

**GOVERNMENT RESPONSE TO THE TENTH REPORT OF THE STANDING COMMITTEE ON
AGRICULTURE AND AGRI-FOOD ENTITLED *GROCERY AFFORDABILITY:
EXAMINING RISING FOOD COSTS IN CANADA***

The Government of Canada is pleased to respond to the Tenth Report of the Standing Committee on Agriculture and Agri-Food (the Committee) entitled *Grocery Affordability: Examining Rising Food Costs in Canada* (the Report), tabled in the House of Commons on June 13, 2023.

The Government commends the members of the Committee, and the witnesses who appeared, for their insight and commitment to finding ways to help reduce rising food costs. The Government appreciates the time and attention that was devoted to studying the issue of food price inflation and to developing the 13 recommendations that were proposed by the Committee in the Report.

The Government supports many of the recommendations, recognizing the significant concerns of Canadians in dealing with food price inflation. In doing so, the Government is working collaboratively with provincial, territorial and Indigenous partners, and industry stakeholders to adequately address the challenges highlighted throughout the Report. Details are provided below regarding the Government's Response to each of the recommendations.

The Response is the product of a collaborative effort among implicated federal departments and agencies including: Agriculture and Agri-Food Canada (AAFC); the Canadian Food Inspection Agency (CFIA); the Canadian Northern Economic Development Agency (CanNor); Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC); Employment and Social Development Canada (ESDC); Environment and Climate Change Canada (ECCC); Finance Canada (FIN); Global Affairs Canada (GAC); Health Canada (HC); Immigration, Refugees and Citizenship Canada (IRCC); Innovation, Science and Economic Development Canada (ISED); Transport Canada (TC); and the Treasury Board of Canada Secretariat (TBS).

The issues impacting Canada's food supply chain are longstanding and complex. However, the Government has, and will continue to take concrete action to enhance the strength and long-term resilience of the supply chain and the global competitiveness of Canada's agriculture and agri-food sector.

RECOMMENDATION 1

The Committee recommends that the Government of Canada take the necessary steps to collect and make public data on costs throughout the Canadian agri-food supply chain—including disaggregated data on costs in the primary agriculture, food and beverage processing, and food retail sectors—along the same lines as the information the United States Department of Agriculture's Economic Research Service makes available in its Food Dollar Series research program.

The Government supports in principle this recommendation and recognizes the importance of having quality data available to support evidence-based decisions, analysis, and monitoring of the health of the Canadian agri-food supply chain, from the farm to consumers. High quality data are essential to the Government's ongoing work, including policy and program development, responding to sudden sector shocks, forecasting, and analysis of structure and performance of the sector. The data that the Government collects and publishes are also used by businesses and organizations along the agri-food supply chain to help make decisions. Stakeholders have consistently communicated to the department the value of having access to reliable and regularly updated data on the sector, and are regularly engaged to ensure that future data collection and dissemination is relevant for their needs.

Statistics Canada regularly publishes data series from across the supply chain. These indicators range from measures of farm income, farm cost of production, agricultural production practices, gross domestic product, employment, food prices and affordability, innovation, and trade. Statistics Canada and AAFC collaborate to try to keep data resources focused on the

priorities of the sector.

AAFC complements these efforts through several activities, including through a Memorandum of Understanding with Statistics Canada that supports the collection and publication of information, indicators, and data tables at a more granular level than would otherwise be possible. AAFC also publishes detailed wholesale and retail prices on its website, like prices for poultry, red meat, and various fruits.

AAFC will review available data and explore various methods that could be adapted to the Canadian context, including the USDA's Food Dollar Series, to support our ongoing efforts to increase knowledge and improve transparency on information available across the food supply chain.

RECOMMENDATION 2

The Committee recommends that the Government of Canada provide additional funding to Indigenous-led initiatives in remote and Northern areas to improve infrastructure that supports the food security of their communities.

The Government supports in principle this recommendation, recognizing that the federal government has previously made significant investments in food security in remote, Northern, and Indigenous communities, and that engagement with Indigenous partners on future investments in this area is ongoing.

In 2019, the Harvesters Support Grant (HSG), co-developed by CIRNAC directly with Indigenous partners, was launched. It marked an important step in fostering collaborative and respectful partnerships between the Government of Canada and Indigenous governments and organizations to deliver flexible and self-determined funding supports for hunting, harvesting, and food-sharing activities in isolated communities.

Through Budget 2021, and over three years, the Government of Canada invested an additional \$36M in the HSG and announced \$60.9M in new funding to launch a Community Food Programs Fund (CFPF) as an expanded investment to support activities across the harvesting cycle, invest in local food infrastructure, and strengthen food-sharing initiatives and programming. This grant funding promotes local decision making and flows through Indigenous governments and organizations so they take the lead in developing food security solutions for their communities. In 2022-2023, CIRNAC committed to distribute \$120M in grant funding to 24 Indigenous organizations representing 112 isolated communities.

Through its Northern Isolated Community Initiatives fund, CanNor also supports community-led projects for local and Indigenous food production systems. These Indigenous-led projects have helped increase local storage and processing capacity to support community food security. Through its IDEANorth program, CanNor has also supported Indigenous-led infrastructure improvements to enhance local fisheries, processing facilities, and community-owned greenhouses in Nunavut and the NWT, as well as supporting farmhouse infrastructure expansion in the Yukon.

Delivered through AAFC, the Local Food Infrastructure Fund (LFIF) is a five-year, \$70M initiative that supports efforts by community-based, not-for-profit organizations, and Indigenous groups, to increase food security by establishing and strengthening local food systems. Since August 2019, LFIF has committed \$54.8M to support over 897 vital food security projects across Canada, such as: community gardens and kitchens; refrigerated trucks and storage units for donated food; greenhouses in remote and Northern communities. 188 of these projects were with Indigenous groups, representing over \$21.7M in funding.

Technical expertise and knowledge is also being leveraged at AAFC Research facilities to support new or revitalized food systems in communities. For example, the successful Indigenous-led Naurvik project is a community-led hydroponic food production system in Gjoa Haven, Nunavut (a small community, 250 km north of the Arctic Circle), that sustainably grows

fresh food year-round, powered almost entirely by renewable energy sources.

The federal government remains committed to advancing self-determined approaches to improving food security in Indigenous communities. As part of the federal government's Action Plan for the implementation of the *United Nations Declaration on the Rights of Indigenous Peoples Act*, the federal government is working in consultation and cooperation with Indigenous partners to co-develop solutions that address food security, including expanding the HSG and CFPF. Furthermore, the federal government has identified several measures to further support Indigenous Peoples' food security and sovereignty by exploring additional funding and other program measures; promoting food-focused research; and strengthening trade in Indigenous Peoples' food products.

RECOMMENDATION 3

The Committee recommends that the Government of Canada, in cooperation with the provinces and territories, address food waste by:

- **investigating how the elimination of “best-before” dates on foods would impact Canadians;**
- **partnering with non-profit organizations and large food retailers to develop programs to divert food that would otherwise be wasted to Canadians experiencing food insecurity; and**
- **ensuring its plastic reduction requirements are attainable by extending the implementation timeline for a single-use plastics ban and working with retailers to ensure that commercially viable alternatives to plastics, in particular for packaging designed to extend the shelf-life of food and limit food waste, will be available in the needed quantities.**

The Government supports in principle this recommendation. The Government of Canada recognizes that a considerable amount of food loss and waste occurs at all stages throughout Canada's diverse food systems, from farmgate to dinnerplate. There are many factors that contribute to food loss and waste, including lack of awareness and quantification, operational inefficiencies, quality standards, inadequate transportation and storage, inaccurate forecasting and inventory management. Reducing food waste at all levels can make our food systems more efficient and sustainable, help save households money, create new revenue streams for farmers and food companies, and reduce greenhouse gas emissions.

CFIA and Health Canada, along with other federal partners, support AAFC in their commitment to reduce food waste, detailed in the 2019 Food Policy for Canada. As such the CFIA and Health Canada are working together to improve consumer education related to date labelling on pre-packaged foods. The CFIA will continue updating the agency's website to better educate consumers on best-before dates, and to clarify that they are an indicator of a food's freshness and quality, not safety. It will also update the analysis related to possible regulatory changes based on feedback from a targeted Health Canada questionnaire on potential food regulatory initiatives, which includes questions on stakeholders' perception of best before dates and the role they play in food waste.

Under the Food Policy for Canada, the Government of Canada launched the \$20M Food Waste Reduction Challenge in 2020. The Challenge resulted in over 500 applications from innovators to deliver game-changing solutions that prevent or divert food waste, and advance technologies that extend the life of food or transform food waste. In addition, AAFC has established the Sustainable Canadian Agricultural Partnership, a new 5-year \$3.5 billion agreement between federal, provincial and territorial governments that would support this recommendation as it provides investments that will strengthen the competitiveness, innovation and resiliency of the agriculture, agri-food and agri-based products sector.

In the face of significant food system challenges caused by the COVID-19 pandemic, the Government of Canada collaborated with a range of partners to support Canadians' access to quality nutritious food and to combat food loss and waste. The \$50 million Surplus Food Rescue

Program helped re-direct 8 million kilograms of food that would have gone to waste due to unique circumstances arising from pandemic-related health measures and ensured the food reached people experiencing food insecurity in Canada.

The Government of Canada also remains committed to helping all players along the food supply chain to commercialize and adopt ways to eliminate, reduce or repurpose food waste by creating a No-Waste Food Fund, per the Minister of Agriculture and Agri-Food's December 2021 mandate letter.

Regarding plastic reduction requirements, the Government of Canada acknowledges this recommendation. The *Single-use Plastics Prohibition Regulations* (the Regulations) are one part of the Government of Canada's comprehensive plan to address pollution, prevent plastic waste, and move towards a circular plastic economy. These Regulations prohibit the manufacture, import and sale of the following categories of single-use plastics: checkout bags, cutlery, foodservice products made from or containing problematic plastics, ring carriers, stir sticks, and straws (with exceptions). These items were selected because they are prevalent in the environment, pose a threat of harm to wildlife and their habitat, are difficult to recycle and have readily available alternatives.

The Committee Report points to the ban as potentially contributing to food waste. The single-use plastic products targeted by the Regulations are items that are typically given to customers at restaurants, food vendors and grocery stores for takeout or to-go meals and do not include plastic packaging used to prevent food loss and waste as food travels from the field or manufacturing facility to grocery store shelves. Alternatives to the banned items are widely used and readily available. Given that the Regulations are not expected to impact food loss and waste, and that the transition to alternatives is progressing well across Canada, the implementation of the Regulations will continue as planned.

In the context of food packaging, Health Canada currently employs a voluntary approach to ensure the safety of food packaging materials used on foods sold in Canada, including those derived from recycled plastic materials or other alternatives to conventional packaging (including single-use plastics). By offering opinions on data provided to the Department by members of the packaging industry about the safety of food packaging materials, Health Canada does its part to ensure that viable options are available. Also, Health Canada has recently received funding to develop a mandatory food packaging materials program in the coming years. Ultimately, it is up to the seller or manufacturer of a food to ensure that the food packaging materials used will not impact the safety of the food to be consumed.

RECOMMENDATION 4

The Committee recommends that the Government of Canada directly reimburse farmers and retailers who have paid a 35% tariff on their imports of Russian fertilizer since 2 March 2022 and that it discontinue this tariff going forward.

The Government acknowledges this recommendation. The Government adopted the *Most-Favoured-Nation Tariff Withdrawal Order (2022-1)*, which came into force on March 2, 2022, as part of a broad and comprehensive set of sanctions against countries who seriously threaten and breach the rules-based international order. G7 leaders endorsed this trade action on March 11, 2022, by committing to revoke Most-Favoured-Nation (MFN) status benefits of Russia's membership at the World Trade Organization.

The effect of the Order under the *Customs Tariff* was to set the General Tariff of 35% as the default customs tariff rates for imports from Russia and Belarus. Since tariffs are paid by importers based on the date of importation, the Government exempted imports already in transit at the time of entry into force of the Order from the General Tariff. For imports pre-purchased and not yet on their journey to Canada, most importers decided to change their purchasing plans and sourced from other countries. Since this measure was implemented, the Government has worked with the Canadian fertilizer industry to ensure a clear market-based signal for importers to shift away from Russian sources. No commercial fertilizer imports from

Russia have been observed since May 2022. The Government also worked with other government and industry partners to ensure that Canadian farmers had access to the fertilizers needed in 2022 and 2023. Given the enduring nature of Russia's illegal invasion of Ukraine, Budget 2023 proposed legislative amendments to make MFN withdrawal permanent, which came into force, with retroactive effect, on June 22, 2023.

While the Government will not be granting retroactive refunds, it has provided assistance to farmers by investing \$34.1 million over three years, starting in 2023-24, to expand the On-Farm Climate Action Fund. This additional funding will provide non-repayable contributions to Eastern Canadian farmers who rely on fertilizer imports, to lower the cost of adopting farm practices that improve nitrogen efficiency and thus reduce the need for fertilizer. Specifically, it will provide direct payments to producers for the adoption of beneficial management practices that optimize fertilizer use and reduce greenhouse gas (GHG) emissions from synthetic fertilizer use. Greater nitrogen fertilizer efficiency is expected to generate cost savings for farmers given the high cost of fertilizer while contributing to Canada's fertilizer GHG emissions reduction target of 30% from 2020 levels by 2030.

RECOMMENDATION 5

The Committee recommends that the Government of Canada support agricultural producers and others in the agri-food industry to mitigate their costs and ensure they have sufficient cash flow during this period of high inflation by:

- **ensuring companies have access to short-term, low-cost credit; and**
- **maintaining the increased threshold for interest-free payments under the Advance Payments Program.**

Regarding recommendation 5a, the Government of Canada supports this recommendation. The Government has been closely following the plight of Canadian farmers particularly as it relates to financial stress and ability to access financing. The Government has taken action with both the Advance Payments Program (APP), and, through Farm Credit Canada (FCC), to ensure access to credit for farmers experiencing short-term challenges.

Also, in spring 2023 FCC responded to the sector's cash flow concerns by announcing nationwide support for new and existing customers experiencing financial difficulties, including cash flow challenges due to ongoing inflationary pressures. This included an unsecured credit line to help producers, agribusinesses and agri-food operations with immediate cash flow needs. FCC also works with customers to find solutions for individual operations and businesses to reduce financial pressure. Flexible payment options include the ability to restructure lending when appropriate, make payment deferrals and access credit lines.

Regarding recommendation 5b, the Government acknowledges this recommendation. Over the past five years, the government has temporarily increased the interest-free limit three times to reduce the cost of the program for producers and allow more money to remain in their pockets in times of crisis. In 2019, the interest-free limit was temporarily raised to \$500,000 for canola advances in response to market disruptions caused by China's trade restrictions on Canadian canola; in 2022, it was raised to \$250,000 in response to supply chain disruptions and increased farm input costs resulting from Russia's invasion of Ukraine; and in 2023 to \$350,000 for all 2023 advances in response to inflation, increased costs on key inputs, and supply chain disruptions. Tabled in June 2023, the Report to Parliament on the Review of *Agricultural Marketing Programs Act*, concluded that the APP's current \$100,000 interest-free limit is still relevant and should remain unchanged. Furthermore, based on stakeholder feedback, AAFC is actively engaged in examining potential options to improve the timeliness and effectiveness of temporary changes to the APP in the event there is a need to take additional measures in the future.

The Government of Canada is committed to continuing to support Canadian producers in managing the impact of global pressures.

RECOMMENDATION 6

The Committee recommends that the Government of Canada, in cooperation with the provinces and territories, expedite the implementation of the National Supply Chain Task Force’s recommendations, particularly those that address issues in the agri-food supply chain, including:

- **investing in critical transportation infrastructure;**
- **supporting supply chain digitization;**
- **addressing chronic labour shortages in the transportation supply chain; and**
- **establishing a Supply Chain Office, as outlined in Budget 2023, to facilitate a whole-of-government approach to these matters.**

The Government supports this recommendation and action is ongoing. Ensuring the efficiency and resiliency of Canada’s supply chains, and in particular agri-food is a priority for the Government of Canada. The Government continues to take targeted actions to strengthen Canada’s supply chains and help bolster our economic capacity and opportunities for our businesses to expand into global markets. The creation of the National Supply Chain Task Force in 2022 represented a key element in the Government’s ongoing commitment to collaboratively address longstanding supply chain issues. The Task Force final report, released in October 2022, contained 21 recommendations - both immediate and long-term - to strengthen Canada’s supply chain. These recommendations will continue to be taken into account in policy and program direction, including in the development of the National Supply Chain Strategy, which was announced in Budget 2023.

In addition, Budget 2022 provided an essential first set of investments for critical transportation infrastructure and to support supply chain digitization. The Government committed \$603.2M over five years for investment in transportation infrastructure to help strengthen Canada’s supply chains, including \$450M in new funding for the National Trade Corridors Fund (NTCF). It also included funding for initiatives to create (with Industry) digital-first solutions to alleviate supply chain congestion and to help our supply chains become more sustainable and efficient. From this funding, the Minister of Transport issued the *Advancing Supply Chain Digitalization* call under the NTCF. This call provided \$50M to support collaborative, industry-led projects that strengthen Canada’s digital infrastructure. These projects will increase the sharing of data or analytics among supply chain participants to increase supply chain efficiency and reliability, relieve bottlenecks and ensure Canadians have access to the products they need.

To increase diversity in the transportation sector and to alleviate labour shortages, the Government is actively encouraging the entry of traditionally under-represented groups through initiatives such as TC’s Transportation Job and Career Pathway. This Program includes outreach to help raise awareness of employment opportunities, a \$35M investment via the Oceans Protection Plan to support training for First Nations, Inuit, Metis, and women for inclusion into the marine industry, and \$9M in funding to the First Nations Technical Institute to upgrade training facilities and train Indigenous pilots. The Government has also worked with industry on specific industry-funded programs, including Trucking HR Canada’s Career ExpressWay program, which integrates young Canadians in trucking and logistics jobs.

Transport Canada also continues to work with ESDC to align efforts to address labour market challenges in the Transportation sector. ESDC’s Sectoral Workforce Solutions Program awarded two transportation related projects (up to \$46M in funding to Trucking HR Canada, and up to \$39M to the Canadian Council for Aviation and Aerospace), to help employers recruit and retain workers in key occupations. Various ESDC programs also help alleviate shortages in the transportation sector by supporting training and reducing barriers to employment for under-represented groups. Additionally, the IRCC Settlement Program funds third-party organizations to provide a broad range of employment-related services to new immigrants, including information and supports to access labour markets in priority sectors, such as transportation.

Finally, work is ongoing to establish the Transportation Supply Chain Office (TSCO) announced in Budget 2023. Once established, the TSCO will work with industry and other orders of government to increase the capacity, efficiency, and reliability of Canada's transportation supply chain infrastructure. This includes developing a long-term transportation infrastructure plan (in collaboration with provinces, territories, Indigenous and industry partners) to better coordinate investments supporting trade growth and capturing transportation supply chain data that will reduce congestion, improve efficiency and inform infrastructure planning.

RECOMMENDATION 7

The Committee recommends that the Government of Canada reduce timelines, paperwork, and costs associated with the Temporary Foreign Worker Program by expediting the implementation of the Trusted Employer model that it first proposed in Budget 2022.

The Government supports this recommendation and recognizes the value in equipping Canadian employers with the timely resources required to fill acute labour gaps. This is why, as part of Budget 2022, the Government included \$29.3M over three years for ESDC to implement a Recognized Employer Pilot (REP) that reduces red tape for repeat employers who meet the highest standards for working and living conditions and protections in high-demand fields.

The Government announced the REP on August 8, 2023 to test streamlined processes, be more responsive to labour market shortages and reduce the administrative burden for repeat employers who demonstrate a history of TFW Program compliance. Once accepted into the REP, eligible employers can benefit from a simplified Labour Market Impact Assessment (LMIA) application and extended LMIA validity periods.

IRCC supports the ESDC-led implementation of the REP as proposed in Budget 2022 and is also involved in numerous efforts to reduce timelines, paperwork, and costs associated with the Temporary Foreign Worker Program.

In addition, where operationally possible, IRCC prioritizes work permit applications for foreign workers in occupations that have been identified as essential and critical for Canada, including those related to agriculture, agri-food, and health care.

RECOMMENDATION 8

The Committee recommends that the Government of Canada encourage innovation in the agriculture and agri-food sector by:

- **launching an incentive and support program for technological innovation and automation, particularly for small and medium-sized firms; and**
- **devoting specific funding through the Department of Innovation, Science, and Economic Development's Strategic Innovation Fund to controlled-environment agriculture initiatives, such as those in the greenhouse sector.**

The Government supports in principle this recommendation and is committed to advancing science, research and innovation to help the agriculture and agri-food sector grow and respond to challenges.

AAFC provides direct support for science, research and innovation to the sector and other key contributors to the agriculture and agri-food innovation ecosystem. Under the \$3.5-billion, five-year Sustainable Canadian Agricultural Partnership (Sustainable-CAP), innovative and sustainable growth of the sector is supported through two programs: 1) the AgriInnovate Program, which supports the commercialization, demonstration and adoption of innovative technologies and processes through repayable loans and 2) the AgriScience Program which accelerates the pace of innovation by providing funding and support for pre-commercial science activities and research that benefits the agriculture and agri-food sector and Canadians.

Also, the Agricultural Clean Technology (ACT) program provides support to incentivize the adoption of on-farm clean technologies and for research and innovation for the development of clean technology here in Canada.

Beyond AAFC programming, the Government is making transformative investments in innovative projects that will help grow Canada's economy, including the agriculture and agri-food sector. Through the Strategic Innovation Fund (SIF), the Government has invested in collaborative innovation networks, such as: the Canadian Agri-Food Automation and Intelligence Network (CAAIN) and the Canadian Food Innovation Network (CFIN). These networks are creating business clusters that connect the Canadian food ecosystem and focus on automation, digitization, food innovation and more. SIF also provides funding to businesses to adopt innovation.

The Government also supports innovation and productivity enhancements in Canada's agri-food sector through funding programs that target small and medium-size enterprises (SMEs), high-growth companies and industry leaders. For example, the Business Scale-up and Productivity funding stream under the Regional Economic Growth through Innovation Program, administered by Canada's Regional Development Agencies helps to accelerate the growth of firms and assist with the adoption of new, innovative technologies that support scale-up, productivity, and the development of and entry into new markets to help companies become globally competitive. Budget 2021 also allocated \$4B over four years, starting in 2021, to deliver the Canada Digital Adoption Program (CDAP), which includes \$1.4B through ISED to help Canadian SMEs go digital and to provide training and work opportunities to students and recent graduates. CDAP provides support to Canadian SMEs, including those in the agriculture and agri-food sector, that want to digitize some aspect of their business operations.

The Government is committed to encouraging agrifood innovation and better understanding how emerging technologies can help overcome key challenges and seize opportunities. This includes the need to foster Canada's burgeoning agtech ecosystem and providing support for non-traditional production systems such as controlled environment agriculture (CEA). While the CEA industry can take advantage of federal programming, the Government is also encouraging innovation in this area through FPT cost-shared investments under Sustainable-CAP. For example, Canada and Ontario are supporting research projects to increase capacity and productivity in the horticultural sector through investment in the Vineland Research and Innovation Centre.

CEA and alternative food production systems can enhance food security in Canada's North. Through its Northern Isolated Community Initiatives fund, CanNor supports community-led projects for local and Indigenous food production systems, supporting the development of conceptual proofs of concepts, scale-up, and deployment of unique projects, including a greenhouse initiative in the Yukon. Through the IDEANorth program, CanNor has also supported Indigenous-led infrastructure improvements to enhance local fisheries, processing facilities, and community-owned greenhouses in Nunavut and the Northwest Territories.

In addition to program supports, the Government's regulatory reform agenda is focused on supporting innovation and economic growth, including regulatory experimentation in the agriculture and agri-food domain to support the deployment of innovative technologies and ready the regulatory system for the innovations of the future.

RECOMMENDATION 9

The Committee recommends that, if the Competition Bureau finds evidence in its upcoming market study that large grocery chains are generating excess profits on food items, the Government of Canada should consider introducing a windfall profits tax on large, price-setting corporations to disincentivize excess hikes in their profit margins for these items.

The Government of Canada acknowledges this recommendation. In its market study published in June 2023, the Bureau found that retail chains have been able to increase profit margins in a "modest but meaningful" fashion over the last five years, even prior to the COVID-19 pandemic.

As such, the Bureau concluded that the market would benefit from increased grocery competition and made a number of recommendations to governments to take action to promote competition.

The Government has implemented measures to ensure that the wealthiest corporations and individuals are contributing their fair share, including:

- introducing a 2% tax that applies on the net value of all types of share buybacks by public corporations in Canada;
- permanently increasing the corporate income tax by 1.5% on the largest, most profitable banks and insurance companies in Canada, and introducing a one-time Canada Recovery Dividend of 15% on banks and insurance companies to help pay for the post-COVID-19 economic recovery;
- reaffirming Canada's commitment to ensuring multinational corporations pay their fair share of tax wherever they do business. This includes working with international partners to ensure that multinational corporations are subject to a minimum effective tax rate of 15% on profits in every jurisdiction in which they operate.
- proposing to modernize the Alternative Minimum Tax to ensure that the wealthiest Canadians do not avoid paying their fair share through the significant use of deductions, credits, and other tax preferences;
- implementing a luxury tax on private jets, boats and luxury cars; and
- improving tax fairness by closing loopholes, cracking down on tax evasion, and eliminating measures that disproportionately benefit the wealthy.

RECOMMENDATION 10

The Committee recommends that the Government of Canada:

- **ensure that the reciprocity of standards is respected for imported products;**
- **increase inspections to ensure compliance; and**
- **require that foreign products meet the same quality standards as domestic products for both environmental standards and labour standards.**

The Government of Canada supports this recommendation. All food imported in Canada must meet requirements of the *Food and Drugs Act* and *Food and Drug Regulations*, as well as the *Safe Food for Canadians Act* (SFCA) and the *Safe Food for Canadians Regulations* (SFCR). The SFCR is consistent with guidelines set by the Codex Alimentarius Commission of the World Health Organization and the Food and Agriculture Organization of the United Nations. Food import businesses must have a licence and maintain food safety plans that demonstrate their imported food meets the same requirements as domestically produced food. The CFIA has various tools to verify that Canadian food import businesses are meeting their obligations, including the ability to hold shipments at the border, especially if the importer does not have a valid Safe Food for Canadians licence. The SFCR also provides an outcome-based approach that allows the application of different mechanisms to control food imports based on the level of risk. For example, meat and live or raw molluscan shellfish present a higher level of risk to consumers' health, and must therefore originate from recognized establishments in countries that have had their food safety systems recognized by the CFIA as providing at least the same level of protection as that provided by the SFCA and SFCR. The CFIA can suspend or cancel recognition of those inspection systems or establishments under prescribed circumstances when there is a history of non-compliance, as set out in the SFCR.

Since the implementation of the SFCR in 2019, the Government of Canada continues to review the import program to ensure that imported products respect all Canadian food safety and quality standards set out in the regulations.

Similarly, all foods sold in Canada, whether domestic or imported, must comply with Canadian

legislation, including meeting strict safety and labelling standards and requirements. The CFIA's inspections verify importers' compliance with regulatory requirements through the assessment of their preventive controls plans.

The Agency allocates inspection resources to where they have the greatest impact. The focus and frequency of inspections is based on the type of products imported and the associated risk to human health. National inspection priorities and frequency are reviewed annually based on evolving risk intelligence and analysis.

Regarding foreign products, Canada negotiates environment and labour provisions as part of its Free Trade Agreements (FTAs) to promote the mutual support of its trade and environment policies, along with ensuring comprehensive and enforceable labour provisions.

Canada's Environment Chapters in its FTAs include provisions committing the parties to promote good environmental governance by maintaining high levels of environmental protection, effectively enforcing domestic environmental laws, and not derogating from such laws to encourage trade and investment. The Environment Chapter also requires the parties to have in place environmental impact assessments and procedures to investigate and remedy possible violations of environmental laws. Canada also typically seeks provisions to effectively implement the multilateral environmental agreements to which the parties are signatories, to promote sustainable agriculture, forestry and fisheries management and to address significant environmental issues such as biodiversity conservation, pollution and climate change.

From a trade and labour perspective, these agreements ensure commitments by the parties to effectively implement their respective labour laws, which should in turn embody and provide protection for internationally recognized labour rights and principles. These robust labour provisions in Canada's FTAs contribute to establishing a level playing field for Canadian employers and workers by reducing unfair competition based on substandard working conditions and/or lax enforcement of labour laws.

RECOMMENDATION 11

The Committee recommends that the Government of Canada work with the provinces and territories—in partnership with stakeholders from agriculture and the food industry—to implement a mandatory and enforceable grocery code of conduct that covers food and other essential products on grocery store shelves and that it encourage the food industry to review this code one year after it comes into force.

The Government supports this recommendation, recognizing that industry is currently pursuing a voluntary grocery sector code of conduct.

The Government is committed to ensuring that Canada has the right conditions for all parts of the food supply chain to prosper.

An industry-led effort has produced a proposed code of conduct, which was widely shared in May 2023. The Code is expected to improve predictability, transparency, and ultimately benefit the consumer. Given the importance of this initiative, the Government's expectation is that all key industry players, including large retailers, will participate and support the operation of the grocery sector code of conduct.

The Government looks forward to continued work with the largest grocery chains and other industry actors across the food supply chain in the spirit of collaboration. The Government is also committed to working with provinces and territories to support industry efforts in implementing the code.

RECOMMENDATION 12

The Committee recommends that the Government of Canada work with provinces and territories to adopt a standardized approach to unit pricing labelling practices in the grocery sector to assist Canadian consumers in making informed decisions in their purchasing.

The Government supports in principle this recommendation. While recognizing the benefits of a standardized approach to unit pricing labelling practices to assist consumers in making informed decisions in their purchasing, the regulation of business practices such as pricing display falls under the jurisdiction of Canadian provinces and territories. Currently, Quebec is the only province that has regulations on displaying the unit price of packaged goods, and retailers in other provinces and territories do so only on a voluntary basis. Further, a standardized approach has been developed and is available to Canadian retailers through the International Organization for Standardization (ISO) pricing guidance. The ISO unit pricing guidance seeks to improve the accuracy and usability of unit pricing for consumers and offers retailers, policy makers and other stakeholders guidance for establishing best practices for providing and displaying the unit price of products, including what unit prices are and how they are to be used.

The Government has - and will continue - to engage on this issue with the provinces and territories through the Consumer Measures Committee (CMC), a forum for national cooperation to improve the marketplace for Canadian consumers under the Canadian Free Trade Agreement. Through the CMC, the Government of Canada engages with representatives from consumer affairs offices of each provincial and territorial government, working together to discuss common consumer issues of concern and share research evidence and best practices in consumer protection and enforcement.

The federal Competition Bureau also participates in the CMC, and has raised the issue of grocery industry competition in the context of its recently published report titled *Canada Needs More Grocery Competition* which examines the state of competition in the grocery industry and identifies barriers to increasing competition. This report has been shared with CMC members and will be discussed at a future CMC meeting.

RECOMMENDATION 13

The Committee recommends that the Government of Canada strengthen the Competition Bureau's mandate and its ability to ensure competition in the Canadian grocery sector by:

- **implementing legislative changes to the *Competition Act* that provide the Competition Bureau with the power to compel companies and individuals who are the subject of its market studies to provide it with relevant documents and information, including disaggregated financial data;**
- **reviewing the competitive thresholds the Competition Bureau uses to evaluate mergers and acquisitions to ensure that competition does not suffer;**
- **studying the creation of a permanent administrative commission, along the lines of France's Observatoire de la formation des prix et des marges des produits alimentaires, with a mandate to analyze data relating to price formation and margins in transactions along the agri-food supply chain; and**
- **considering any conclusions and recommendations the Competition Bureau makes to the federal government in its upcoming market study on the Canadian grocery sector, notably those related to price-setting mechanisms, "black-out" periods, revenue sharing along the agri-food chain, and barriers to entry faced by new firms entering this sector.**

The Government acknowledges the first component of this recommendation pertaining to legislative changes against the backdrop of its ongoing consultation on the *Competition Act*, in which the possibility of information-collection authorities for market studies has been raised for comment. In November 2022, the Minister of Innovation, Science and Industry launched the Consultation on the future of competition policy in Canada, including a discussion paper and scene-setter for stakeholders and members of the public to consider. The issue of market study powers was raised in the discussion paper, and feedback invited. The public submission period closed on March 31, 2023, with approximately 130 submissions received from identified stakeholders and over 400 more individual anonymous submissions. Those from the

stakeholders have been posted on the ISED website. The question of market study powers featured prominently in many submissions, and these views will help inform the Government's next steps as part of its review of Canada's framework competition legislation.

The Government supports the second component of this recommendation on reviewing competitive thresholds. The topic of merger review has formed a central pillar of the Government's review of the *Competition Act*, as these provisions of the law are the first line of defence against undue corporate concentration. Topics raised in the discussion paper and eliciting a great deal of comment from stakeholders include: calculating thresholds for advance notification, the limitation period during which the Bureau may seek a remedy, the criteria for a corrective order to be issued by the Competition Tribunal, and the exception in the law that allows mergers that lessen competition to proceed if they generate sufficient efficiencies to offset the harm. Once more, the submissions are a critical input that helps to inform how the Government will proceed in its efforts to modernize the *Competition Act*.

The Government acknowledges the third component of this recommendation and recognizes the importance of monitoring and analyzing prices and margins along the food supply chains. As noted in Recommendation 1, the Government of Canada collects and publishes high-quality data on costs, prices and margins across the agri-food supply chain and is exploring ways to enhance this work. Statistics Canada also undertakes analysis to provide objective insights and evidence to consumers, stakeholders and governments on various issues, including recent studies on price transmission along the supply chain and articles on the drivers of inflation.

The wealth of data available allows Canadian academic researchers to investigate the performance and health of the agri-food supply chain. Studying the formation of prices and margins, and disseminating findings on a regular basis can contribute to fostering a transparent, fair and sustainable economic environment for industry stakeholders as well as consumers. It can help in identifying imbalances in the supply chain and promoting consumer protection. The Government of Canada will explore options, resources and requirements needed to undertake quality research and analysis on food prices and margins on a continued basis, and in a structured and systematic way.

Lastly, the Government supports in principle the fourth component of the recommendation above pertaining to the Competition Bureau market study, noting that of the issues named, the Bureau's report only addressed barriers to entry. The Bureau's four sets of recommendations concerned:

- formulating a grocery innovation strategy to facilitate the emergence of innovative or disruptive business models;
- encouraging entry into the market by foreign chains and fostering the growth of independents to provide a stronger challenge to existing competitors;
- addressing unit pricing displays in provincial legislation; and
- addressing limits on property controls, such as restrictive covenants designed to prevent market entry, in provincial legislation.

The Government is currently reviewing these recommendations and considering in what manner action may be taken to foster competition in the grocery industry, acknowledging that several of the Bureau's recommendations are under provincial and territorial jurisdiction. The review of the *Competition Act* is also a critical strategy in ensuring that Canada's framework legislation is able to preserve a competitive marketplace, including in the grocery industry.