



FARM MANAGEMENT CANADA  

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GESTION AGRICOLE DU CANADA

# PRESENTATION TO THE STANDING COMMITTEE ON AGRICULTURE:

ADVANCEMENTS OF TECHNOLOGY IN THE  
AGRICULTURE INDUSTRY THAT CAN SUPPORT  
CANADIAN EXPORTS.

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Presented by:  
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*(Note: The following was originally prepared as an oral presentation to Committee meeting 101 on June 6<sup>th</sup> 2018. In lieu of an in-person meeting, it is being submitted as a briefing note.)*

Mr. Chairman and honourable members,

Thank you for inviting Farm Management Canada to speak before you today on matters concerning innovation in the agriculture industry and supporting Canadian exports.

By way of introduction, I am Heather Watson, and I have been Executive Director of Farm Management Canada for the past 9 years. We are the only national non-profit organization devoted to cultivating farm business management excellence for all farmers, across Canada.

We are very pleased to speak to today's topic as we feel innovation is the key to success for Canada's agricultural sector to not only survive, but thrive, and continue to be a leader in the global marketplace.

By 2050, farmers must produce 70% more food to feed 9 billion people around the world<sup>1</sup>. Further, Canada has set an ambitious target for agriculture to become Canada's key economic driver, moving from the world's 5<sup>th</sup> to 2<sup>nd</sup> largest exporter, increasing exports \$20 billion by 2025<sup>2</sup>.

These export targets not only speak to volume, but also value. A key ingredient in Canada's recipe for success in the global marketplace will be the capacity to innovate in the broadest sense to overcome current barriers including non-tariff barriers, transport and infrastructure to produce and move product to market, but also market intelligence to produce for target markets and the ability to add value to products to retain more value within Canada before export.

For my contribution today, I will be speaking to factors that help or hinder the success of Canada's farmers in terms of technological progress and innovation that can support export.

I will be touching on 4 main points:

1. Defining Success in Innovation
2. Building the Capacity to Succeed
3. Innovation in Farm Business Management
4. Working Together for the Industry

Taking a look at what some Innovation experts have to say, innovation can be defined as simply 'staying relevant'<sup>3</sup>, or 'work that delivers new goodness to new customers in new markets, and does it in a way that radically improves the profitability equation,'<sup>4</sup> and finally 'the implementation of creative ideas in order to generate value, usually through increased revenues, reduced costs or both.'<sup>5</sup>

The rhetoric speaks to successful innovation as a deliverable with relevant, measurable results.

While there is opportunity, there is also risk. And farmers know this all too well. Innovation in simple terms is an opportunity to gain or lose.

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<sup>1</sup> FAO. 2009. How to Feed the World in 2050

<sup>2</sup> Department of Finance Canada. 2017. Report from the Advisory Council on Economic Growth – 'The Barton Report'

<sup>3</sup> [Stephen Shapiro](#) is an Innovation Instigator, Hall of Fame Speaker and Author.

<sup>4</sup> [Mike Shipulski](#) is an innovation thought leader, focusing on defining best practices and tools for Product and Technology Development and embed them into company culture.

<sup>5</sup> [Jeffrey Baumgartner](#) is an author, keynote speaker and workshop facilitator specialising in creativity and innovation, and writer of the long-running industry newsletter Report 103.

Farmers must understand the benefits, the potential risks and have the capacity to adopt and manage innovation.

In order to invest, farmers must be profitable. We have studied profitability and have discovered a measurable link between investing in farm business management activities and profitability. In fact, farmers who invest in farm business management can increase their profitability by up to 525%. From our research, we also know the key management activities driving farm financial success. These are linked to planning ahead and continuing skills development and training.

In an ever-changing and increasingly complex global marketplace, the business-savvy farmer is positioned to confront change with confidence and seize opportunity, carving out a steady path for sustainable growth and prosperity.

Sustainability speaks to the natural connection between the environment, people and economics. Sustainable growth is that which can be maintained at a certain rate or level in perpetuity. Sustainability is therefore a key consideration in the context of innovation.

Taking a strategic approach grounded in the triple-bottom-line (looking after the environment, economics and people) provides the best chance for long-term, sustainable success. Expanding market opportunities, seeking out and adopting innovative practices, managing risk and environmental stewardship are only feasible when farms have the long-term capacity to succeed and there are measures in place to manage risks which may arise. The Business Risk Management (or BRM) programs, in this way, help support innovation.

Capacity is the key word when it comes to considering opportunities for export growth including entering into and sustaining market opportunities. Are there new opportunities for existing products? New products? What are the trade risks in the short- and long-term and how will market risk be managed? Changing and adding business processes and technologies often means evaluating human resources - labour supply and skills development and training requirements, along with the capacity of the farmer to manage new people in the workplace. This is a big step for farms, especially for those employing help for the first time.

Without a sound basis for making informed farm business management decisions, farmers may be entering into markets and value-added agriculture without the business capacity and skills to manage for success.

Farm business management is the key to building this underlying capacity to innovate and grow and continue to be major contributors to Canada's economic, environmental and social development. A farm that is struggling financially or cannot fill its labour requirements is not positioned for innovation and investment – to try something new with potentially negative consequences, even if just in the short term.

If innovation is about finding ways to improve current practices and overcome barriers to success, innovation can also be thought of in the context of better management practices.

Perhaps there is a new technology that can be applied on the farm, a new market, a new way to produce goods and services, but perhaps also a new way to attract and retain employees, organize senior management and manage the books.

We are working with an organization in Quebec who have created an automated bookkeeping tool for producers, which is helping alleviate the time required and resulting stress of farm financial management. This innovation stemmed from understanding the reasons for low adoption of financial management practices, and creating a tangible solution. Likewise, we are working with another non-profit organization

to look at a new way of organizing financial statements to provide a clearer link between management practices and financial performance.

Having precise financial data allows the farmer to make faster decisions, taking advantage of new opportunities. Hence innovations in farm business management are helping farmers innovate in other areas - adopting innovations and new technologies to take advantage of export and other marketing opportunities.

As with any innovation, the key to success is adoption and realizing positive results.

For most farmers, the innovation must be tried and true before adoption is considered. Furthermore, a clear path to adoption and measuring the benefits must be available.

We have studied the adoption of business practices by Canada's farmers, including the drivers, barriers and farmers' attitudes towards farm business management. Adoption remains relatively low. Just 1/4 of Canada's farmers have a business plan<sup>6</sup>. Farmers continue to struggle with implementation. Over the next 3 years, we plan to study how best to support farmers in adopting and sustained implementation of new practices, this includes innovation.

While we recognize the nature of the agricultural sector is increasingly complex and fast-paced, if we are not mindful of the need to continue building the business management acumen of Canada's farmers at the same time, it is like encouraging farmers to run before we've learned to walk.

The Protein Industries Super Cluster under Innovation, Science and Economic Development Canada is an incredible opportunity for innovation. The research clusters and value chain management roundtables are also breeding grounds for significant innovation. And then we have Strategic Investment programs like AgriCompetitiveness focusing on building the capacity for farmers to succeed through business and leadership skills development and training.

It is imperative the government facilitate establishing and maintaining a connection between these initiatives so government departments and industry can pull in the same direction to achieve success.

And albeit a lofty goal, within Agriculture & Agri-Food Canada, business skills development and training must be recognized as the prerequisite and catalyst for innovation, marketing, fostering business development, and managing risk. Success within any and all of these priority areas hinges on skills development and training to foster business development, competitiveness and support long term success.

In summary:

1. Technological advancements for both increased volume and value will be key to remaining competitive and achieving our growth targets
2. However, innovation must be defined by measurable results
3. Sustainable growth balances environmental, social and economic factors – one cannot exist without the others
4. Business skills development and training are necessary to build the capacity for long-term success - for investment into and successful adoption of innovation
5. Innovation should not be limited to production and processing – it equally applies to Farm Business Management

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<sup>6</sup> (2015) Dollars and Sense: Measuring the Tangible Impacts of Beneficial Business Practices on Canadian Farms. Commissioned by Farm Management Canada (FMC) and the Agri-Food Management Institute (AMI).

6. Governments must work together, facilitating ongoing conversations and linking strategic initiatives and skills development with innovation

If we put all our attention to new technologies and innovation without paying attention to investing in the skills development and training required to take full advantage of these technologies, we're going to fall short of succeeding in the long run.

We know that Canada is uniquely positioned to succeed, and we plan to be there to help farmers continue to build the capacity to confront change with confidence and seize opportunity.

Thank you Mr.Chairman, members and guests.

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***Farm Management Canada** is the only national non-profit organization devoted to developing and delivering farm management information, tools and resources to cultivate farm business management excellence for all farmers, across Canada.*