

Issues and Opportunities in Ontario's Agri-food Sector

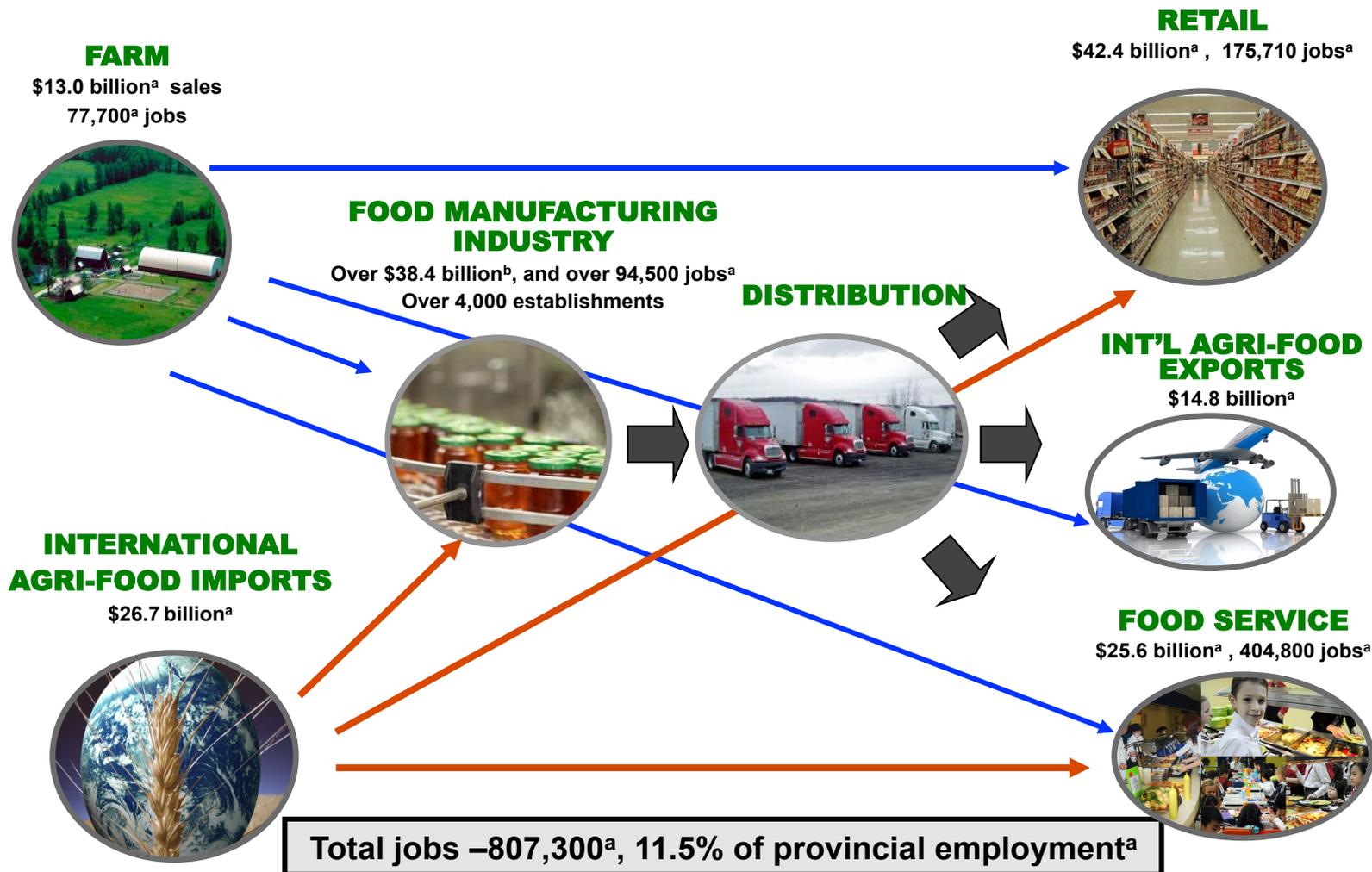
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Integrated North American Food Market

- Since World War II - steady increase in % of imported foods due to rising incomes, population, changing demographics, and more recently trade agreements.
- Agri-food imports now equal roughly 40 percent.
- Top imported foods to incl fruits and nuts, beverages and spirits, vegetables, and pasta and other grain preparations.
- Fully integrated North America and world food market.
- Global trade has led to specialization which has helped to keep food prices low, but has also increased complexity in the food sector.
- Growing complexity has led to a rise in efforts by companies, and governments to design and implement food traceability initiatives.

ONTARIO AGRICULTURE AND FOOD AT A GLANCE, 2016



Source: ^a OMAFRA statistics 2016; ^b OMAFRA Statistics 2015

Ontario's Agri-food Strength

- Ontario's vast scale, geographic and climatic diversity, soil quality, and its immense reserves of fresh water, provide a wealth of natural resources to support primary agricultural production.
- Access to Canada's largest population and a significant portion of the US, coupled with world class transportation, technology and research infrastructure provides a wealth of opportunity for primary food production, food processing and distribution.
- In general, for decades this has meant Ontario's agri-food sector has faced significant excess demand for virtually all food products.
- Even in peak growing season, Ontario often imports many fresh and processed products.

Ontario's Agri-food Growth

- While there are many ways to examine growth ranging from the firm to the market to the macro economy level, the following provides growth in what are often used as key economic indicators for the Ontario agri-food sector:
- Since 2007:
 - Ontario farm cash receipts which is often used as a proxy of farm level production has risen 39.8% with an average annual growth of 3.9%
 - Ontario agri-food exports have risen 69.6% with an average annual growth rate of 6.2%
 - Ontario agri-food GDP has risen 11.5% with an average annual growth rate of 1.2%
 - Ontario agri-food employment has risen 14.6% with an average annual growth rate of 1.5%
- The sector has clearly grown over roughly the last decade, but what are the factors that will contribute to a continuation in this trend.

Ontario's Agri-food Growth Prospects

- Many companies seeking to expand significantly are putting a large focus on growing their businesses through exports.
- Exports are not the only way to create opportunity.
- Another strategy is to tailor products to specific domestic markets where domestic share is low.
- Strong opportunity to displace imports in many specific markets but to do so in large volumes requires relative cost competitiveness.
- It is not always about the lowest cost and largest scale.

Ontario's Agri-food Growth Prospects

- Canada and Ontario have a high proportion of small and medium size food processors that can efficiently meet many of these specific markets demands.
- But Ontario and Canada generally operate at close to full capacity with respect to utilization of the productive farmland base.
- Climate change, production technologies, crop and livestock genetics and transportation infrastructure are giving rise to the long term potential for some growth in Ontario's productive farmland base in particular in Northern Ontario and parts of Central and Eastern Ontario.
- That said, the potential for growth directly from the current productive farmland base is much more limited

Ontario's Agri-food Growth Prospects

- This opportunity for more immediate growth can be most efficiently focused on areas of high imports and under-utilized production capacity within Ontario.
- Some clear import displacement examples are:
 - Ontario imports a large portion of retail maple syrup sales from Quebec when Ontario has significant unused maple stands.
 - Ontario imports roughly 33% of freshwater fish consumption in large when there are significant freshwater resources available to increase production.
 - Ontario imports over 50% of beef consumption when there are many grazing areas throughout the province that could facilitate beef cow expansion.
 - Ontario imports corn at certain times of the year for feed and ethanol purposes when there continues to be room to increase yields due to research and technological advances.

Ontario's Agri-food Growth Prospects

- Agri-food sector in Ontario is in a unique position today.
- Some aspects of agri-food are highly integrated, involving complex relationships, global supply chains and businesses with a large export or even import focus.
- Other aspects of the agri-food sector are intensely rooted in local communities, best using available resources to meet the demands of local populations.
- There is a strong opportunity to create conditions that will support growth in both these aspects of Ontario's agri-food sector
- The two together can foster growth at the provincial and local level, contribute to safe and healthy food choices and sustain our environment.