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Submission to Agriculture and Agri-Food Canada's Consultation on the Next Policy Framework

In June 2026, the Smart Prosperity Institute contributed the following written submission to Agriculture and Agri-Food Canada's national consultation on the Next Policy Framework, answering key questions about growing and strengthening Canada's agriculture and agri-food sector.

1. We are hearing that stakeholders would like us to focus on areas such as markets and trade, growth and competitiveness, science and innovation, and resiliency. Do you agree with these priorities, or are there others?

In an era where Canada is facing significant climate, market, and political variability, it is fitting for resilience to be recognized as a key priority for the Next Policy Framework (NPF). Canada's ability to manage continued uncertainty, absorb or recover from disruptions, and shockproof the sector will be paramount to achieving success across all the priority areas listed above. For example, science-informed, farm-level innovations that lead to economic and environmental resilience are foundational to a stable supply of agri-food products. This stability positions us to remain competitive as global or market conditions change, allows us to continue providing high-quality products to our trading partners, and enables sectoral growth through disruptions.

Achieving resilience at scale will require the NPF to create conditions that accelerate practice adoption, advance new investments, and coordinate investments and innovation around resilience-building opportunities. The following preconditions can help Canada realize these goals:

(1) Modernizing our incentive and risk management programs to recognize today's pressures: The APF's approach to supporting sustainable practice adoption (i.e., cost-shares) has remained largely unchanged over the past 20 years (NRCan, 2025). For Canada to remain competitive and to accelerate the adoption of resilient practices, the NPF could create modern and innovative programs that promote proactive risk management and support farmers across multiple stages of the adoption journey.

(2) Enabling agriculture and food corporations to invest in farm-level resilience: Other jurisdictions, like the US and EU (USDA, 2023; European Commission, n.d.), have done a better job of creating in-roads for private sector investment in on-farm climate action (NRCan, 2025). Private sector actors, such as large agri-food processors and distributors, have a material interest in enhancing the resilience of their supply chains, from both an economic and ESG perspective. If Canada does not create clear pathways (e.g., via ecosystem service market opportunities) for these groups to invest in climate mitigation, it will remain difficult to leverage their support in building a more resilient future.

(3) Rebuilding extension service capacity to connect FPT governments and producers: On-farm technical support and networks are key to accelerating resilient practice adoption. They also represent an important channel of farmer-government communication. SPI's work with AAFC on the Nitrogen Fertilizer Emissions Reduction Target heard clearly that Canada's extension service capacity (e.g., certified crop

advisors) has been in decline for several years, leading to availability concerns and a lack of context-specific information or support for changing management practices (AAFC, 2023).

Each of these preconditions will be discussed in more detail in the responses below.

2. In your view, what should be the top priorities for the Next Policy Framework?

Prioritizing opportunities that simultaneously build the economic and environmental resilience of Canadian farmers should be the top priority for the NPF. Success hinges on the NPF being specific about the types of practices, innovations, or infrastructure required to achieve, verify, or report on resilient outcomes. The policy, program, and support environment (i.e., the preconditions) must also be calibrated to enable the adoption of these changes and sustain them over time.

Economic and environmental resilience can go hand in hand in the agriculture sector, and often, the practices that shockproof our farm systems offer substantial climate benefits. For example, economic resilience can be built by promoting practices that reduce a farm's reliance on off-farm inputs (e.g., fertilizers or pesticides) and create a more self-sufficient system (EEA, 2026). Several of these practices also reduce the farm's environmental footprint, such as 4R practices that reduce total fertilizer cost and environmental losses. At the same time, the NPF could prioritize practices that build resilience to environmental disruptions, such as extreme weather. As an example, soil health practices have garnered attention for their ability to mitigate the economic impact of drought conditions and provide environmental benefits by sequestering carbon from the atmosphere (Richardson et al., 2026).

To ensure the policy and support environment is calibrated to drive resilience, the NPF could consider how it leverages extension services to support practice change or improve practice diffusion (see more detail in response #4). Acknowledging the long-standing call for rebuilding Canada's extension services, SPI's research highlights knowledge hubs and communities of practice as priority extension opportunities that enable collaborative trailing, knowledge sharing, and mentorship (Lopez Ivich et al., 2025).

The investment environment must also be properly calibrated. One opportunity is to draw in agriculture and agri-food corporation investments in supply chain resilience, creating new revenue opportunities for farmers and enhancing the business case for practice change. Growing ecosystem service market opportunities can fulfill these conditions, and SPI's work with the Canadian Alliance for Net-Zero Agri-Food has identified investments in measurement, monitoring, reporting, and verification system (MMRV) capabilities, traceability infrastructure, and improving data availability as key unlocks for driving private sector participation in these markets (i.e., alongside other factors like evolving corporate accounting guidance and the development of new, Made-in-Canada carbon credit protocols).

3. Given recent challenges and unpredictability facing the agriculture and agri-food sector, what do you see as the issues, both current and emerging, that are creating the most pressure for the sector? What do you see as the greatest opportunities for the sector?

Developing a proactive approach to risk management that builds resilience before disasters occur is one of the greatest opportunities for the NPF. A national poll of 858 farmers, conducted by Farmers for

Climate Solutions and Leger, found that climate change was the top challenge expected to impact the sector over the next decade, and that 76% of farmers were already feeling the impact of extreme weather events (FCS & Leger, 2024).

SPI's research with Farmers for Climate Solutions has been exploring opportunities to design proactive risk management approaches that modernize Canada's insurance and support programs, such as: (1) creating insurance premium discounts and incentives to promote the use or expansion of risk-reducing practices (i.e., similar to the AgriInsurance pilots mandated under SCAP); and (2) recognizing the heightened risk of on-farm innovation in today's production context and offering transitional, profit or yield based insurance products to promote resilient practice adoption (Richardson et al., 2026).

To spur the modernization of these programs, policymakers and government insurance agencies could establish Canada-specific evidence clarifying the circumstances where BMP adoption reduces farm-level risk exposure, and ultimately, lowers public expenditures on indemnities. AgriInsurance pilots in Canada have already started exploring soil health practices and metrics for this purpose. While it is promising to see progress in this space, the NPF could ensure that a wider variety of resilient practices and metrics are explored to target multiple indemnity 'hotspots' and ensure these proactive, resilience-building incentives are widely available across Canada.

SPI's research also finds that a renewed AgriInsurance pilot mandate could push innovation further in the NPF, particularly if it explores how insurance innovations can better share the risk of resilient practice adoption. Recognizing the heightened uncertainty present in today's context, the United States and Australia have gotten a head start on this type of program modernization, introducing BMP-based insurance programs (USDA, 2022; WTW, 2024). Without domestic program innovation, Canada risks falling further behind and limiting access to important supports.

Smart policy should also consider how to coordinate these tools with current incentive opportunities to holistically support resilient practice change (i.e., cost-shares to mitigate upfront costs, BMP insurance to mitigate transitional declines in yield or profit, and insurance premium discounts or ecosystem service markets to provide a recurring incentive over time).

For more information on these innovations, their role in building a resilient agriculture sector, and their enabling conditions, see SPI's new report: https://institute.smartprosperity.ca/growing-in-a-riskier-world

4. How can FPT governments best work with producers and processors through the Next Policy Framework to address these challenges and help advance sector priorities?

To advance environmental and financial resilience in Canada's agriculture sector, FPT governments are best positioned to work with producers through two complementary channels: strengthened extension systems and expanded on-farm pilots. Together, these approaches build the foundation for sector-wide resilience by equipping producers with the knowledge, technical capacity, and applied evidence needed to adapt, while enabling producer-led innovation and systems modernization.

Rebuilding extension capacity through communities of practice, peer networks, collaborative trials, and other social or technical supports is a critical precondition to increasing the awareness of and confidence

in adopting resilience-building practices. SPI's research asserts that addressing the sector's complex challenges also requires coordinated engagement across the agri-food system, including governments, researchers, industry associations, and NGOs. These actors play a key role in co-developing farm management and policy solutions, aligning on shared priorities of resilience and competitiveness, and building sector-wide consensus to drive action (Lopez Ivich et al., 2025).

Regionally or production-specific peer networks are particularly effective, as they reflect shared agronomic and operational realities. In Canada, industry-led initiatives are already emerging, but have yet to reach scale. For example, Regeneration Canada's Regenerative Dairy Program integrates peer learning, technical support, and environmental and financial performance measurement to accelerate the adoption of resilience-building practices (*Manitoba Regenerative Dairy Program*, n.d.). SPI's research supports this initiative by analyzing the financial outcomes of resilience-building practices to clarify their return on investment and strengthen the business cases for adoption.

On-farm pilots represent a second critical mechanism to support program modernization and engage producers in the co-development of practical solutions. Field trials and program pilots enable the real-world testing of practices, technologies, and policy tools, ensuring they are relevant, effective, and scalable. SPI's research on insurance innovations for Canada's agriculture sector finds that new funding for collaborative, producer-led pilots could accelerate the ground truthing of the latest ideas. Funding should enable structured collaboration among producers, researchers, industry, and the private sector to test novel program concepts and assess their ability to address resilience-building challenges (Richardson et al., 2026).

5. We are nearing the halfway point of Sustainable CAP. What is working well in your view, and where is there room for improvement?

The Sustainable CAP made important progress by mandating experimentation with new risk management tools (i.e., directly supporting the modernization precondition) and providing targeted funding for nature-based solutions (NBS) that support resilience. However, these efforts can be strengthened by enhancing program evaluation to set clear benchmarks for assessing new program approaches, and by incorporating landscape-level conditions into NBS programming to achieve greater resilience outcomes.

A key success of the Sustainable CAP has been the requirement for public agricultural insurance agencies to pilot sustainability-linked insurance tools. This direction is critical to modernizing insurance programs and reflecting the impacts of resilience-building practices on production risk. Promisingly, the sentiment of de-risking on-farm innovation has spread to other policy portfolios, such as the On-Farm Climate Action Fund's incentive stream for Experimental BMPs.

Building on this momentum, the NPF could continue to promote modernization across both risk management and BMP support programs by prioritizing standardized data collection, performance measurement, and reporting. This could take shape as a coordinated evaluation framework, including benchmarking (e.g., cost-effectiveness or abatement costs) and common criteria to assess new and existing programs. A stronger evidence base is essential to assess newly proposed programs and concretely assess their potential for inclusion at scale in future policy frameworks.

The Sustainable CAP has also played a critical role in advancing resilience through NBS programming, notably through the Resilient Agricultural Landscapes Program (RALP). RALP filled a gap in current programming, enabling greater nature enhancement and restoration activities in farm landscapes by providing the initial capital needed to overcome the low private benefit and high upfront costs of NBS projects.

Future iterations of this program could consider the inclusion of spatially targeted or landscape-level incentives, and the effectiveness of these changes could be assessed using the evaluation framework proposed above. SPI's research in this space has evaluated behavioral economic opportunities, like collective adoption bonuses, to drive change at landscape scales (McFatridge et al., 2022). Collective bonuses refer to enhancing the cost-share percentages for contiguous projects across farm boundaries or setting target adoption thresholds in priority watersheds with bonus payments when achieved. Integrating these incentives across environmental programming would improve resilience outcomes by leveraging the cumulative benefits of landscape connectivity and collective action.

6. What are the lessons learned that should be considered in the Next Policy Framework?

Since deploying the Sustainable CAP, the sector has learned two valuable lessons that could be considered for the NPF: (1) delaying action on resilience increases costs, undermines productivity, and hampers competitiveness; and (2) without program modernization and stronger engagement with private investment, Canada risks falling behind global competitors.

First, delayed investment in resilience is already driving higher costs across the sector. This is most evident in the business risk management programs, where increasing exposure to climate-related events has led to significant financial pressures. The 2021 drought in the Prairies provides a clear example: in Manitoba insurance payouts increased by 656% (Government of Manitoba, n.d.), while premium rates rose in subsequent years to reflect heightened production risk (Agriculture Financial Services Corporation, 2024). These trends underscore the fiscal and economic risks of inaction.

To address this, investments in resilience must be prioritized to enhance long-term stability, manage public costs, and buffer against climate, market, and geopolitical shocks. This includes supporting producers in adopting practices to improve climate resilience and input efficiency, rebuilding extension capacity, expanding on-farm pilots and innovation, and developing new insurance tools that reward proactive risk reduction. Importantly, policies, programs, and private investment opportunities should focus on the transition period for adopting resilience-building practices, when producers may face short-term productivity declines before realizing longer term gains (De Laporte et al., 2022). Targeting support for this phase will be critical to accelerating adoption.

Second, maintaining Canada's competitiveness will require modernizing agriculture programs and creating the enabling conditions for private investment. On the program side, other jurisdictions have moved quickly to align risk management tools with resilience objectives. Examples include the Post Application Coverage Endorsement in the US (USDA Risk Management Agency, 2022), Nitrogen Risk Insurance in Australia (Willis Towers Watson, 2024), and Green Insurance in France (Lefebvre et al., 2024), all of which support producers in managing the risks associated with adopting resilience-building practices.

At the same time, unlocking private investment will require the development of enabling market infrastructure. This includes ecosystem service markets and a sustainable finance taxonomy that guides investment in agriculture. Internationally, governments are investing in ecosystem service markets, including the US' Investment in MMRV for Agriculture and Forestry (USDA Natural Resource Conservation Science, 2023), the EU's Carbon Removals and Carbon Farming Regulation (*Carbon Removals and Carbon Farming (CRCF) Regulation*, n.d.), and Australia's Nature Repair Market (Australian Government, 2026). With careful consideration and sectoral engagement, taxonomies and frameworks, such as those developed by FCC or underway through Business Future Pathways, can also be leveraged to drive private investment into Canadian agriculture, similar to New Zealand's draft Sustainable Finance Taxonomy for Agriculture, Forestry and Other Land Use (Centre for Sustainable Finance, 2025).

Taken together, these lessons underscore the urgency for the NPF to move decisively toward a more innovative, investment-ready approach that reduces the cost of inaction, supports producers through transitions, and positions Canada as a leader in resilient and competitive agriculture.

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