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HOW POLICY DECISIONS ARE MADE IN CANADIAN AGRICULTURE

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OVERVIEW

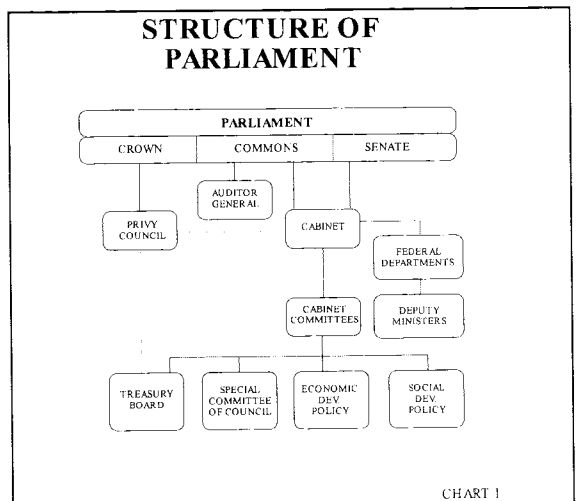
Structure of Elected and Appointed Representation

The British North American (BNA) Act of 1867 was the statute drawn up by the Fathers of Confederation that brought the federation of provinces into existence, with sanction from the British Crown. It establishes the federal system by which Canada is governed.

Canada is a constitutional monarchy and governs itself through the parliamentary-cabinet system which it adopted from the British Parliament. For Canadians, this has meant a democratic government with a Cabinet responsible to the House of Commons and the House of Commons answerable to the people.

The Parliament of Canada is made up of three components: the Crown, the Senate and the House of Commons (Chart 1). Parliament exercises the legislative function of the Government, while Cabinet exercises the executive function. The judicial function is separate from Parliament and is executed by the provincial and federal courts.

The House of Commons is the major law making body. It has 295 members. Each constituency or riding in Canada is represented by the candidate who gets the largest vote in an election. The regional distribution of seats is



based on population. The Senate has 104 members. Senators are nominated by the Prime Minister and are not required to hold an elected office. The Crown is represented by the Governor General who is appointed by the Queen on the recommendation of the Prime Minister.

The system is based on political parties whose origins have included regional considerations and location on the common left-centre-right political spectrum. The party that wins the largest number of seats in a general election ordinarily forms the government and its leader becomes Prime Minister. The second largest party becomes the official Opposition and its leader becomes Leader of the Opposition. All important legislation and money bills are introduced by government and all members of the governing party must vote along party lines or face disciplinary measures by the party. Free votes are rare and usually deal with moral issues, such as the death penalty or abortion. As long as the government can keep the majority support in the House of Commons, it can pass any legislation it sees fit. If it loses its majority support in the House of Commons, it must either attract support from other parties to assure passage of legislation, make way for a new government formed from the opposition party or call a general election.

There is no mention of a Prime Minister or a Cabinet in the British North America Act of 1867. Instead, the Privy Council is the legal body that has the responsibility of advising the Crown and it is the legal foundation for the cabinet government. Ministers are appointed Privy Councillors on the advice of the Prime Minister and the appointment is for life. Therefore, the Privy Council is a large body of Ministers, ex-Ministers, and other appointees. Yet, only the current Cabinet Ministers meet and advise the Governor General.

The Cabinet is chaired by the Prime Minister. Its main function is to present a program of legislation to the House of Commons. It establishes overall governmental priorities and makes major policy decisions. The Prime Minister, while in reality is the leader of the winning party, is nominally appointed by the Governor General. The Prime Minister appoints the Cabinet Ministers from members of the Commons or Senate. The Ministers collectively are answerable to the House of Commons for the policy and conduct of the cabinet as a whole. They must appear in Parliament to defend government bills, answer daily questions on government actions or policies, and rebut attacks on such actions or policies. To assist with policy making at the highest level, the Cabinet is divided into cabinet committees. Under the current cabinet committee structure, due to an increasing debt and the need for improved control over expenditures, only Cabinet and Treasury Board can approve expenditures. Cabinet retains the authority to finally approve all expenditures and to ratify non-financial matters.

Budget Systems and Allocations

In the Federal Government, the Budget, including the Appropriations Act, serves three purposes: (1) to determine resource requirements; (2) to obtain authorization for planned expenditures; and (3) to provide the basis for budgetary control.

The Minister of Finance is responsible for the government's fiscal policy and manages the Consolidated Revenue Fund to ensure that cash requirements are met. The Minister of Government Services fulfils the role of Receiver General for Canada. The Receiver General controls the Consolidated Revenue Fund and prepares the Public Accounts, which are the official financial report of the Government of Canada. The Auditor General, who reports directly to Parliament, is responsible for verifying that the Public Accounts are accurate and assessing the operations of government departments. The Treasury Board has the legal responsibility for the authorization of expenditures and is generally responsible for allocating resources to support the approved policies and programs of the Government. It is also the employer of the Public Service and it oversees the management of the government as a whole.

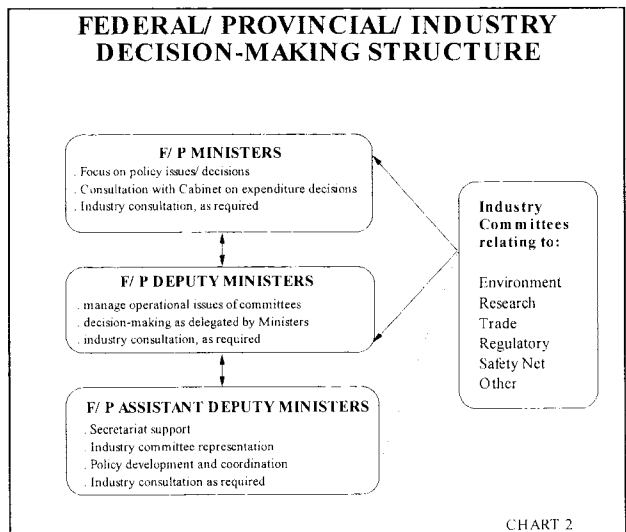
There are currently 24 Cabinet Ministers who are responsible for Federal Departments. Each Department has a Deputy Minister, normally a career public servant, who is appointed by the Prime Minister, and is responsible for day-to-day management and ensuring that the needs of the Minister are met.

CONSTITUTIONAL BASIS FOR AGRICULTURAL POLICY

Constitutional Considerations

The basis for the current federal-provincial structure is found in Section 95 of the Constitution Act, which identifies agriculture as an area of concurrent jurisdiction of federal and provincial governments. However, agriculture is not an isolated area. Actions in the areas of transportation, health, education and trade all affect agriculture policy. These areas are either under the jurisdiction of federal or provincial governments. This jurisdictional cross-over complicates the policy process which requires consensus on each issue and often slows and may dilute the decisions.

There are currently no prescribed structures for coordinating relations between federal and provincial governments (Chart 2). Relations are

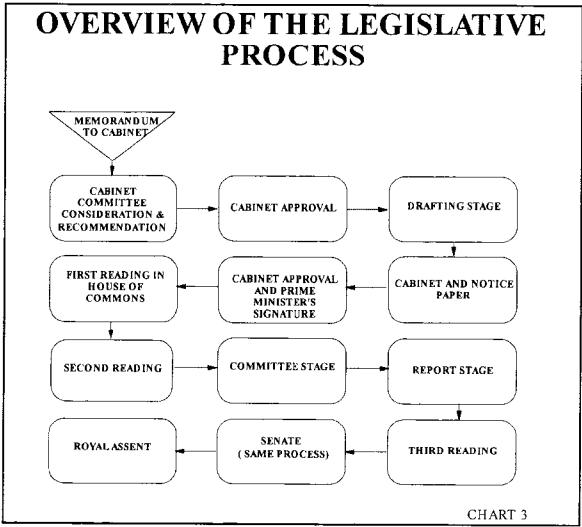


handled through ad hoc meetings. Ministers of Agriculture meet 2-3 times per year including an annual conference. Deputy Ministers meet 3-4 times a year and Assistant Deputy Ministers have almost monthly meetings and conference calls. These meetings are generally chaired by federal officials, except for Ministers meetings which are co-chaired by the federal Minister and the Minister of the host province. A number of policy-oriented federal-provincial-industry and federal-provincial committees report to the Deputy Ministers or Ministers on various policy issues in the areas of environment, regulatory, trade, research, safety nets, and others.

Legislative Considerations

There is no law guiding policy formulation. Policy makers must conduct the process so that the results of their work will not be overturned by legal challenge, i.e., deemed non-constitutional.

The legislative process begins with the development of a policy (Memorandum to Cabinet) which is submitted to Cabinet by the sponsoring Minister for approval (Chart 3). Cabinet approval of the policy authorizes the drafting of the proposed legislation, a process carried out for the government by the Legislation Section of the Department of Justice. After the drafting stage, various proofs of the bill are printed, as required, for consideration by the Cabinet Committee on Legislation and House Planning.



Once the draft bill is in a form that is satisfactory to the sponsoring Minister, it must be approved by Cabinet and signed by the Prime Minister. When Cabinet approval has been given, the bill is ready to be introduced in Parliament, where it is read for the first time and printed. At the second reading stage, the principle of the bill and its broad purposes are fully debated and voted upon. After approval in principle on second reading, the bill is then studied by the appropriate Parliamentary Committee, clause by clause. The Committee reports its findings, including proposed amendments to the House to be voted upon. The third and final reading allows for a review of the bill in its final form.

When a bill has had three readings in the House of Commons, it is then sent to the Senate to be read, debated and possibly amended, in a process similar to that which occurred

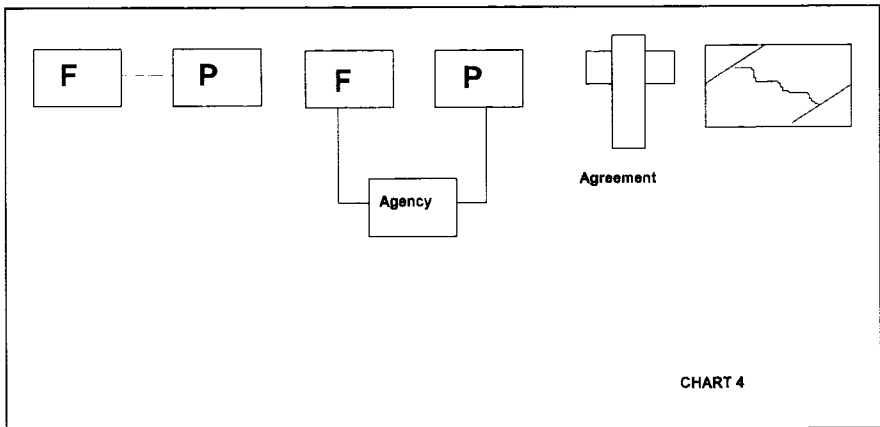
in the House. Once the bill is passed by both the House of Commons and the Senate, Royal Assent is given by the Governor General and the bill becomes an Act of Parliament.

Employees in the Department of Agriculture and Agri-Food are involved in the federal legislative process. Some are called upon to work on revisions of statutes for which their Minister is responsible. Others may be asked to participate in the development of agriculture and agri-food policies or programs requiring legislative measures. A recent Department of Agriculture Act extended the mandate of Agriculture Canada to formally include the agri-food and agribusiness sectors.

Administrative Roles of the Federal/Provincial Governments

Administrative delegation is an important aspect of the flexibility of the Canadian Constitution. There are provisions for federal responsibilities to be delegated to provinces and vice versa.

There are also several variations on the delegation of authority to agencies, boards and commissions in order to carry out coordinated programs in areas where federal and provincial authorities coincide (Chart 4). These approaches vary by the complexity of the issue and whether or not it is national or regional in scope.



The first approach is to decide on a split of responsibilities where provincial governments handle regional aspects and the national government handles larger aspects of the same problem. In essence, each level of government uses its power within a prescribed scope of activity.

The second variant is to create an "arms-length" agency to receive delegated powers from the federal and provincial governments. This is usually done when it is felt that a separate body could act more efficiently in responding to the needs of the public.

A third method is the creation of an umbrella agreement that delegates planning and management authority under a set of prescribed rules and allocates resources through a joint management committee. This approach is largely reserved for areas where a working arrangement can be struck easily and efficiently.

The policy decision-making process in the agri-food industry is becoming increasingly complex whereby the federal government, the provinces and industry groups must be able to integrate and include the interests of all relevant players. The Federal-Provincial Relations Office monitors ongoing concerns in intergovernmental relations, offers advice to departments in their dealings with their provincial counterparts and tracks issues with federal-provincial aspects through Parliament. The Department of Agriculture and Agri-Food also has a group which handles intergovernmental affairs.

Trade and Domestic Policy Mandates

The Department of Agriculture and Agri-Food develops and implements national policies and programs in support of the agriculture and agri-food sector with the stated objective of assuring a dependable supply of safe, nutritious food at reasonable prices to consumers, with equitable returns to producers and processors. The primary responsibility for international trade rests with the Department of Foreign Affairs and International Trade.

The Department's trade policy mandate is to improve and secure market access for agri-food products, improve trade rules, and work toward reducing unfair competition in domestic or foreign markets. This is done through inter-departmental consultation with Foreign Affairs and International Trade, government-to-government contact, bilateral relations, discussions in international organizations, and consultations and negotiations under trade agreements.

Agriculture and Agri-Food also participates actively in the agriculture programs of various international organizations such as the OECD, FAO, IICA and APEC.

INFLUENCES ON THE POLICY PROCESS

Farmers and Farm Organizations

Farmers as individuals can influence the policy process by making representation directly to federal and provincial ministers and officials. While this is done to some extent, most representation is done through farm organizations.

There are a large number of farm organizations, which vary considerably in structure depending on their national, regional or sectoral focus. The most prominent national general farm organization is the Canadian Federation of Agriculture (CFA). Its membership includes affiliated provincial federations and commodity groups. Commodity groups include some

national umbrella groups, which also have provincial affiliates, as well as groups which have regional mandates. Umbrella organizations, such as the Canadian Federation of Agriculture, represent the broad spectrum of interests of farmers. Their most difficult challenge is to deal with the often strongly conflicting interests of their members.

In addition to the general organizations there are a large number of regional and sectoral groups. Most of the sectoral groups have national umbrella organizations which try to resolve regional interests of the provincial groups. Examples include the Canadian Cattlemen's Association, the Canadian Pork Council, the Canadian Horticulture Council and the Dairy Farmers of Canada. The major exception is the grains and oilseeds sector, where a large number of groups exist, but without one national organization in place.

There are also important regional organizations which tend to promote provincial interests at the national level. Examples include the "Union des producteurs agricoles" (UPA) which operates as an umbrella organization for sectoral groups in the province of Quebec. Another is the Ontario Agriculture Commodity Coalition, which is a less formal coalition of sectoral groups, to promote common interests in Ontario.

Contacts with Ministers offices, Members of Parliament and federal and provincial officials are the key to farm organizations lobbying efforts. Those which are most successful tend to have informal contacts at many levels. For the most part, they operate on their own and do not use professional lobbyists. Given the often conflicting interests among the groups, representation tends to reflect sectoral or regional interests rather than national perspectives.

Agribusiness

Agribusiness firms also can make direct representations to influence policy decisions. The extent to which they can have an influence depends in part on their size and importance to regional economies. For the most part firms make representations through associations and umbrella organizations which promote common interests.

There are a large number of agribusiness firms representing all levels of the food chain. There are associations for primary processors, further processors, importers, exporters, distributors, retail grocers and food services firms. In some cases the associations represent national points of view but more often they reflect sectoral interests.

There are varying degrees of vertical integration in the different commodity sectors. For the most part, however, the interactions of the players at the different levels in the food chain are confrontational rather than cooperative. It is fair to say, nevertheless, that the need for vertical alliances is becoming more recognized.

Consumer Groups

Consumers tend to have diverse interests and for the most part they are not formally organized. Because of their large numbers and their diversity, consumer groups are difficult to fund. Hence, influence on the policy process is not well organized and not integrated. Additionally, food represents a relatively small part of consumer expenditures which reduces the motivation for organizations to be formed. In fact, in terms of the percentage of family expenditures spent on food, Canada is second lowest, just above the United States. With the exception of commodities with supply management systems in place, concerns tend to focus on health and safety issues rather than other aspects of agricultural policy.

Academics

The direct influence is small because there are no formal mechanisms or processes through which to contribute. There are a few high profile individuals who are often used in an advisory capacity but not in an integrated way. There is some impact in terms of the economic research and policy analysis that is done under contract with governments, or industry, or part of a teaching program. By far the primary influence is indirect through the education functions of universities in producing skilled professionals who work in policy positions.

Extension activities in Canada are the responsibility of provincial governments. Involvement of universities in extension work depends on joint arrangements with provincial governments and the interests of individuals.

Other Interest Groups

There are a relatively small number of other interest groups that have agendas that impact on the agriculture sector. Examples include, environmental groups and animal rights groups. These organizations typically will lobby the Minister directly responsible for their area of concern as well as Ministers indirectly affected. For example, environmental groups will pressure the Minister responsible for the environment to enact environmental regulations but will also lobby the Minister responsible for agriculture as well.

Media

The primary role of the media in the policy process is to provide information to the general public. For the most part, major media organizations do not have agricultural specialists on staff. As a result, agricultural policy issues do not receive much coverage, especially in central Canada, and at times the commentary may not be particularly well informed.

Many farm organizations have their own media structures, notably their own newspapers. These operate to provide information and, of course, to promote the view points of the organization.

Other Countries

Other countries influence Canadian agriculture policy in primarily three ways. The first is through the General Agreement on Tariff and Trade (GATT) and the North American Free Trade Agreement (NAFTA) in the case of the United States and Mexico; the second is through other countries' trade laws which operate within the GATT rules; and the third is through the agriculture programs of international organizations.

Under GATT and NAFTA, as with other member countries, Canada agrees to abide by certain rules with respect to export subsidies and internal support measures. The last GATT round made major steps to bring agriculture more fully within the rules, and it will have significant long term impacts on agriculture.

Trade actions have the potential to have more immediate impacts on agriculture. The most obvious example is the countervail imposed by the United States on imports of live hogs from Canada. This action, which is still under annual review, was no doubt a major factor in the early elimination of the national stabilization programs for hogs, beef cattle and sheep. This combined with new GATT rules has generated interest in decoupled income support rather than the more traditional deficiency payment approach to stabilization.

International organizations provide fora for discussion and policy information exchange.

CONSTRAINTS ON POLICY DEVELOPMENT

Budgets

Governments at both the federal and provincial levels are facing severe pressures on budgets. This has caused governments to review both the level and composition of transfers to the agri-food sector. The outcomes have been the termination of programs, phased reductions in program benefits and initiatives to cost recover government services, e.g., grading and inspection. Recent, (February 1995) federal budget highlights include the reform of the western grain transportation system which includes elimination of the WGTA subsidy, a one-time \$1.6 billion payment to prairie land owners, a \$300 million 6-year adjustment fund, elimination of the Feed Freight Assistance subsidy in 1995, reduction of annual federal safety net spending from \$850 million to \$600 million over three years, reduction of the dairy subsidy by 30 percent over the next two years, and a national adaptation fund of \$60 million.

Equity

As noted previously, agriculture is a shared responsibility between the federal and provincial governments. This has given rise to on going concerns over the distribution and relative level of federal financial transfers among provinces and commodities, but also to the level of provincial financial transfers among provinces. These transfers include direct program payments, indirect program payments and revenue increases from regulations. More specifics on this will be provided in the next presentation.

Traditionally the focus of the debate has been on the "equitable" distribution from increasing levels of transfer. Concerns about equity, however, seem to be as intense when transfers are falling. Regional and commodity equity are major political constraints in policy decision making.

Environment

Environmental considerations are becoming increasingly important factors in Canadian agriculture. This is most apparent in the heavily populated areas of Eastern Canada, notably Ontario and Quebec. Concerns are focussed around the impacts of fertilizers, chemicals, and concentrated animal production on water and air quality. Major policy changes now are required to have environmental assessments completed.

Trade Agreements

As noted above trade agreements present very important constraints on policy development. In the Canadian context this is doubly important because of large values of both imports and exports.

EVALUATION OF THE POLICY PROCESS

Openness

As noted previously, the budget process in Canada operates under a high degree of secrecy. This in itself places constraints on the openness of the agricultural policy process. To the extent that policy changes are tied to budget changes the ability to have an open public discussion on options is quite restricted.

At the same time, the Minister of Agriculture has the mandate to modify agricultural policy within the delegated authority and the guidelines set by Cabinet. Under the current federal/provincial/industry decision making structure there is a process for communication

among the stakeholders in the sector. Federal and provincial Ministers of Agriculture meet at least twice a year. Deputy Ministers meet more often and Assistant Deputy Ministers meet almost monthly. There are a large number of industry committees that report to and advise governments on a wide range of policy as well as program design and delivery. In fact, industry representatives sometimes complain of consultation overload, part of which is the high cost of participating in the process.

In recent years the policy decision making process in the agri-food industry has become more open, consultative and interactive. A notable change has been the increased influence of agribusiness firms relative to the primary production sector. Agriculture Departments, federally and provincially, have broadened their mandates to include a whole system view of the agri-food sector.

Perhaps the main complaint with the current system is that it is not guided by an overall approach to policy development and industry competitiveness. This problem is reflected in the overspecialization of government/industry committee mandates and the lack of coordination and communication among them.

Transparency

Complaints about the transparency of the policy decision making process are primarily related to the lack of understanding and clarity of the wider range of considerations facing policy decision makers. There are many government/industry committees with narrow mandates. There is a level of frustration among these groups in not knowing how their efforts fit into the longer term objectives and strategies of the industry.

The process does, in fact, tend to focus on short term commodity and regional issues. In part, this is a reflection of the disparity of the issues and advice that end up on the agendas of the Ministers' meetings from the structures reporting to them. In part, it also reflects the competing interests which often require trade-offs and consensus to reach solutions. These compromises can dilute decisions and result in deviations from the longer-term objectives, to the extent they are clearly articulated.

Responsiveness

In the context of a consultative and interactive process, industry has fairly ready access to the decision makers in the system. In general the policy system has tended to respond quickly to serious short term problems and the special needs of certain sectors. For example, during the grain subsidy wars in the 1980s, considerable extra assistance was provided to the grains and oilseeds sector. During the GATT negotiations the interests of the supply managed commodities were well represented. Disaster problems also tend to be handled quickly, albeit in a fairly ad hoc manner. As noted above, the focus of the responses is shifting, from just the primary production sector, to a food system orientation.

This responsiveness has had a short term focus, which begs the question of the response to the longer term pressures in the industry. It is perhaps fair to say that the process, by itself, does not respond well to the longer term needs and developments of the agri-food industry. These longer term needs tend to be addressed when external forces dictate policy changes. Examples include budgets, trade agreements and trade actions. The process could, in fact, be judged to be more reactive than responsive.

Time Limits and Default Mechanisms

Within the Canadian system there are no formal time limits and default mechanisms. The outcome of no decision is the status quo or the consequences of an external event. The consequences of no time limits can also result in protracted debates and negotiations that may seemingly have no particular direction. This can cause a high level of frustration at all levels in the process.

CONCLUSIONS

Decision making in the Canadian agri-food industry is an evolving and complicated process. By most accounts, there is a general view that the process has improved significantly in recent years. There is a high level of satisfaction with the ability to consult, interact and provide input to policy decisions.

The sphere of influence has also changed dramatically. Greater emphasis is being placed on the whole agri-food sector. Forces external to agriculture are becoming more important whether domestically driven through budgets and environmental concerns or internationally driven through trade disciplines.

These changes and pressures will necessitate greater integration of factors, more focus on a wider range of issues, and encourage more proactive and longer term visions.

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