. Priority areas are: buffer zone tree planting, sensitive land retirement (including expanded buffer

zones, high sloped land retirement, and permanent grassed headlands), and land under soil conservation structures.

The ALUS program is a form of acknowledging the value of ecological goods and services (EGS), which refers to the benefits society derives from healthy ecosystems. These services include: the value of wetlands in purifying water; the value of riparian buffer zones in filtering soil and preventing the contaminants from run-off from entering watercourses; the value of natural areas in providing fish and wildlife habitat; protection from fragile and erodible land; and rural landscape conservation.

Although Canada's heavily-urban population is less and less interested in agricultural issues, people are deeply concerned about the quality and safety of their food, and about environmental protection and stewardship. Environmental goods and services champion these principles. Farmers have traditionally been good stewards of their natural resources, thereby providing EGS. But they incur costs in doing so, and should therefore be compensated, given that their conservation efforts cost them potential sources of farm income.

Recommendation 11

The PEI government, in collaboration with the agri-food industry and the broader community, should establish an Advisory Committee, reporting to the Minister responsible for the Lands Protection Act, to review the province's land use policies and make recommendations that better reflect current economic realities and societal preference.

The Commission heard a range of concerns about limits on land holdings, incorrect and double-counting of land for varying uses, and 'strip' development that often conflicts with normal farming operations. While

a detailed analysis of land use issues was beyond the Commission's mandate and timeframe, it recognized land-use and land ownership issues as factors that are both a result of poor return on investment in the agri-food sector, and potentially a cause of it.

Enacted in 1982, the Lands Protection Act restricts the ownership of land to a total of 1,000 acres per person and a maximum of 3,000 acres for a corporation.

These restrictions significantly curtail production potential for farmers, given that the aggregate total of allowable ownership includes woodland, berms, terraces, areas set aside by streams or watercourses, lands not farmable due to excessive slopes, wetlands, or other non-farmable areas. For over 25 years, the Act has not been modified or amended to reflect changes in economic realities or preferences of landowners.



6.3 Collaboration

Positive relationships are critical to rebuilding the agriculture and agri-food sector in PEI. Collaboration refers to enhancing cooperation and understanding between the agri-food industry and other major decision-makers and stakeholders in PEI, including the community at large, the research community, other non-agricultural businesses, government, and consumers. By re-establishing relationships, producers can work more effectively with suppliers, processors, communities, governments and one another to create and maintain a more sustainable and productive industry. The Commission found that cultural and attitudinal barriers to changing the ways of doing business within the industry must be reduced.

In Canada and in many countries around the world, successful economic development has been enabled by forming "clusters," within which the relationships needed to nurture a sector are built. The PEI Bio-Alliance is a local example of one such cluster



Figure 13: A new partnership model for the PEI agriculture and agri-food sector

approach. A cluster often succeeds by following four key components:

- 1) A shared vision. In the agriculture and agri-food sector, the Commission recommends fostering a vision that requires industry and community leaders – in government, research, the private sector, and the community at large – to reject the “status quo” and recognize that new approaches must be found, largely through innovation that leads to marketing safe and high quality products;
- 2) Strong leadership. The agriculture and agri-food sector must bring together leaders from industry, government, and academic, research and financial communities to work together to ensure action, accountability, and results;
- 3) Focus. The agriculture and agri-food sector must emphasize the development and commercialization of safe, high quality and marketable products through innovation and cooperation;
- 4) Broad-based collaboration. The road to success in the knowledge-based economy has demanded collaborative industry-research partnerships, and strong communication links among partners. All of

the partners in the agri-food cluster must allocate their resources for maximum impact. In this cluster, the proposed PEI Agri-Food Alliance would be the focus of collaborative efforts involving the cooperation of government agencies, research agencies, agriculture and agri-business, and financial institutions.

The Commission recommends that the industry take three essential measures to rebuild positive relationships within the system of agriculture and agri-food. The industry should incorporate an industry-led, private not-for-profit company, the Prince Edward Island Agri-Food Alliance. It should develop, in consultation with the federal government, a new, industry-led, cluster-based operating model for the research program of the Charlottetown Crops and Livestock Research Centre. And PEI farmers should work toward a more united and better coordinated farm organizational model, providing strong leadership for the industry and sustained resources drawn from industry and government. Combined, these steps will create a new “third wave” of evolution in PEI agriculture, one based on sound, productive relationships leading to the innovative and cooperative development of high quality, competitive products that PEI can sell to the world.

Recommendation 12:

Partners in the PEI agriculture and agri-food system should incorporate an industry-led, private not-for-profit organization, to be known as the Prince Edward Island Agri-Food Alliance, to coordinate, facilitate and monitor the implementation of these recommendations for the future of agriculture and agri-food in PEI.

An industry-led, private not-for-profit company is essential to establishing ongoing leadership in re-establishing and improving the quality of relationships within the system (Figure 13), and in order to effectively implement the Commission’s recommendations and achieve its vision. The Board of Directors would include representatives of the PEI and federal governments, farmers and food processors, R&D organizations and academic institutions, financial institutions, and community members.

The Commission believes that rebuilding the agricultural economy will most effectively be realized if public funds are used under a “cluster” development model and approach. The human resources and specialized expertise needed for the industry to thrive will be best employed under this system. The federal and provincial governments should reallocate financial resources to the Agri-Food Alliance to support key services. As well, the federal and provincial governments should accept as an operating principle the concept that the industry should have a much stronger role in the design and delivery of services to the sector.

Operating with a small core staff, the role of the Agri-Food Alliance would include:

- Cluster Development Strategy Coordination
- Project Development and Management
- Research and Development Planning and Coordination
- Branding, Marketing, Promotion and Communication in support of:
 - New Business Attraction
 - Human Resource Recruitment
 - Public Sector Investment
 - Public Awareness and Education
- Cluster Internal Relationship Management
- Public Policy Advice
- Results Measurement and Reporting
- Facilitating Communications among Business, Research, and Government Partners of the Cluster

The Agri-Food Alliance (Figure 14) would oversee the work of the Market Opportunities Working Group (Recommendation 2) and the Sustainable Agriculture Working Group (Recommendation 9).

Recommendation 13:

The PEI Agri-Food Alliance should, in consultation with Agriculture and Agri-Food Canada and the Province of Prince Edward Island, establish a new industry-led, cluster-based operating model for agri-food research and technology transfer in PEI that includes the resources of the Charlottetown Crops and Livestock Research Centre.

A focused body of research expertise and technology transfer in disciplines strategic to the development of the agri-food sector in the province and the country is a necessary component of the province’s agri-food innovation system.

Clearly, Agriculture and Agri-Food Canada’s support for the research program at the Crops and Livestock Research Centre in Charlottetown has been waning in recent years. While three new AAFC scientists have been hired to work in bioscience sector research collaborations, the research program’s overall effort has seen a reduction of resources. Communications with the industry have reached an historic low.

However, recent consultations held by the AAFC Research Branch suggest that leadership within the Branch understands the necessity of rethinking its

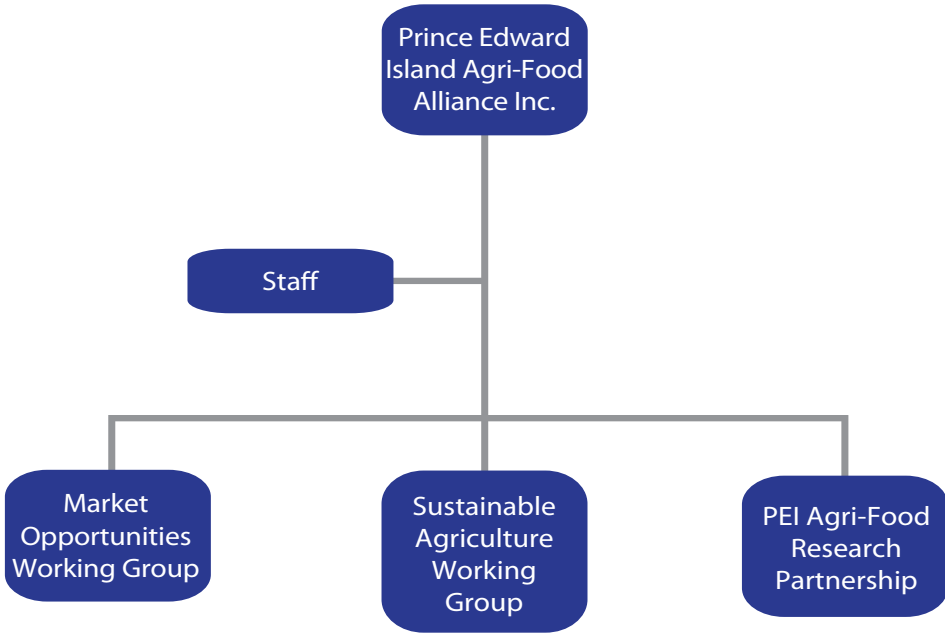


Figure 14: The Prince Edward Island Agri-Food Alliance

operating model and is committed to aligning AAFC Research resources with the short, medium and long-term priorities of the agri-food industry. This is a very positive sign, and opens the door to the kind of collaborative model for research coordination that is the essence of this recommendation.

At the same time, we must recognize that only a very small fraction of the relevant agri-food research from around the globe will be carried out in Prince Edward Island. Thus we recommend establishing Technology Transfer Officers in each of the major commodity sectors in the province to ensure industry has timely access to existing solutions for short-term problems, and a means of coordinating longer term research planning and linkage to market priorities. In smaller commodities, sharing technology transfer resources either across sectors, or with other jurisdictions, may be desirable. These Tech Transfer resources would be very knowledgeable about market opportunities in each commodity as well as innovation in production and processing.

Partners in this industry-led Research Cluster should include Agriculture and Agri-Food Canada (AAFC), the provincial Department of Agriculture, the PEI Food Technology Centre, the Atlantic Veterinary College, Holland College, the Nova Scotia Agricultural College, the National Research Council Institute for Nutrisciences and Health (NRC-INH), and the NRC Industrial Research Assistance Program (NRC-IRAP).

Operating under the governance of the PEI Agri-Food Alliance, the new model would emphasize research that supports market opportunities identified by industry, as well as the longer-term strategic research necessary to support industry innovation. The purpose of this approach is to promote industry and provincial government investment in applied R&D, increase industry participation in research planning and management, and increase the impact of AAFC investment in agri-food research.

The Research Cluster should:

- Prioritize research and development in areas of market opportunities identified by industry;

- Establish a new or refocused technology transfer resource within each major commodity sector of the province's agri-food industry;
- Link to national and international knowledge sources;
- Allocate increased industry and government resources to support priority research and development;
- Establish an integrated innovation system in the province that supports the commercialization of new agri-food products while creating a market pull for primary production.

Recommendation 14:

PEI farmers should work toward a more united and better coordinated farm organizational model, providing strong leadership for the industry and sustained resources drawn from industry and government.

The PEI agriculture sector must take more responsibility for its own future. The new organization's responsibilities would include:

- Governance
- Information management and extension
- Human resource development
- Project management
- Facilitation
- Policy advocacy and government relations
- Industry communications (internal and external)

The PEI Federation of Agriculture has recently conducted an extensive study of the governance and leadership options available to the farm businesses in the province, as these businesses strive for a coordinated approach to meeting the policy, program and communications needs of the industry. There is little doubt that there will be many views on the merit of this study and its recommendations. The industry must collectively determine the best path to follow to effectively play its role in achieving this vision for the future. However, the Commission believes farm leaders in general and commodity groups must look beyond traditional organizational models and the inefficient use of limited resources in order to earn the respect of government partners, taxpayers, the community at large, and one another. The industry must show itself worthy of investment.

7.0 CONCLUSION

Agriculture and agri-food in PEI has an outstanding heritage. The “first wave” of agriculture, a mixed-farm agrarian economy that fostered pride and success, is the foundation of Island culture and geography.

But in recent decades, this life gave way to a “second wave” of stiff competition in global commodity markets, contributing to a gradual decline in the industry’s fortunes on PEI. A “vicious circle” has taken hold, characterized by declining profits, consolidation, and an intensification of operations that is causing negative environmental impacts and losing farmers the respect of the community. Without profit or pride, the next generation of farmers, or “new entrants,” is turning away from the industry.

The Commission on the Future of Agriculture and Agri-food believes that Prince Edward Island as a community should embrace the Commission’s new vision for this industry, an industry that continues to influence the economy and the culture of this province in so many ways. The industry must be willing to show leadership, and to make change. Governments must be willing to allocate resources and incentives for the new directions.

The industry has no choice but to embrace this path. It’s a journey we must take together, building a new road on the foundation of our great agricultural tradition toward a renewed and re-invigorated tradition of prosperity. This must become *the Island Way*.



8.0 APPENDICES

APPENDIX A

Implementation Plan

A.1 PRIORITY INITIATIVES

During the consultations that followed the release of the Consultation Draft Report, the Commission heard a number of requests for an “action plan” or a set of priority initiatives that would represent tangible steps for the implementation of the Commission’s report. The Commission believes that the Vision presented within the report will be achieved only if all partners accept that it will be the ‘intangibles’ that determine our success. These include essential enabling conditions such as:

- Reestablishing healthy relationships among the partners and key stakeholders in the agri-food sector of our economy, including farmers, agribusinesses, researchers, government agencies, and community members
- Establishing a facilitating structure that can reconnect the partners
- Moving from a production-led to a market-led system of agriculture
- Using knowledge and market intelligence as a basis for farm management decisions
- Making environmental sustainability a core value and operating principle for agriculture in PEI
- Improving communications within all elements of the agri-food system
- Being open to change, and being part of the change you wish to see, recognizing that change takes time.

At the same time, the Commission has been clear that achieving this long term vision means acting now. The following is a proposed list of priority initiatives

that should be considered by PEI’s agriculture and agri-food partners.

Proposed Work Plan 2009-10

1. Establish the Prince Edward Island Agri-Food Alliance to serve as a facilitator and catalyst for the development and implementation of multi-partner strategies and initiatives that build the agriculture and agri-food economy of Prince Edward Island.
2. Establish Market Opportunity and Sustainable Agriculture Working Groups and ask each to provide, by July 1, a work plan for 2009-10.
3. Develop a market intelligence and information system to complement and improve on the systems currently being used by commodity organizations.
4. Obtain access to market development expertise and resources in support of individual entrepreneurs and commodity groups, so they may access higher value markets and achieve higher returns at the producer and processor levels for PEI products.
5. Develop a Red Meat Strategy for Atlantic Canada, in cooperation with industry and governments in the region.
6. Conduct a strategic review of transportation infrastructure requirements for the Atlantic agri-food sector (including Container shipping options), in cooperation with industry and governments in the region.
7. Work with the provincial government to carry out a review of provincial tax policy as it relates to the agri-food sector.

8. Work with the provincial government to implement the recommended “Energy from BioMass Program”, initiate the Advisory Committee on Land Use, and support the joint efforts of the provincial agriculture and tourism agencies to enhance the PEI food experience for visitors to the province.

9. Establish the PEI Agri-Food Research Cluster, through a planning process that includes industry, government, research, and academic partners.

10. Support the development of cost-of production studies for all major farm products and provide user-friendly COP models to all producers for

benchmarking and farm management.

11. Establish a Communications Plan for the PEI Agri-Food industry in concert with general farm organizations and commodity groups.

12. Establish a benchmarking and accountability system so that the Board of the Agri-Food Alliance can report on progress in implementing the plans and achieving desired results.

The Commission suggests that Recommendation 6 of this report (Human Resource Strategy) be acted upon in year two of the Agri-Food Alliance’s work.

A.2 BUDGET

The Commission was also asked during consultations to “cost” the implementation of the Report’s recommendations. There are both “one-time” expenditures and “ongoing” expenditures in the recommendations and the more specific work plan proposed above. The Commission noted, in its review, that there would be “one-time” projects, albeit different ones, each year. As well, a number of recommendations are “scalable” in terms of level of intensity at any point in time.

Taking all factors into consideration, the Commission feels that a commitment of between \$2 and \$2.5 million per year will be necessary to implement the Report.

This does not include funding to address short-term needs of industry. This is a rather modest level of effort for an industry that contributes over \$560 million annually to the provincial economy. The Commission further suggests that a minimum three-year initial commitment is required, and that the results be assessed in the third year.

The Commission proposes that a combination of funding sources be used to support this effort:

- New resources provided by provincial and federal governments
- Reallocation of existing resources of provincial and federal agencies
- Prioritization of federal-provincial “Growing Forward” program resources
- Other new resources provided by agriculture and agri-food industry partners.

It was noted that the provincial Department of Agriculture has spent, on average, over \$4.4 million per year over and above base budget allocations, in each of the past five years, in response to critical issues in the agriculture and agri-food sector. This does not include budgeted safety net funding. Moving even a portion of these resources into a ‘preventing the disaster’ mode, rather than a ‘disaster response’ mode, would seem like a sensible investment.

APPENDIX B

Prince Edward Island Agri-Food Alliance

ROLE

The role of the Prince Edward Island Agri-Food Alliance is to serve as a facilitator and catalyst for the development and implementation of multi-partner strategies and initiatives that build the agriculture and agri-food economy of Prince Edward Island. The Alliance will coordinate the implementation of the Report of the Commission on the Future of Agriculture and Agri-Food on Prince Edward Island and will provide accountability for results achieved.

The role of the Alliance should be supportive of farm organization and commodity group strategies, and not be a duplication of them.

RESPONSIBILITIES

- Building Relationships and Facilitating Communications Among Farm Organizations, Processors, Research, and Government Partners of the Cluster
- Strategy Coordination
- Project Development and Implementation
- Marketing, Promotion and Communications in support of:
 - o Human Resource Recruitment
 - o Private Sector Investment
 - o Public Sector Investment
 - o Public Awareness and Education
- Research and Development Planning and Coordination
- Public Policy Advice
- Results Measurement and Reporting

MEMBERSHIP

The Board of Directors of the PEI Agri-Food Alliance is designed as an industry-led partnership of all key stakeholders essential to the success of the sector. Appointments to the Board beyond initial appointments should be made by the Board, in adherence with Operating Bylaws to be established by the organization. Board terms should be a mix of one and two year terms, renewable. The Chair, Vice-Chair and other Executive Committee members should be elected from within.

The following is the recommended membership on the Board.

Agriculture	6	(Range of commodities)
Agri-Food	2	(Processing, finance, retail)
Community	2	(Representing agriculture-environment)
Research and Training	1	(Atlantic Vet College, NSAC)
External Directors	1	(Bringing a world view)
Total	12	

Observers	4	(PEI Dept of Agriculture, Agriculture and Agri-Food Canada-Ottawa, Agriculture and Agri-Food Canada-Research, Atlantic Canada Opportunities Agency)
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APPENDIX C

The Commission on the Future of Agriculture and Agri-Food on Prince Edward Island

COMMISSION CO-CHAIRS

Rory Francis, Co-Chair, Charlottetown, PEI
Dr. Ed Tyrchniewicz, Co-Chair, University of Manitoba

COMMISSION MEMBERS

Randall Affleck, Lower Bedeque, Dairy Producer
Eddy Dykerman, Brookfield, Vegetable Producer
Cynthia Frizzell, Glen Valley, Dairy Producer
Steve Howatt, New Glasgow, Agri-business
Bryan Inglis, Moncton, Retail
Ray Keenan, Souris, Potato Producer
Wilfred Lacey, Blooming Point, Beef Producer
Paul Larsen, Mt. Buchanan, Pork Producer
Allan Ling, Wheatley River, Grains and Oilseeds Producer
Raymond Loo, Springfield, Organic Producer
Norma MacNeill, Fortune Cove, a Community Representative
Darcy Rennie, Alberton, Dairy and Potato Producer

EXECUTIVE SECRETARY

Jerry Gavin, PEI Department of Agriculture

APPENDIX D

Presentations and Submissions to the Commission

THURSDAY, JULY 31, 2008

Prince Edward Island Department of Agriculture, Specialist Staff Presentations

1. Dave Aiton (Farm Income Support-CAIS/Production Insurance)
2. Chris Jordan (Small Fruit/Berries and Bees)
3. Susan MacKinnon (Organic Production)
4. Will Proctor (Crop Innovation)
5. Fred VanderKloet (Dairy Development)

TUESDAY, AUGUST 5, 2008

1. Atlantic Beef Products – Jim Lutes
2. Food Trust – Alan Miller
3. United Potato Growers of America – Buzz Shahan
4. Farm Credit Canada – John Hutchings

MONDAY, AUGUST 18, 2008

Value Chain Discussions

1. Grains and Oilseeds
2. Horticulture
3. Vegetable Growers
4. Pork
5. Dairy
6. Wild Blueberry Growers
7. Cattle Producers
8. Organic Producers

TUESDAY, AUGUST 26, 2008

1. Amalgamated Dairies Ltd. (ADL) – Jim Bradley, Chad Mann
2. PEI Grain Elevators Corporation – Michael Delaney, Emmerson McMillan, Gary Robinson
3. National Farmers Union – Elwin Wyand, Edith Ling

TUESDAY, SEPTEMBER 9, 2008

1. PEI Potato Board – Kevin MacIsaac, Boyd Rose, Robert Harding, Brenda Simmons
2. Food Technology Centre – Dr. Jim Smith
3. PEI Federation of Agriculture – John Colwill, Ernie Mutch, Mike Nabuurs
4. PEI Multiplier Breeders Association – Donald MacDonald
5. PEI Cattle Producers - Ivan Johnson, Rinnie Bradley
6. PEI Department of Agriculture – Deputy Minister Brian Douglas, Director Juanita Diamond

TUESDAY, SEPTEMBER 16, 2008

1. Dairy Farmers of PEI - Harold MacNevin, Doug Thompson
2. Young Farmers of PEI - Ryan Weeks, Pat Dunphy
3. Atlantic Soybean Corp. - Robert MacDonald
4. Royal Bank of Canada - Merlene Austin, Martyn Donnelly

TUESDAY, SEPTEMBER 30, 2008

1. Cavendish Farms - Robert Irving, Ron Clow, Blaine MacPherson
2. Atlantic Veterinary College - Dr. Donald Reynolds
3. PEI ADAPT Council – Phil Ferraro
4. PEI Hog Commodity Marketing Board – Anthony Nabuurs, Gordie Lank, Scott Dingwell, Tim Seeber
5. PEI Certified Organic Producers Coop – Mark Bernard
6. Island Grains and Protein Council – David Mol
7. Identity Preserved Crops – Gerard Mol

THURSDAY, OCTOBER 16, 2008

1. Agriculture and Agri-Food Canada – Dr. Richard Butts
2. GPI Atlantic – Ron Colman

WRITTEN SUBMISSIONS

1. Elizabeth Orr
2. Jamie MacPhail
3. Michael Delaney
4. Phil Ferraro, Institute for Bioregional Studies
5. Dr. Tim Ogilvie
6. PEI Institute of Agrologists

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