

A Preliminary Review of the Obstacles Facing Multifunctionality in Canada

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Agricultural outputs are considered unique in comparison to other consumer goods. In recognition, policy-makers around the world have embraced new approaches to advance domestic farmers by considering the multifunctionality of agriculture. One aspect of multifunctionality refers to the benefits that can be derived from sound agriculture practice and environmental stewardship. How have other countries incorporated this strategy into national agriculture policy? What is Canada's perspective and what benefits do organic farmers stand to gain by considering this philosophy within agricultural development?

Volatile prices and unstable farm incomes have plagued the agriculture industry for decades. The critical nature of the sector is largely a result of negative consequences caused by increased trade liberalization, urban migration, rural transformation, industry consolidation and the aging demographic of farmers (Huylensbroek and Durand 2003: 2). According to the National Farmers Union (NFU), farmers in the 21st century are experiencing the worst farm income crisis since the 1930s (NFU 2000). The Canadian Agri-Food Policy Institute has described Canada's agriculture industry as moving from crisis to crisis, demanding extensive public funding to keep farmers financially stable (2). However, despite significant federal and provincial monetary transfers, farm incomes have not stabilized (Skogstad 2008: 71).

There has also been a change within the civic perception of food production. Propelled by dramatic media representation, an increasing number of food scares and climatic variations, a growing number of citizens in industrialized countries are demonstrating concern for issues of food insecurity and the potentially negative impact of agriculture on the natural environment (Skogstad 2009: 1). Consumers are also questioning the ability of current food production systems to supply safe and high quality food (1). These trends, compounded by industry volatility and pervasive government dependency, have brought current agriculture paradigms and policies under scrutiny in both civic and political arenas.

An important step towards reformation began in 1998 with meetings among OECD members to address agricultural policy. Farm ministers concluded that the role of agriculture goes "beyond the provision of food and fibre [...] by contributing to rural development and generating environmental amenity services for which there are often no or very imperfect markets" (Schmid and Sinabell: 3). This definition is described as the multifunctionality paradigm, which promotes "a complete rethinking of the institutional system surrounding agricultural production" by considering all the relationships, practices and systems incorporated in a farmer's provision of goods (Skogstad 2009: 6).

The multifunctional approach aims to account for both the commodity and non-commodity goods produced by agriculturalists. Non-commodity outputs include environmental benefits such as land conservation, increased biodiversity and the sustainable management of renewable natural resources (OECD 2001: 9). Multifunctionality also considers the power of agriculture to

revitalize rural communities and achieve several societal objectives (9). In promoting such ideologies, multifunctionality can also encourage the organic farming agenda, by supporting adherence to environmental practices. According to the Canadian Government, the organic food market is “the most dynamic and rapidly growing sector of the global food industry”, indicated by a rising demand for organic produce over the past decade (Canada ‘Organic Production’). The organic marketplace offers farmers the chance to pursue new business opportunities, which can provide higher premiums for their labour and inputs.

In Europe, where agriculture policy is intertwined with multifunctionality, the most important tool to promote the organic sector has been the introduction of financial farm supports (Stolze and Lampkin 241). This approach demonstrates the importance of government acceptance to foster an agricultural transition from conventional to organic agricultural practices. European governments have undertaken multifunctionality as a central pillar of agriculture policy. The monetary incentives offered by governments have the ability to direct farmers towards activities that meet the growing demands of consumers while resolving local environmental problems (Huylenbroek and Durand 2003: 76).

Multifunctionality can also offer new strategies to stabilize farm incomes, remediate rural communities and prevent a ‘race to the bottom’ approach to environmental preservation, by financially supporting farmers that provide desired non-commodity benefits (76). Canada, however, has yet to fully acknowledge multifunctionality in national agriculture policy (Skogstad 2009: 8). There are several reasons to account for this decision. The following paper will offer an examination of existing literature and research on the obstacles facing multifunctionality in Canada by addressing the country’s economic ideologies and its federal approach to policy-making.

Economic Approach:

Until the late 20th century, the government of Canada supported a state-assistance model towards agriculture. Spurred by perceived inconsistencies, concern for rising public debt, and international criticisms of stabilization programs, the 1980’s and 90’s brought about a reevaluation of the government’s approach (Skogstad 2008: 75). Following significant criticisms of state-assistance, policymakers transitioned away from government reliance and towards a market-liberal export model, which emphasized production of commodity goods for sale abroad (Skogstad 2009: 8).

In 1994, Ralph Goodale, the Liberal agriculture and agri-food minister defined the government’s agricultural vision as “less dependent on government support” by encouraging farmers to act based on the market (qtd in Skogstad 2008: 77). Canada’s agricultural frameworks from 1989 and 1994 emphasize a “market-oriented” agri-food industry that is able to earn a reasonable return from the market place (Skogstad 2009: 13). The latest 2008 Framework stipulates that all “Parties recognize that sustainable profitability must come from the market, within a larger global context that presents both challenges and opportunities”, highlighting the reluctance of the federal government to undertake interventionist strategies (Canada ‘Growing Forward 2008’). However, government policy encouraging exports has proven to exacerbate the problem of unpredictable prices by causing an oversupply of commodities in the market. Blinded by the

focus on economies of scale in international markets, producers inadvertently cause the crash of world prices. Despite a significant rise in exports since 1989, Canadian farmer income has declined by 19 percent (NFU 2000).

Government goals for agriculture demonstrate a significant discrepancy from the reality facing the sector. In an export-oriented approach to agriculture, Canada's farmers are continuously unable to generate adequate revenues. While the Canadian government prefers less involvement, it has transferred significant funds in an attempt to stabilize domestic farm incomes caused by world price insecurities. In 1998, grain and hog farmers experienced considerable downturns in their respective sectors (Skogstad 2008: 85). The results were so catastrophic that it was "politically unviable for the Canadian government not to assist farmers with their income risks" (74). While international trade was intended to aid farmers, it proved to have the 'reverse effect' justifying significant state intervention (73).

Multifunctionality demonstrates a return to the ideologies once upheld by countries and international institutions, by considering agricultural outputs as unique compared to other consumer products. It also goes a step further by recognizing that agriculture provides a variety of additional goods and services that are expected or required by society (Huylensbroek and Durand 2003: 3). The problem, however, "is that not all of these societal expectations are transformed systematically by market demand" (3). When the market does not properly account for the production of a certain good or byproduct it results in a market failure. Market failures arise most commonly with respect to externalities and the provision of public goods. A pure public good is one that is non-excludable and non-rivalrous, meaning that one person's consumption does not exclude or diminish the amount available to others (Huylensbroek and Durand 2003: 8). Conventionally produced agricultural goods, such as fruits and grains, exhibit traits of rivalry and excludability. However, non-commodity benefits, such as land conservation, biodiversity and rural preservation, can be viewed as necessary public goods (8).

In the case of most public goods, governments are forced to intervene to ensure availability when markets alone are not sufficient in advancing the sector (MacRae et al. 3). Moreover, since there exists no additional marginal cost associated with increases in use, the provision of public goods can often be under supplied (Freshwater and Trouve 12). It is also possible to think of all agricultural commodities as a public good, although more research must be done to support this relationship. Interestingly, the EU has taken an interventionist approach to resolve inadequate market representation in the organic sector (Stolze and Lampkin 238). European policymakers have also sought to ensure fair competition for organic producers by improving transparency and credibility (238).

According to Henrichsmeyer and Witzke, state intervention is economically justified when certain characteristics are present (qt in Stolze and Lampkin 238). Their first case is in sectors that demonstrate negative effects of earlier government intervention (238). It can be argued that much of the emphasis on industrialized and commoditized agriculture, pushed by government incentives, has had negative implications on Canadian farmers. Secondly, government intervention can be necessary in cases of market failures, as discussed earlier (238). The authors also suggest that intervention may be justifiable when there is a lack of information or transparency in the sector (238). Conventional agricultural goods omit a significant amount of

information at the point of sale to customers. As a result, individuals are not truly informed as to how their goods are produced or the environmental implications of such methods. Particularly important, is their suggestion to intervene when income distribution is “considered unacceptable” (238). I would argue that many farmers are experiencing unacceptable and unfair wages caused by the unstable nature of prices in the agriculture marketplace.

Organic farmers in Europe are being rewarded for their commitments to sustainable development and preservation of the natural environment, allowing them to diversify and invest in their businesses. If the Canadian government wants farmers to rely on the market for returns, they must consider models that can successfully meet their financial needs. According to the government of Canada, “organic food consumption is developing at a faster rate than production” characterized by an industry with an “insufficient number of producers” (Canada “CFIA”). While export dependency has proved unsuccessful, farmers that pursue organic production stand to benefit from the market. The next question therefore, is what must be done to push policymakers towards a more multifunctional economic model?

National Approach:

According to the 2006 OECD report *Financing Agricultural Policies with Particular Reference to Public Good Provision and Multifunctionality* many of the non-commodity outputs derived from agriculture have the greatest impact in a relatively small and localized area (Freshwater and Trouve 12). Improved water quality, biodiversity, and beautified landscapes are benefits to be valued and experienced almost exclusively by the regional populace. In Canada, national bodies take primary responsibility for agriculture management, creating a significant distance between the source of policy formation and its ultimate implementation (12).

There are several negative implications associated with utilizing a national strategy to manage localized programs. In regards to sustainability, provincial governments “are further along” in their commitments when compared to federal bodies (Blay- Palmer 10). In many cases, this type of discrepancy can result in tensions between jurisdictions or stifle potential progress (Freshwater and Trouve 12). Additionally, this approach does not always provide for sufficient regional adaptations, which can lead to programs that are not reflective of local needs and thus less successful in the long run (19). Rural development in Canada has also been treated as a national policy (20). Yet, according to the OECD, the diversity of needs between rural communities indicates that policies are most successful when they are designed at a local level (Freshwater and Trouve 21).

Along with multifunctionality, the EU has adopted the principle of subsidiarity, which supports that “responsibility should be assigned to the smallest viable context at which the objective can efficiently be attained” (in Blay-Palmer forthcoming). Following fiscal federalism theories, the EU Commission holds that a decentralized process is advantageous to improve representation of local preferences, to decrease bureaucracy and increase efficiency (Gerthe 2). However, research indicates that “states are responsible for establishing the structure of the global food system” which in the case of Canada, is motivated by a “productivist and export-oriented agriculture agenda” (MacRae 2009: 2).

According to Rod MacRae, Canada's governmental institutions and actors are also unlikely to undertake the necessary reforms to revolutionize the Canadian food system (6). Moreover, a report conducted in 2004 by the External Advisory on Smart Regulations reported that Canada must improve coordination among federal, provincial and territorial regulatory bodies in order to effectively advance its agriculture policymaking and implementation (CAPI 2009: 19).

Canada does, however, have evidence of locally devised agriculture projects that embody multifunctional principles (Blay-Palmer 3). In 2005, producers and civic organizations launched the Alternative Land Use Services (ALUS) in Manitoba (3). The ALUS financially compensates farmers for their environmental stewardship (4). The government of Canada contributes to the project, which are advanced by significant financial payments from the local municipality (4). Despite government transfers, there appears to be animosity from the federal government, since the program is run outside their 'purview' (Blay- Palmer 4). Research, however, illustrates that the program offers considerable gains to local farmers, surrounding communities, and the environment (4).

Canada's national approach can also be attributed to the strong urban-rural divide. Canadian farms have experienced significant consolidation, promoted by increasing trends of industrialization and government pressure to adapt, resulting in a substantial decline of farm numbers. Between 1996 and 2001, Canada lost 10.7 percent of its farms (Roppel, Desmarais and Martz 18). This was followed by a 7 percent loss between 2001 and 2006 (Statistics Canada 2007). The dissolution of farmer presence has significantly removed Canadian citizens from their farmers. Unlike Europeans, Canadians do not perceive the relationship between farming and environmental pollution (Skogstad 2009: 10). Eighty percent of Canadians live in urban areas (10). Canada's disperse settlement has virtually removed city dwellers from direct connection with rural residents (10). In Europe, however, approximately 56 percent of the European population lives in rural areas (Finland 7).

The use of multifunctionality as a policy measure can promote relationships between urban and rural residents (Huylenbroeck and Durand₄₄), by rejuvenating rural communities through additional income contributions and environmental improvements. Canadians no longer perceive farmers as the noble heroes of the past. European countries, however, demonstrate a strong recognition of the non-commodity benefits produced by agriculturalists. According to a WTO report, Europeans associate the preservation of rural landscape and wild species with the actions undertaken by farmers (qtd in Skogstad 2009: 7). Canadians generally do not detect a correlation between environmental sustainability and agriculture, and are therefore less demanding of a multifunctional approach to farm management (7).

While Canada's approach to agriculture is largely rooted in national policymaking, the most recent five-year intergovernmental agreement passes considerable responsibility to the provinces (Skogstad 2009:10). This is a good sign for agriculture management, which may move towards favoring local adaptations in the future. If policymakers want to tackle agriculture's deep-rooted problems, they must reevaluate past decisions and approaches by considering the local context of agriculture. Multifunctionality attempts to embody many of the localized principles that farmers have long awaited, offering a viable option for consideration.

Conclusion

The path to resolving Canada's agriculture crisis remains long and complex. It will take extensive collaboration, research, and most importantly, dynamic thinking. Approaches like multifunctionality suggests a complete reevaluation of agriculture and the role that it plays in the lives of Canadians. Ultimately, its non-commodity outputs offer significant benefits to local communities, the natural world and the entire country. Canada's current economic and national approaches to agriculture do not prove to ease the transition. Bounded by exports and federal-level strategies, policymakers are not inclined to deviate from the status quo. This paper was a small glimpse into the obstacles facing Canada's adoption of multifunctionality. More research must be undertaken to identify all the impediments to agricultural transformation and how a new strategy would best fit into existing frameworks. However, given the tragedies encountered by Canadian farmers, it is clear that change is long overdue.

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