



August 6, 2014

**by e-mail at:
*finapbc-cpb@parl.gc.ca***

Mr. James Rajotte, MP
Chair, Standing Committee on Finance
House of Commons
Ottawa, ON K1A 0A6

Dear Mr. Rajotte:

2015 Pre-budget Submission of the Canadian Meat Council

The Canadian Meat Council is pleased to provide comments to the Standing Committee on Finance as it undertakes its pre-budget consultations for the 2015 Federal Budget.

Established in 1919, the Canadian Meat Council represents 52 federally-regulated meat company processors of beef, pork, poultry, veal, horse and lamb and 93 associate member companies that provide equipment, packaging, trading, ingredients, rendering, laboratory testing, and engineering services to the meat industry.

The meat packing and processing industry constitutes the largest segment of Canada's food processing sector, providing 65,000 jobs in rural and urban communities across the nation, accounting for \$23.6 billion in sales and representing \$4.6 billion in annual exports to some 120 countries around the globe.

You will find our submission for the 2015 pre-budget consultations under cover of this letter. I would be pleased to appear before the committee to discuss our submission in more detail.

Sincerely,

James M. Laws
Executive Director

Att.



2015 Federal Budget Recommendations
Presented to the House of Commons Standing Committee on Finance
by the Canadian Meat Council
August 6, 2014

Executive Summary

2015 is expected to be a pivotal year. It promises a return to a balanced budget with a forecast for a small surplus as a result of economic recovery and program spending review.

The government has already taken some important measures, as part of Canada's Economic Action Plan, to make a positive contribution to the viability of the Canadian meat packing and processing industry. The extension of the two-year write off for investments in manufacturing and processing machinery and equipment as well as the signing of key international trade agreements are among those measures that are worthy of note.

Since Budget 2012, the government has made significant investments in strengthening Canada's food safety system under the three pillars of the Healthy and Safe Food for Canadians Framework: promotion, prevention and protection. Under that framework, and guided by the Safe Food for Canadians Action Plan, the Canadian Food Inspection Agency (CFIA) is working to ensure that our food safety system remains one of the very best in the world as it modernizes the regulatory system in support of the *Safe Food For Canadians Act* (SFCA), scheduled to come into force in 2015.

The need to sustain economic growth is as significant today as it was at the beginning of the recovery. To that end, Budget 2015 should include measures that will enable the Canadian meat industry to leverage its investments in productive assets and human resources with a view to meeting federal food safety and regulatory requirements and ensuring its continued competitiveness at home and abroad.

Increasing the competitiveness of Canadian businesses through research, development, innovation and commercialization

- **Recommendation #1**

The Government of Canada should create a 5-year \$10 million Market Access for Canadian Meat Exports Program to help Canada's meat packing and processing industry take full advantage of the export opportunities created by new international trade agreements.

Improving Canada's taxation and regulatory systems

- **Recommendation #2**

The Government of Canada should increase the depreciation rate for manufacturing and machinery and equipment from 30% to 50% on a declining balance basis upon the expiry of the accelerated capital cost allowance. This would allow Canada to close the productivity gap with the U.S. and ensure that Canadian manufacturers, including meat processors, are on a level playing field with their U.S. counterparts.

- **Recommendation #3**

The Government of Canada should contribute an additional \$5 million to the Canadian Food Inspection Agency for their new initiative "Safe Food Canada: the Learning Partnership" for the period 2015-2020. The Government of Canada is taking further action to strengthen Canada's world-class food safety system with the launch of the Safe Food for Canadians Action Plan.

- **Recommendation #4**

The Government of Canada should contribute an additional \$10 million to the Canadian Food Inspection Agency for food safety compliance promotion of the new *Safe Food for Canadians Regulations* over the period 2015-20. The Agency needs adequate resources to ensure that compliance with the new requirements is achieved quickly to ensure that Canada's food safety system remains one of the very best in the world.

Maximizing the number and types of jobs for Canadians

- **Recommendation #5**

The Government of Canada should fund a new 5-year \$50 million Labour Mobility Incentive Program targeted at Canada's youth to strengthen Canada's labour market.

The Importance of the Canadian Meat Industry

The meat packing and processing industry is the largest component of Canada's food processing sector. It has annual revenues valued at over \$23.6 billion, exports of \$4.6 billion to 120 countries, and total employment of 65,000 people.

The meat packing and processing industry includes over 400 establishments, providing valued jobs and economic activity in both rural and urban settings, particularly in rural Canada. The industry is active in virtually every part of the country, with major concentrations of firms located in Alberta, Manitoba, Ontario and Québec. Canada's meat processing industry adds value to the live animals born and raised on Canadian farms, providing a critical market outlet and supporting the viability of thousands of livestock farmers.

Recommendations

Increasing competitiveness of Canadian businesses through research, development, innovation and commercialization

International trade is crucial to Canada's red meat industry since Canada produces much more meat than our 35 million people can consume. Conversely, the world's population is growing from its current 7 billion to an estimated 9 billion people by the year 2050 and require significantly greater access to food imports.

In 2013, Canada exported \$1.3 billion of beef and \$3.2 billion of pork to over 120 countries around the world. Increased export sales enhance financial returns for farmers, improve financial margins for processors, increase jobs for workers and enhance economic activity for all Canadians.

Critical to accessing international markets is Canada's ability meet the requirements of the world class food safety systems of its major trading partners. Our estimates show that the Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union, when implemented, could increase Canadian exports by up to \$400 million of pork and \$600 million of beef. Other international trade agreements, like the Trans Pacific Partnership Agreement and the Canada Japan Economic Partnership Agreement, are currently being negotiated. Canadian meat packers and processors need to be prepared to take full advantage of the new export opportunities.

In the past year few years the costs of visiting international meat safety audits of Canada's meat processing sector have been downloaded to industry. Those audits are

Government to Government audits and the entire costs should be borne by Government- not industry. Costs for translation, transportation, lodging and food can be substantial. Other countries like the United States do not download those costs to their industry when other foreign auditors perform their regular visits- and neither should Canada.

- **Recommendation #1**

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Improving Canada's taxation and regulatory systems

The accelerated capital cost allowance for the acquisition of machinery and equipment that has been in place since 2007 is set to expire in 2015.

A targeted tax measure such as accelerated capital cost allowance can be a significant driver of labour productivity in the Canadian manufacturing sector. According to data published by the Canadian Manufacturers & Exporters in their 2015 pre-budget submission, it would appear that Canada's average labour productivity growth of 0.58% has increased almost as much as that of the United States (0.71%), and more than the United Kingdom (-0.51%) and Japan (0.55%) from 2010 to 2013.

In a November 2013 study published by the Canadian Manufacturers & Exporters, *Capital Allowance for Manufacturing Corporations in Canada and the United States*, it was found that the traditional model of depreciation in the U.S. is much more advantageous for companies than Canada's traditional model of depreciation.

- **Recommendation #2**

The Government of Canada should increase the depreciation rate for manufacturing and machinery and equipment from 30% to 50% on a declining balance basis upon the expiry of the accelerated capital cost allowance. This would allow Canada to close the productivity gap with the U.S. and ensure that Canadian manufacturers, including meat packers and processors, are on a level playing field with their U.S. counterparts.

Food safety is the number one priority for the Canadian meat industry and that is why food safety is a non-competitive issue. Companies work together to share best

practices – and in close collaboration with the CFIA - to achieve the highest levels of food safety.

The Government of Canada is taking further action to strengthen Canada's world-class food safety system with the launch of the Safe Food for Canadians Action Plan.

Through our industry association we have worked closely with the CFIA to deliver training – over 50 seminars since 2008 on technical and regulatory requirements – focusing on issues like control of *Listeria* and *E coli* and on the Compliance Verification System.

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Maximizing the number and types of jobs for Canadians

Canadian meat processing companies are currently facing an acute labour shortage of industrial butchers and meat cutters willing to work in permanent full time positions in meat processing facilities across Canada. Domestic recruitment efforts are intensive, constant and national in scope. The industry offers fulltime employment, training in the requisite technical knowledge and specialized skills, pay packages well in excess of minimum wage standards and a complete range of employment benefits.

In the absence of sufficient workers to fill the vacant positions, processing plants lose competitiveness to foreign companies, farmers are deprived of a market outlet for their livestock, the jobs of thousands of Canadians are placed in jeopardy, food safety risks increase, Canadian exports decrease, reliance on imported food rises, and revenues for local, provincial and federal governments decline.

In an industry that employs 65,000 people, and despite our ongoing efforts to hire Canadians first, our industry currently has over 800 full time positions that remain unfilled.

Canada is characterized by some regions of virtually no unemployment while other areas experience chronic unemployment. Yet, many Canadians remain unwilling to accept jobs that are far from their present homes, or to relocate to a rural location.

While the current income tax credit for relocation may be of benefit to employed Canadians, it is of limited assistance to the unemployed. It is recommended that the government offer financial relocation assistance to encourage unemployed Canadians to move from regions characterized by chronically high unemployment to areas of low unemployment to address imbalances between unemployment and job vacancies which persist across regions.

A 2012 study from Statistics Canada analyzed the working and educational paths of people aged 15 to 29 in a bid to assess youth engagement with the labour force. The study found that 13 per cent of the 6.8 million Canadians in the age bracket were not in education, employment or training.

- **Recommendation #5**

The Government of Canada should fund a new 5-year \$50 million Labour Mobility Incentive Program targeted at Canada's youth to strengthen Canada's labour market.