



# POLICY BRIEF

## January 2021

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### QUICK HITS

#### 2020 HASN'T REALLY ENDED...

New year's 2021, it was hoped, would turn the page on the 2020 nightmare. Not so much it turns out with most of the country (save perhaps/hopefully the Atlantic region) entering into continuing, renewed or enhanced lockdowns. Ontario and Quebec have both instituted enhanced restrictions enacting stay-at-home orders and curfews respectively. In Ontario, the recent lockdown enhancements have created new problems, confusion and criticisms. On January 15th the Premier ejected MPP Roman Baber from the PC caucus, and prohibited him from being nominated to run in the next election under the PC banner. This in response to a letter asking for an end to the lockdown. Not to mention the resignation of Rod Phillips - which seems like ancient history now, but was only a couple weeks ago. While criticism is certainly part of the political job there is some empathy out there for those who are responsible for making decisions and threading the public policy needle through the enduring disaster.

## STORMING THE CAPITAL

It was already difficult to be productive the first week of January with many juggling a return to work after a weird Christmas holiday along with kids competing for the wifi with at-home learning. Then came the absurdity of witnessing a MAGA mob protesting, storming and occupying the national capital. The interruption of the typical *pro forma* certification of the electoral college, by an apparent ill-planned but nevertheless deadly insurrection, was jaw dropping to say the least. It left many in a state of worry and lethargy adding to the existing discontent. Regardless of one's politics and views on the United States of America, it was a sad day with far reaching consequences that will take a long time to reconcile. On this side of the border, there is a genuine engagement on the question of whether such events could happen here in Canada. A serious question worth serious consideration.

## VACCINATIONS TO THE RESCUE!?

Despite some missteps over the holiday - and some recent bad news about Pfizer supply - the vaccination roll-out is proceeding with the Prime Minister promising a jab for everyone who wants one by the end of September. Let's hope so. The vaccine is the last and only hope for reprieve from the ravages of the pandemic and its extensive collateral damage. Notwithstanding the PM's promise, the logistical and numerical challenges are extraordinary. Provinces have developed their distribution plans with phases developed to coincide with priority demographics. A quick back of the napkin calculation however demonstrates the overwhelming challenge that such a project entails; getting a needle into the arm of, say, 70% of Canada's 37 million people by the end of September (37 weeks from now) will require 700,000 vaccinations per week - or 100,000 vaccinations every day, 7 days a week, from today until September 30th. Our sincere best wishes - for all our sakes.

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## 2. COMMENTARY: MAKE NO MISTAKE - YOU ARE LIVING THROUGH HISTORY

WTF? Even for those of you who aren't inclined towards swearing, you must be at least thinking about this instinctive response to current circumstances. Indeed, this rhetorical question has literally been lobbed our way frequently over the past 10 days; understandable as we have witnessed new restrictions, chaos in the American capital, pandemic fatigue and genuine confusion over where we are at, where we are going and when (let alone how) is this all going to be over?

We have witnessed first-hand the fatigue, anger, sadness and confusion around the current state of this enduring crisis. With real pain, suffering and death from COVID-19 and the rising collateral damage to the mental, financial and social well-being of literally everyone, this enduring disaster has become overwhelming – with what feels like no end in sight.

The risks of burn-out and failure to front-line health resources are exacerbated by the precariousness of essential businesses and services. This is of course all made even worse by the personal despair and real struggles that come from a crisis that is compounding in complexity and duration with increasing comprehension that the long-lasting social, health, economic and political detrimental effects of this mounting tragedy are significant – considerations of which remain, at this point, a secondary priority.

At a personal level we would encourage everyone to prioritize your own needs – this situation is difficult, perhaps impossible, to manage. There are no obvious solutions nor remedies to the personal and professional challenges – both large and small – that we are all trying to survive. We have found that reaching out to talk helps; that asking for help is indeed cathartic and that the struggle is universal.

Our observations from a network of businesses and professionals across the continent is that those who build their hopes and strategies around an assumption of some future “return to normal” have not yet internalized the fundamental disruption that COVID-19 has both created and accelerated. The future will not be a return to the pre-pandemic past – and businesses in particular have already adapted in real time to this fact. Society in general and governments in particular have been slower to adjust and more importantly to internalize the transformative implications.

More generally, make no mistake - we are living through history. The future can be bright – though it is admittedly difficult to imagine it as such in the current cold, grey winter of our pandemic discontent. But as past moments of profound crisis have illustrated such “moments in history” can bring about generational changes of profound progress. Think of the post-WW2 developments around economic expansion, decolonization and social revolution. (It can also bring terrifying conflict and decline – but we are actively working on the positive). This bright future requires exceptional public leadership, innovative and purpose driven private enterprise and an engaged citizenship that rejects the early 21st century complacency towards civic engagement.

But first we all need to survive the coming months as best we can. In the prophetic words of Jerry Springer – which somehow seems fitting considering the past few weeks - take care of yourselves and each other.

### 3. USDA PRIORITIES FOR 2021

The dramatic events of early 2021 in Washington DC have made any “normal” analysis of the incoming Administration difficult. The principle of a peaceful transfer of power after an election – what is generally regarded as a hallmark of a strong democracy – was abused on January 6th as the US Congress was laid to siege. The political reverberations of that incident continue across the US, and will likely do so for the foreseeable future.

US law enforcement authorities are bracing for more violence across the US in the coming weeks... and perhaps beyond. All this to say that the transition team for the incoming Biden Administration, as it sets out an 100 day priority list, is already being forced to pay attention and respond to very serious and unanticipated domestic circumstances. A political crisis, layered upon a raging pandemic, layered upon a faltering economy. The priority list is already at risk of being upended, and Inauguration has yet to take place.

**Ag Secretary Nomination.** In early December, President-elect Joe Biden named Tom Vilsack as his nominee for Secretary of Agriculture. There are several takeaways from this choice. First, it represents a deep trust on the part of the President-elect in the capacities of the former Ag Secretary, who held the position for the entire eight years of the Obama Presidency. Vilsack was Biden’s chief agriculture and rural policy voice during the campaign. On announcing the nomination in December, the President-elect acknowledged that Vilsack “wasn’t looking for the job, but I was persistent. I asked him to serve again in this role because he knows the USDA inside and out.”

This *segués* into the second point: continuity. The outgoing Ag Secretary, Sonny Perdue, has been criticized within the Department for sidelining career staffers and politicizing (and dismantling) USDA’s internal research arm. Who better to instill renewed morale within the Department

than a well-known and respected figure? The nomination signals to Department staff that a wholesale revision of its mission is not on the table – regardless of the strongly voiced expectations of progressive elements within the Democratic Party (see our December 2020 Policy Brief).

Thirdly, the move prioritizes familiarity with Congress and political process. Vilsack is well known to Congress. His nomination suggests that the incoming Administration has little desire to use political capital in advocating a contentious ag nominee (as would have been the case for Rep. Marcia Fudge), instead opting for a safe choice that is expected to sail through the nomination hearing process. Look for Vilsack’s name to be put forward early, as the Biden Administration seeks quick wins and an early example of bipartisan Senate cooperation.

Given his extensive political experience, Vilsack also has the advantage of understanding how to work with the White House and Congress to overcome multi-jurisdictional issues agriculture and, say, environment, climate policy or trade, for example. Further, most of the prominent US agriculture and food industry groups have extensive experience working with Vilsack.

Given these three factors – trust, continuity and familiarity with respect to the Secretary nominee – the expectation is that the USDA will be staffed and operational in relatively short order after Inauguration.

**Stated Ag Priorities.** Vilsack has already laid out his top near-term priorities as follows: distribution of pandemic relief, climate change, and racial inequities in agricultural policy and programs. On the first (and more acute priority), the recent US\$900 billion COVID relief package includes \$26 billion in agriculture and nutrition spending, with high expectations for early payment rollouts to

### 3. USDA PRIORITIES FOR 2021 CON'T

address food production safety and food assistance demands.

On climate change, President-elect Biden has stated that he wants US agriculture to be first to achieve net-zero emissions. In this context, the Biden transition team has been meeting with ag stakeholders to float proposals such as using crop insurance to incentivize climate-friendly farm practices and potentially using USDA's Commodity Credit Corp. to buy and sell carbon credits.

On systemic racism, Vilsack has vowed to thoroughly review USDA policies and programs for inequities. Black farmer and civil rights groups had criticised Vilsack for not doing enough during his last eight year stint to combat departmental discrimination. It will be an issue difficult to ignore this go around. The US House Agricultural Chair will for the first time be filled by a Black lawmaker, Rep. David Scott (D-Ga.). Scott has promised a full committee hearing on the status of Black farmers in the US, and has assured that the House Ag Committee "will provide leadership in eliminating racial injustice and discrimination in agriculture".

**Takeaway for Canada.** On the one hand, Vilsack is an excellent nomination with respect to Canadian agriculture and food interests. His previous tenure under President Obama coincided with Canada's challenge of the US COOL regulations, so he is well aware of the close-knit, interdependent relationship between Canadian and US agri-food supply chains and industries. Vilsack also has been the recipient of some of Canada's most forceful advocacy efforts.

On the other hand, Vilsack has been a key advocate for the US dairy industry since 2017, holding the position of President and CEO of the US Dairy Export Council. This means that the US complaint filed under the new NAFTA in early December 2020, targeting Canada's distribution of dairy tariff quota, is likely to get strong attention under the new Administration. Despite the myriad of domestic priorities which the incoming Ag Secretary will be forced to address early, US dairy constituents will expect Vilsack to apply ongoing pressure on Canada to offer the US industry greater market access opportunities. And those constituents will feel they already have the ear of the new Ag Secretary, and are an easy phone call away.

## 4. PATH TO CAP 2.0

As the Biden Administration seeks a steady hand and middling ground on its path to a new USDA Farm Bill in 2023, Canada is on its own path to update the Canadian Agricultural Partnership (CAP) - also set to expire in 2023.

As noted in the December Policy Brief, the November 2020 FPT Ministers of Agriculture meeting had a heavy focus on farm income/business risk management programs, Agristability, in particular. The dialogue was largely focussed on more government spending, modifications to existing program design, and who foots the bill - with provinces looking to Ottawa for a lion's share while the federal government seeks to maintain the existing 60/40 federal-provincial cost share.

More important but less prominent was the soft launch on a new government policy direction for agri-food; or at least the opportunity for renewal to be codified in the next national policy framework. 2023? Ok, don't push the snooze button. The table gets set early and this policy equivalent of an aircraft carrier is slow to course correct. All you need to know is the mid-2021

#### 4. Path to CAP 2.0 CON'T

policy statement frames program spending in 2023-28, and to a less direct degree policy and regulatory direction.

Given the many players – the federal government, 10 provinces, 3 territories – it's inevitable some/most parties are in election mode sometime in the process. The federal minority government situation, and the real possibility of a 2021 election, could have a major impact on key facets of all government policy – fiscal, economic, environmental – Agri-food won't be immune.

All this aside, what remains to be seen is the level of ambition for change in policy direction. The forces of inertia and incrementalism should never be underestimated – hey, if it ain't broke don't fix it, right? Wrong. Time is ripe for a more major approach – if not now, then ever?

Some areas worthy of more fundamental discussion and reform:

##### **FOOD SECURITY**

Canada's food system responded well through the pandemic - thanks to functioning free markets, an open Canada-US border for food goods, nimble industry leadership, and some focussed financial assistance from governments. But the reality was the system (government & industry) was unprepared and reactive. As Canada re-thinks its domestic preparedness/capacity for vaccine manufacturing, the same should be done for the domestic security of the food supply chain.

##### **AGRI-FOOD AND THE BROADER AGENDA**

We know that the key public imperatives will be focused on supporting economic recovery, climate change mitigation and adaptation and ensuring a demonstrably broader portfolio of public interest outcomes less stratified by geography, race, gender or other measures of marginalization or inequity. These imperatives will require action from the agri-food sector and are clearly highlighted in the Federal Minister's updated mandate letter.

##### **FISCAL POLICY AND RETURN ON INVESTMENT**

Finally, public finances are going to be under significant pressure - probably for some time. We know therefore that public investments and financial support will increasingly require a clear connection to outcomes that support the post-pandemic public interest and the competition for scarce public dollars will be more fierce than ever - see for example [Finance Minister's mandate letter](#) and Ontario's fall [budget](#). Some possible examples:

*AGILE REGULATORY SYSTEM* - what COVID-19 showed us is that governments can respond quickly, with political desire and popular support. Think vaccine approvals, border controls, temporary foreign workers, the regulation of citizen mobility/freedoms - to name but a few. However, in the absence of an existential public health threat, it will be a test for governments to apply this new found flexibility to address key challenges going forward. In the ideal, this kind of reform could be comprehensive including approvals processes from various regulatory agencies like Health Canada, but also program design and delivery (think automated reporting

and real-time aggregation and activation of related data); it could also include enabling infrastructure including policy or regulatory frameworks and innovations on public-private partnerships.

*DIVERSE LABOUR FORCE* - access to labour (unskilled, semi, and skilled) remains a key barrier to industry growth and recovery. Government income supports (e.g. CERB) may have been necessary to maintain social and political legitimacy during COVID restrictions, but not without distortions in labour supply. Future movements towards a basic income will have to contend with similar implications. The reliance on an offshore labour pool has always been fraught with issues, and has seen heightened criticisms from social justice groups through the pandemic. COVID put a spotlight on a number of real issues such as financial hardship to farmers and housing and access to medical care for foreign workers. It is perhaps time to take the “temporary” out of foreign workers and rapidly accelerate research and investment in robotics and automation.

*INTEGRATION OF NATURE BASED SOLUTIONS WITH BRM PROGRAM FUNDING*

*ENHANCEMENTS* - government and industry have long debated what level of investment is necessary through income support programs (BRM programs). The industry is looking for reliable and predictable programming that can be built into business models and annual planning; governments' for their part are looking to provide support in ways that limit fiscal pressures while supporting a primary production system that supports the public interest (see above). We believe there is a strong case to enhance public investment for BRM programming if that programming better incorporates public interest imperatives such as the need for enhanced food security and/or sustainability (e.g. nature based solutions). The key here is that governments will invest more into programming that provides such solutions - integrating those outcomes more explicitly with farm-level business needs creates new and interesting possibilities.

These are of course just ideas to ponder - but with the clock ticking it will soon be time to turn these and other insights into action.

## 5. SELECTED READING LIST

### **Managing COVID, female leadership and the climate plan**

Federal agriculture minister looks ahead to 2021 and back through a challenging 2020.  
*By D.C. Fraser. Farmtario. January 13, 2020*

### **It's time we saved Canada's institutions**

Canadians are witnessing the slow disintegration of their institutions.  
*By Donald J. Savoie. Toronto Star. Monday Dec. 7, 2020*

### **Why Markets Boomed in a Year of Human Misery**

It wasn't just the Fed or the stimulus. The rise in savings among white-collar workers created a tide lifting nearly all financial assets.  
*By Neil Irwin and Weiyi Cai. The New York Times. Jan. 1, 2021*

### **I'm writing down names, I'm making a list**

2020 was a lot of things. A tragedy. A tire fire. Seventy six months long. It was also the year that our leaders failed us. Not all of them, globally. But most of them, profoundly...  
*By Siri Agrell. Loss Leader. December 22, 2020*

### **The right kind of recovery**

How the pandemic should change the role of the state... Rather than trying to restore yesterday's economy, governments must adapt to change, ensure it does not expose people to outsized losses, and seek to share the fruits more widely.  
*The Economist. October 8, 2020.*

### **Why Confederation is both the cause of and the solution to our economic woes**

There's \$100 billion available to boost the economy but thanks to political inflexibility we can't get at it  
*By Kevin Carmichael. The Financial Post. January 15, 2021*

### **Canada's lack of interest in self-defence explains COVID failures**

If you don't save yourself, don't expect anyone else to do it for you. Given the slow pace of vaccine delivery from Ottawa and the weirdly lethargic approach to getting needles in arms at the provincial level, Canadians are once again confronted with the fact that their governments have a lot of trouble doing things.  
*By Andrew Potter. The National Post. January 15, 2021*