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MK&A Policy Update December 2020

1. Quick Hits.

Season's Greetings

It's been a garbage year to say the least and the holiday's will be far from the ideal. Nevertheless, and in spite of the challenges, we are optimistic for what's to come. We wish you and your family happy holidays and all the best in 2021.

Vaccines on the way

With approvals for a number of COVID-19 vaccines **now begun** there is reason to be optimistic that this may be the beginning of the end of the pandemic. At least the end of the actual infections. This provides governments and citizens alike the opportunity to plan for the mammoth task of rebuilding economies and consider how to start the healing process from the personal and collective devastation. As we've noted before, the management of the pandemic is complex and loaded with political challenges; the vaccine roll-out will be no different. Managing the roll-out is going to be hard (a task in Ontario handed to former **General Rick Hillier**); managing expectations and the politics of vaccines will be **even harder**. On this front we would advance the call for all of us to engage in the efforts for ending the pandemic quickly and rebuilding our province and our country. The health of our democracy, our economy and our communities demands more than mere compliance. Offering constructive criticism and adding your voice to the priorities that define what "building back better" means are essential elements of a healthy and engaged community. Governments in particular will need the voices of private sector leaders **to get this right**.

Feds release fiscal “snap-shot”

On November 30, Canada’s first female Finance Minister detailed a fiscal “snap-shot” with the fall **economic statement**. The Minister’s statement was heavy on COVID-19 support with more than \$25B in additional spending for navigating the resurgence of the pandemic. Chrystia Freeland also indicated that the government will be setting aside between 3 to 4 percent of GDP, up to \$100 billion, over the next three fiscal years to support stimulus spending for an economic recovery plan - though, what that stimulus plan looks like will have to wait until spring 2021 or beyond. Those looking for clarity on fiscal anchors are likely unsatisfied, with the Minister speaking only to fiscal guide rails in the context of winding down support programs and subsequent stimulus spending. For the agri-food sector a notable inclusion was a \$98.4M allocation to AAFC for a new Natural Climate Solutions for Agriculture Fund - the 10 year program will be guided by a to-be-developed Canadian Agri-Environmental Strategy. Oh yeah. And the economic statement will be subjected to a confidence vote, meaning - if this was not already clear - that the budget and its content is indeed a highly political document. Later in the week the Finance Deputy Minister Paul Rochon - appointed in 2014 - announced his retirement. Several days later it was **announced** that the Chair of the Canada Infrastructure Bank for the past eight months, Michael Sabia, will be his successor.

Agriculture and agri-food Ministers’ Meeting

The fall economic statement did rely on plenty of agriculture metaphors, but much of the substance of the government’s plans for agriculture and food spending was released in the days prior to the budget’s release. On November 28, Minister Bibeau **announced** the next phases in compensation for Canada’s Supply Managed sectors - support promised in response to the CPTPP and CETA trade agreements. The day prior was the final day of the virtual FPT Ministers meeting with the usual banal FPT statement - no doubt drafted weeks prior. The official **release** indicated that there would be further work on BRM program enhancements (perhaps necessitating the need for a subsequent statement with additional details - see below). Ministers also launched an FPT working group to consult on the supplier-retailer relationship in response to a number of concerns raised in recent weeks around increased fees from various retailers. The Ministers also indicated that industry engagement would begin this coming year on the next policy framework with the priorities to be tabled at next year’s FPT meeting. Minister Bibeau later released a **statement** outlining a federal proposal to increase AgriStability coverage levels (increasing coverage from 70% to 80% - but not a corresponding change to the trigger threshold – along with the removal of the reference margin limit) that would see BRM spending increased by an estimated 50%. Alberta’s Minister released a **statement** indicating he had made his own proposal. Ontario’s Minister for his part released a

statement on **Twitter** in response indicating progress on the BRM programming reform front and acknowledging the advocacy efforts of industry organizations. As one might expect, there was a mix of reactions from industry digesting the multiple announcements with Supply Management organizations generally positive while other sectors provided a range of cautious optimism to disappointment. Agriculture and the BRM (safety nets) file specifically continues to be a case study in the complexities of public policy within Canadian federalism - there will be plenty more to come.

Ontario AG report on COVID-19 response

Ontario's Auditor General released a special **report** on November 25th detailing her examination of the province's COVID-19 response. The report was a particularly scathing analysis of the overall response with the auditor characterizing efforts in Ontario as "slower and more reactive relative to other provinces." The Premier was having none of it, suggesting that he thought the auditor should not "..., start pretending you're a doctor or a health professional, because I can tell you, you aren't..." Interestingly, flacks from both ends of the spectrum expressed sympathy for the government's incredulity with the special report – with for example both **Brian Lilley** and **Martin Regg Cohn** indicating that while there was certainly space to criticize the provinces pandemic response, the auditor included comments that were way out of her lane. Our own experience would have us sympathetic to the positions all around – while the intention of an audit is laudable and necessary the benefits can be undermined by communications that seek to create headlines and reduce complex public issues into media friendly sound-bites. Two things are certain; COVID-19 is going to have profound implications on the politics of Ontario for some time to come and the proper time for a sober review of government response to COVID-19 will come soon enough. We would hope that that review would be conducted by dispassionate external and varied observers.

2. Ag & Food Policy Under a Biden Administration: Reading the Corn(?) Leaves

The context. The most dramatic impact on US farmers over the past four years resulted not from agricultural policy changes by the Trump Administration (although there were many), but from its decision to engage in a trade war with China. What began as tariffs on Chinese industrial imports quickly escalated to include US agricultural products, resulting in billions in lost sales for US farmers. To compensate, the US Department of Agriculture (USDA) provided a whopping US\$46 billion in direct payments to affected US farmers. In congratulating President-Elect Biden, US farm groups have set out their wish list: expanded trade and

market access opportunities; attention to farm labor shortages; a strengthened Farm Bill (to be renewed in 2023); expanded rural broadband; continued regulatory reform while balancing the need for environmental protections; support for research and innovation; and building on conservation partnerships.

Expectations are predictably high for the incoming Administration, and so are the complexities. Despite growing farm bankruptcies and a growing dependence on subsidies, much of rural America remained steadfastly Republican; the urban vote went predominantly blue. In his victory speech, Biden pledged to be the president for all Americans, including those who didn't vote for him. He acknowledged a special debt to African-American voters, and pledged diversity representation in his government.

To date, President-Elect Biden has championed the middle; yet the progressives in the party are urging for a hard left turn. They see their time as now. However, an aggressive agenda for the Biden presidency could be hamstrung should the Republicans hold the Senate -- all eyes therefore will be on the two run-off races in Georgia in early January 2021. If the GOP maintains control of the Senate, every Biden cabinet nominee, every Dem legislative initiative, every White House judicial appointment, etc. would need at least some Republican support. Should that transpire, the left wing of the Democratic Party would be wrong: their time is on hold. As is the difficulty in forming any cabinet, every selected nomination impacts upon others as matters of diversity, regional representation, stakeholder respect, and yes, political reward are weighed. For instance, a lack of diversity or regional representation in one portfolio increases the necessity for such representation in another.

The future direction of USDA up for grabs? This complex set of dynamics are certainly evident in the considerations for nomination of the new US Secretary for Agriculture. A delicate internal clash has surfaced for the Ag Secretary post, which is usually not a contentious fill in comparison to more high-profile cabinet positions. Democrats eager to emphasize issues like hunger and nutrition are now pitted against farm policy traditionalists who maintain that the department should remain the voice of rural America.

The traditionalists. The Biden campaign's ag policy adviser is a familiar name: *Tom Vilsack*, former Iowa governor and ex-Ag Secretary under the Obama Administration. He is certainly a traditionalist, criticized as a "recycled" choice too associated with corporate agri-business interests. Vilsack himself has suggested little interest in returning to the post, but in turn has backed a fellow moderate, *Heidi Heitkamp*, a former senator for North Dakota and campaign voice for Biden's *Plan for Rural America*. Both have been past proponents of freer trade and market

access opportunities, and both carry the political scars of having landed a new US Farm Bill (which becomes due in three years).

The advocates for change. The leading candidate for overhaul is Rep. *Marcia Fudge*, an African-American Democrat from Ohio and chair of the Nutrition and Oversight Subcommittee of the US House Agriculture Committee. Rep. Fudge is an advocate of the SNAP food stamp program and would seek to refocus the Agriculture Department on hunger issues. Significantly, Rep. Fudge has the strong backing of three important African-American House Democrats: Representative James E. Clyburn of South Carolina, the highest-ranking African-American member of Congress and perhaps Biden's most important supporter during the Democratic primary; Representative Bennie Thompson of Mississippi; and Representative Cedric Richmond of Louisiana, who is leaving Congress to become a senior adviser in the White House. All are pushing the President-Elect to prioritize diversity of ideology and background as the Administration builds its team, and argue that the Ag Department should be focused on "consumer issues and nutrition and things that affect people's day-to-day lives".

But this raises another layer of complexity. House Democrat leaders are sensitive to creating vacancies in the chamber, even in safe districts, given the slim majority held. For example, Republican Ohio Governor DeWine might not schedule a quick special election to replace an Ohio vacancy. On the other hand, Speaker Pelosi might be more than willing to take the risk, appointing Rep. Fudge as subcommittee chair two years ago to diffuse a speakership rivalry.

Other possibilities. Other potential names circulating for the federal Ag Secretary post include: Rep. Cheri Bustos, D-Illinois, an advocate for agricultural research and rural infrastructure; Rep. Chellie Pingree, D-Maine, an organic farmer who has introduced bills to decrease food waste and expand the role of small meat processors; California Agriculture Secretary Karen Ross; Delaware Agriculture Secretary Michael Scuse; and Collin Peterson, who lost his seat in the election after a 30-year tenure as Minnesota Representative and recently House Agriculture Committee Chair.

Conclusion. Notwithstanding these considerations, it would appear that a Vilsack nomination is imminent (Reuters is **reporting** that the nomination will indeed go to Vilsack). We can therefore expect to discern the likely direction and focus of US agriculture and food policy going forward in the days and weeks ahead before inauguration on January 20th.

3. Selected reading list

Scientists figured out how much exercise you need to “offset” a day of sitting. We know that spending hour after hour sitting down isn't good for us... A new study suggests about 30-40 minutes per day of building up a sweat should do it.

By David Nield. ScienceAlert.com. November 26, 2020.

One year later – Battleground Ontario: Liberal gains put majority government in play. The Liberal lead over the Conservatives has grown from +8% in the 2019 election to +18% one year later. The Liberal advantage over the Conservatives has grown the most in Hamilton-Niagara and the 905 regions.

By Pollara Strategic Insights. December 2020.

Agri-food focus

Innovator of the Year: How AGT Food’s Murad Al-Katib elevated Canada’s agriculture brand around the world. The Regina-based CEO’s focus on plant-based proteins has opened Canada up to a \$10.8-billion market. Report on Business Magazine. November 25, 2020.

Canada's agriculture sector could be a post-pandemic leader if Ottawa would only get on board. Ottawa has failed to recognize agriculture as an economic driver at a time when Trudeau’s reserves are evaporating at an alarming rate.

By Toban Dyck. Financial Post. November 25, 2020.

U.K. Requires Companies to Report on Climate Change by 2025. It is the first country to make disclosures about the business impacts of climate change mandatory.

By Dieter Holger and Emese Bartha. Wall Street Journal. Nov. 9, 2020

If we can grow cruelty-free meat in a lab, what is there to beef about?

Science is forcing vegans and vegetarians who demand others join them to think again

By Barbara Ellen. The Guardian. December. 6, 2020

Government Next - Navigating the fall-out of the COVID-19 pandemic The Future of the State. Ten leading global thinkers on government after the pandemic.

By James Crabtree, Robert D. Kaplan, *et al.* Foreign Policy Magazine. May 16, 2020.

The fall economic update: Freeland's trust exercise. When will the spending stop? What is 'building back better'? How will the gender impact of the crisis be fixed? The answers will come later.

By Paul Wells. MacLean’s. November 30, 2020.

