CANADA’S FOOD SECURITY DURING THE COVID-19 PANDEMIC

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SUMMARY

The COVID-19 pandemic has drawn public attention to Canada’s food security. Access to a safe, stable and high-quality food supply is often taken for granted by many citizens, but providing it is one of the key roles that our agricultural industry serves and underlines why it is designated an essential service.

Despite the federal government’s assurance that our nation’s food supply remains stable, concerns have been mounting from both consumers and the agricultural industry that disruptions in the food supply chain will cause food insecurity and severe economic distress.

As a whole, Canada’s agri-food industry is well-positioned to adapt to the present crisis and continue supplying domestic and export markets. However, this does not mean that our food system is impermeable to disruption. In fact, challenges caused by COVID-19 have highlighted vulnerabilities in the food supply chain. Labour shortages, major shifts in consumer demand, and the slowdowns/closures at processing plants have already exacerbated food insecurity among Canadians and increased financial pressure on primary producers.

As the foundation of the food supply chain, Canadian farmers are key to its stability. As many farms were experiencing severe economic hardship prior to the pandemic, the challenges of market uncertainty and increased production costs put these operations at greater financial risk. Policy action will be key to ensure the short and long-term viability of our primary industry and maintain the capacity to meet domestic and export market demands.

Canada is still in the early stages of crisis management but government support of Canadian agriculture has so far been largely inadequate in alleviating the financial impact on farmers. The Canadian government should take additional steps to alleviate the financial burden on primary producers, ensure export markets remain open and free from trade barriers, and commit to establishing a long-term agri-food strategy and action plan.
INTRODUCTION

The COVID-19 pandemic has drawn public attention to Canada’s food security. Access to a safe, stable and high-quality food supply is often taken for granted by many citizens, but providing it is one of the key roles that our agricultural industry serves and underlines why it is designated an essential service.

Despite the federal government’s assurance that our nation’s food supply remains stable, concerns have been mounting from both consumers and the agricultural industry that disruptions in the food supply chain will cause food insecurity and severe economic distress. The first section of this paper examines Canadian food security and why disruptions have recently occurred.

As the foundation of the food system, Canadian farmers are key to its stability. In recent years, the agricultural industry has faced volatile markets and rising input costs, which has placed farming operations at increased financial risk. To ensure the short- and long-term viability of Canadian farms, farm groups have called for immediate government action. The second section examines the state of primary agriculture as the impact of the global pandemic unfolds.

Policy action will play a fundamental role in meeting the goals of food security and economic stability during the crisis, as well as a central component of Canada’s economic recovery. The final section provides a brief overview of the program measures announced and outlines three action steps the Canadian government should take to support agriculture in the short and long term.

SECTION 1: FOOD SECURITY AND DISRUPTIONS IN THE FOOD SUPPLY CHAIN

Food security “exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life” (FAO 2003, Canada 2016). COVID-19 has impacted global food systems and increased public concern over the stability of Canada’s food system and what effect potential disruptions will have on affordability and access.

The Agri-Food Analytics Lab (AAL) released its revised 2020 Food Price Report on March 31. The authors state that food prices are expected “to increase by no more than 4%, as forecasted in December 2019, despite the COVID-19 epidemic,” with meat prices rising up to six per cent (AAL 2020). However, the AAL notes that the extreme pressures on the food retail and processing sectors, the oil price war between Saudi Arabia and Russia and the fluctuation of the Canadian dollar could cause further price increases in the months to come (AAL 2020). The federal government has also acknowledged that issues within the supply chain will likely result in higher food prices for Canadian consumers (Tunney 2020, D’Amore 2002). However, food costs are not the only determinant of affordability, which is intrinsically linked to income insecurity.

Since March 2020, income loss from unemployment, reduced hours and businesses forced to close has exacerbated food insecurity among Canadians. Prior to the pandemic,
an estimated 4.4 million Canadians were defined as “food insecure,” meaning that they were unable to afford and/or access sufficient, safe and nutritious food (PROOF 2020). Nick Saul, CEO of Community Food Centres Canada, reports that, since the crisis began, thousands more Canadians are now accessing emergency support, such as food banks (The Agenda 2020b). As economic fallout from COVID-19 will be felt in Canada long after the immediate health crisis, it is reasonable to anticipate that the trend of food insecurity among Canadians will continue.

Government, researchers and industry leaders continue to reassure Canadians that the domestic food supply will remain stable and safe. With the exception of produce, Canada is a net exporter of food, meaning we produce more raw commodities and food products than our domestic supply requires. As such, Canada is well-positioned to ensure a stable supply of raw commodities and food products to both domestic and export markets.

Canada is currently the fifth-largest exporter and fifth-largest importer of agricultural goods in the world (Mussell et. al 2020). This integrated food system allows for a continuous supply of food to Canadians throughout the year and generates billions of dollars for the Canadian economy (AIC 2017). However, this means that how food systems adapt in other countries will impact our food supply in the months ahead. It therefore underlines the importance of ensuring trade relations remain strong and international borders remain open. On April 22, Canada, along with 23 other World Trade Organization members, agreed to maintain open and predictable agricultural trade during the COVID-19 pandemic (Canada 2020c).

Mike von Massow, an economist at the Arrell Food Institute at the University of Guelph, argues that Canada’s food system has shown “spectacular robustness and resilience” in response to the “unprecedented shock” of COVID-19 (AFI 2020). However, Canada’s food system is not impermeable to supply issues and there are three key reasons why there have been disruptions.

First, the uncertainty caused by the pandemic caused major shifts in consumer shopping trends. Consumers panic-buying huge quantities of goods is considered to be the foremost reason for the shortages experienced thus far (AFI 2020).

Second, major shifts in consumption patterns occurred when restaurants and schools closed. Shifting production is complicated and storage capacity is limited. The rapid loss of the commercial market led dairy farmers to dump millions of gallons of milk, mushroom farmers to destroy crops and farmers across Canada to quickly change their seeding plans to reduce their seeded acres and/or plant alternative crops.

Third, meat processing has proved to be particularly susceptible to the impacts of the pandemic. Close working conditions in facilities caused COVID-19 to spread quickly among staff, resulting in slowdowns and closures of multiple processors. As meat processing is highly concentrated in Canada, reduced production has caused concern over possible meat shortages. For example, two plants in Alberta are responsible for producing over 70 per cent of Canada’s beef processing capacity (CCA 2020). Cargill’s High River facility closed on April 20 for two weeks, reopening with reduced production levels, and the JBS plant in Brooks has cut its production by half. Potential shortages
are anticipated to be only short-term for consumers but this decrease in beef supply has already led major buyers, like McDonald’s Canada, to begin importing beef to meet their needs (CTV 2020b).

As Canada’s food system adapts to challenges presented by the health crisis, it has revealed both strengths and vulnerabilities in the supply chain. Disruptions in the food system may cause temporary shortages and higher prices for some products, but food insecurity in the immediate future will be more closely tied to income insecurity than to supply issues. Major shifts in consumer demands and slowdowns/closures at processing facilities will cause more economic impact on primary producers. In turn, how farmers are able to manage the financial impact of this crisis will be a key determinant of Canada’s food security in the months and years ahead.

SECTION 2: PRIMARY AGRICULTURE — FOUNDATION OF THE FOOD SYSTEM

The agricultural supply chain, from farm to table, is a complex web dependent on a multitude of factors. Access to timely inputs, labour, storage, transportation, processing and markets is critical to ensure a constant high-quality supply for domestic and export markets. As the foundation of the food supply chain, Canada’s farmers are key to its stability.

Canadian farmers were experiencing significant economic hardship prior to the pandemic. Rising input costs, volatile weather conditions in the 2018 and 2019 growing seasons, labour shortages, international trade disputes and transport restrictions caused by the CN Rail strike in late 2019 and rail blockades in early 2020 all manifested in major declines to net farm income and record levels of farm debt.

The COVID-19 crisis has fostered market uncertainty and increased production costs. These additional pressures put farmers at greater financial risk. Fruit and vegetable farmers have experienced seeding delays due to labour shortages and have expressed concern over how their harvest will be impacted (The Agenda 2020a, CBC 2020, Antonacci 2020). Produce farmers have also seen major fluctuations in demand from processors, resulting in valuable product being destroyed and seeding plans quickly changing to anticipate demand.

Livestock farmers have arguably been the hardest hit during the crisis so far. With the reduction in meat-processing capacity, farmers have been forced to keep livestock for longer and incur higher costs. The Canadian Cattlemen’s Association (CCA) estimates that beef farmers lost $600 to $700 per head during the Cargill plant closure, while the Canadian Pork Council (CPC) reports that pork farmers have lost $30 to $50 per hog due to the slowdown in processing (Glen 2020a, Glen 2020b). If meat processors are not able to resume full capacity for an extended period of time, livestock producers will run out of room and feed for animals. Unfortunately, euthanizing animals has already become the most feasible option for many farmers. In supply-managed sectors, such as dairy and poultry, farmers have also received reduced quotas for further production.
Grain and oilseed producers have experienced volatile markets since the beginning of the pandemic. As this sector begins to invest millions of dollars into seeding there is anxiety about future market potential and the ability to access inputs throughout the growing season. As Canadian agriculture is export dependent, fluctuations in global trade could potentially have a detrimental impact on farmers, which will affect the Canadian economy as a whole.

The Canadian Federation of Agriculture (CFA) has declared that the foundation of Canada’s food supply is at a “tipping point” and has called on the federal government to establish a $2.6 billion emergency fund to maintain food security in Canada (Fraser 2020, CFA 2020b). The CFA based this amount on estimates of the immediate impacts of COVID-19 provided by agricultural commodity groups across the country. Individual sectors, such as beef and pork, have also requested financial and programming help from government.

As this crisis unfolds in the months ahead, the true impact on farmers and the broader economy will become clearer. With market uncertainty and ongoing issues within the supply chain, the Canadian food system has yet to see the worst of this crisis. Policy action will be key to ensure the short- and long-term viability of the agricultural industry across Canada and maintain the capacity necessary to meet the demands of domestic and export markets.

SECTION 3: POLICY ACTION NEEDED FOR LONG-TERM FOOD SECURITY

Our nation is in crisis management and new program measures continue to be announced by both the federal and provincial governments. To date, the policy response towards agriculture has been significantly less than what industry leaders have deemed necessary to ensure the stability of the food system in the weeks and months ahead (CFA 2020a).

Sylvain Charlebois, senior director of the Agri-Food Analytics Lab at Dalhousie University, argues that agriculture “is the foundation of our entire economy, which for the most part throughout this crisis has been largely forgotten” (Heaven 2020). Charlebois adds that, without immediate help, “Canada could lose up to 15 per cent of its farms by the end of this year” (Heaven 2020).

On March 23, the government announced that Farm Credit Canada would receive a $5 billion boost to its lending capacity and farmers could delay repaying their 2018 cash advances for up to six months. Some farmers are concerned this assistance may become a double-edged sword, helping them in the short-term, but pushing them deeper into debt and reducing their equity if they have another financially difficult year (Dosser 2020). Canadian farm debt reached a record high of $106 billion in 2019, which arguably has its own implications for long-term agricultural stability (Nickel and Johnson 2019). On May 14, the Canadian government announced that 4,800 farmers and businesses have already deferred loan payments totalling $4 billion and established credit lines worth another $500 million (Canada 2020a).
In April, the Canadian government issued an exemption to temporary foreign workers from COVID-19 travel restrictions and offered $50 million ($1500 per worker) to help farmers cover wages and living expenses to ensure arriving workers observed a mandatory two-week quarantine period. This news was welcomed by sectors dependent on foreign labour.

On May 5, the federal government announced a $252 million aid package for agriculture. The money includes $125 million towards the AgriRecovery program for the pork and beef sectors, $77 million for food processors and packers to provide personal protective equipment for workers and $50 million for a surplus food purchase program (Briere 2020). The CFA stated that, while this funding is welcomed, it is “discouraging” that it is not in proportion to the losses farmers have already incurred (CTV 2020a). The CPC already estimates losses of $650 million for pork farmers and the CCA projects losses for beef farmers of at least $500 million by June 2020 (CCA 2020, CPC 2020).

In recent years, farm groups have criticized the Trudeau government over a number of issues, including: repeated delays in implementing changes to business risk-management programs, such as AgriStability; provoking and failing to resolve international trade disputes; and taking minimal action to stop rail blockades in early 2020 (CFA 2019, Reuters 2018, Johnson 2019, Simes 2020). In addition, industry groups expressed their disappointment with the federal government’s decision to push forward with a further increase to the carbon tax rate on April 1, during the COVID-19 crisis. The Agricultural Producers Association of Saskatchewan estimates that farmers will lose at least eight per cent of their income this year and up to 12 per cent by 2022 because of the carbon tax (APAS 2020). As farmers are not able to pass on these costs the way other businesses can, nor do they receive credit for the environmental benefits they generate, this increase in production costs make their financial situation even worse.

To address the growing financial concerns among Canada’s primary producers and to demonstrate a clear commitment to the industry, the federal government could take a number of actions to build on what it has already announced.

First, in consultation with farm groups, the Canadian government should consider additional financial assistance for farmers more in proportion to the costs they have incurred due to supply chain disruptions. The government should also consider expanding funding beyond existing business risk management programs, as some sectors do not qualify under current terms (e.g. greenhouses and equine centres).

Second, as Canadian agriculture heavily relies on export markets for its stability, it is imperative that the federal government maintains pressure on trading partners to ensure trade agreements are upheld and borders remain open. Given the disruptions in the global food system, Canada’s ability to maintain its export capacity presents a “strategic opportunity” to increase its international influence and counter trends of geopolitical power politics (Mussell et. al 2020). Canada can potentially use this opportunity to negotiate the removal of trade barriers imposed on oilseeds, grains and pulses before the pandemic. Successful government action will stabilize markets and ensure Canada’s economy is in the best position to recover and thrive.
Third, the COVID-19 crisis has underlined the value of a comprehensive national agri-food strategy and action plan. Canadian agriculture employs 2.3 million citizens and contributes nearly $114 billion (6.6 per cent) to our nation’s gross domestic product (AIC 2017). It is recommended that Canada follow the direction outlined by recent government studies that have suggested greater investment in value-added processing. This would accelerate economic benefits, create markets for farmers and enhance the stability of our food supply (Canada 2017, Canada 2019).

Public attention towards food security has generated a valuable dialogue about the Canadian food system, the state of primary agriculture and the important economic role of the agricultural industry. Food security in Canada is not something to be taken for granted and government policy action must reflect the essential service agriculture provides to our nation.
REFERENCES


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Dr. Kerri L. Holland is President of KL Holland Consulting. Driven by her passion for promoting rural issues, Dr. Holland’s research has focused extensively on agricultural policy, environmental policy, and intergovernmental relations. Her work has provided her the opportunity to collaborate closely with political leaders, interest groups, and stakeholders at all stages of the policymaking process. As the proud daughter of 3rd generation Canadian farmers, her firsthand experience of primary agriculture and agribusiness has been a valuable asset in her research and consulting work. She holds a PhD in Political Science from the University of Alberta.
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