

**Written Submission to the
House of Commons Standing Committee
on Health**

Government's Response to COVID-19 Pandemic

By: Food & Consumer Products of Canada

May 11, 2020

Food & Consumer Products of Canada (FCPC) would like to thank the House of Commons Standing Committee on Health for the opportunity to provide insights into the study on the government's response to the COVID-19 pandemic.

For nearly 60 years, our national industry association has been representing the companies that manufacture and distribute the majority of food, beverage and consumer goods found on store shelves, restaurants and in people's homes.

Our member companies range from small independently and privately-owned companies to large, global multinationals, all of whom manufacture and distribute in Canada. FCPC's membership is truly national, providing value-added jobs to urban and rural Canadians in almost every federal riding in every region of the country.

The food, beverage and consumer products (FCP) sector is the largest manufacturing employer in Canada. The industry employs more than 300,000 Canadians with high quality, middle-class jobs from coast to coast, in more than 6,500 manufacturing sites across Canada. We represent an industry that contributes nearly \$33.5 billion annually to the country's economy and our products account for \$35.8 billion in Canadian exports.

Positive Developments

We commend the government on their openness and timeliness in their response to the exceptional circumstances presented by COVID-19. Throughout the pandemic, we have appreciated working collaboratively with the government and look forward to playing a central role in Canada's economic recovery. The food and consumer products industry has a significant economic footprint in Canada and has a lot to contribute in helping shape Canada's economic outlook in the coming months.

We appreciate the government's public recognition at the highest levels of the importance of the 300,000 essential workers in the food and consumer products industry across Canada, and formal recognition of grocery, pharmacies, convenience and pet food stores as critical infrastructure. This helps to motivate workers in our industry and provides the necessary reassurances to our members to allow them to plan and operate during this unpredictable period.

With our highly integrated North American industry, we are pleased with the government's commitment in keeping the border open to allow for the free flow of ingredients, products and essential workers. This enables us to keep grocery and drug stores stocked with products that Canadians rely on. Our members also welcome the government's efforts to allow for the entry of temporary foreign workers and equipment technicians into Canada so that they can continue their operations.

Survey Results

In response to COVID-19, food and consumer product manufacturers have pivoted and stepped up to

the plate to provide essential food and household products on Canadian grocery and drugstore shelves. Since March, however, our members have faced immediate and unprecedented challenges, costs and uncertainties that jeopardize the industry's long-term viability.

Costs associated with the compliance of new health and safety measures for workers, purchasing of personal protective equipment (PPE), closure of the food service market, and training new employees to account for increasing rates of absenteeism and illness have all risen significantly. As well, the growing uncertainty in securing access to ingredients, packaging, people and PPE has revealed significant and deep-rooted vulnerabilities in the supply chain. These mounting costs and growing uncertainties are not sustainable, and undermine the competitiveness of the food and consumer product industry.

We recently conducted a survey with our members that capture these concerns, costs and impacts:

- Over 50% of respondents are experiencing up to a 25% reduction in productivity due to COVID-19 mitigation measures, including physical distancing and enhanced screening procedures for workers.
- 20% of respondents expect liquidity issues within 3 months, and 50% of those who expect liquidity issues are concerned they will not have access to sufficient government and/or financial institution support.
- 75% experienced moderate to significant input cost increases over the last 4 to 6 weeks (e.g. increased hours and wages, and freight charges).
- 25 to 30% of respondents anticipate raw material shortages in both ingredients and packaging within 2 to 4 months.
- 35% reported experiencing PPE shortages.
- 75% are experiencing increased absenteeism in plants, and 40% expect significant training costs as a result.
- 80% of smaller companies reported that their sales are down by 50% compared to the same time last year.

We are pleased that some of these concerns have been addressed by the government's \$77.5 million announcement on May 5, to assist food producers to access more PPE, adapt to health protocols, modernize operations, and respond to emerging pressures from COVID-19. We believe that this a positive step forward. The launching of the Surplus Food Purchase Program designed to help redistribute existing and unsold inventories to local food organizations is also welcome news. Many of our members have faced significant losses with the closure of restaurants and look forward to participating in this program.

We are also pleased that the Prime Minister acknowledged that this represents an "initial announcement" and that more remains to be done. We look forward to working with the government to secure additional funds to cover mounting pandemic-related costs, help incentivize Canadians to fill the vacancies in the food and consumer product manufacturing sector and off-set costs associated with training and upskilling Canadians. Without a qualified and skilled workforce, Canada's food supply will

remain vulnerable and unsustainable.

Labour & Skills Challenges

The challenges that existed before COVID-19 have only gotten worse. Access to labour is the prime example. Before the pandemic hit, there were approximately 10,000 vacancies in the food and beverage manufacturing sector (Canadian Agricultural Human Resource Council Report, 2019). This has been exacerbated by the pandemic with growing levels of absenteeism and illness. As a result, positions remain unfilled despite the dramatic increase in the labour pool, at a time when most companies have been ramping up production.

While we appreciate the efforts of the government to introduce relief for affected Canadians, the Canada Emergency Relief Benefit (CERB) has had an adverse impact on our members' ability to fill positions. There are currently less applicants willing to work in manufacturing facilities than before the program was introduced. We wish to partner with the government to develop a program to incentivize unemployed Canadians to work in the food and consumer product food industry.

We would also like to see additional financial incentive, like a wage top-up (hero's/pandemic pay) for workers in our sector, as well as retroactive removal of income tax for wage top-ups provided by the private sector. While we appreciate the government's financial commitment of \$3 billion on May 7 to provide a wage top up to essential workers, we urge the federal government to encourage provinces to include our industry.

In order to improve our industry's productivity levels, we not only require readily available labour but need to ensure the workforce we recruit is properly trained. We require support to help offset these training costs, which can vary from \$2,000 for a production line worker (which is estimated to account for 70% of the 10,000 vacancies) to \$5,000 for a highly skilled specialised worker (accounting for about 30% of vacancies). We suggest the creation of an Employer Training Tax Credit worth \$29 million. This would only cover the training for workers that were needed before the pandemic and not account for new workers required to meet increasing production or address the growing absentee/illness rates.

Call for a Canadian Manufacturing Strategy

In order to ensure that Canadians continue to have access to essential products on grocery and drug store shelves, we will need to work together on a whole-of-government economic recovery plan in close consultation with our industry. With such a significant economic footprint in Canada, it will be critical for the food and consumer products industry to play a central role in re-building Canada's economy.

The government will need to focus investments that help build a robust and competitive food and consumer product manufacturing sector, in addition to creating domestic capacity to supply the ongoing

increased need for PPE and hand sanitizer.

Part of this will need to involve a serious conversation about the significant government-imposed regulatory costs. We are specifically referring to the proposed labelling costs including Front of Package Labelling (estimated at \$8 billion by the Food Processing Industry Roundtable) and Plain Language Labelling, potential service fees and proposed restrictions on how companies market products. Prior to COVID-19, Health Canada was proposing unprecedented and monumental changes to the way our industry makes, packages and sells products.

While we support regulations that improve public health and product safety, we are concerned with the host of costly regulatory proposals that do not contribute to these objectives. The cumulative regulatory impact will cause further disruptions to the supply chain, discourage investment into Canada and ultimately impact Canadian jobs. Given this impact, a comprehensive re-evaluation of the regulatory agenda in Canada in collaboration with industry, the regulatory departments as well as Agriculture and Agri-Food Canada, Innovation, Science and Economic Development, Finance Canada and Treasury Board will be required.

In the weeks ahead, it will be harder than ever to attract – and keep– investment in Canada. We look forward to working with the government on building a robust and competitive manufacturing sector that creates jobs and contributes to the country's economic prosperity.

Summary Recommendations

In summary, we are proposing for your consideration the following recommendations:

1. Develop a program to incentivize unemployed Canadians to fill the existing 10,000 vacancies in the food and consumer product manufacturing sector via:
 - Encourage the provinces to provide the wage top-up to the essential workers in the food and consumer product industry; and
 - Retroactive removal of income tax wage top-ups provided by the private sector.
2. Work together to upskill and transition unemployed Canadians into the food and consumer products industry via the creation of a \$29 million Employer Training Tax Credit.
3. Ensure that international trade – especially with our southern neighbour – is rules and science-based and allows for the predictable flow of ingredients, products and people.
4. Develop a domestic manufacturing strategy in collaboration with industry and provincial governments that builds a robust food, consumer products and PPE manufacturing sector in Canada, removes unnecessary costs imposed on industry, and ensures a competitive landscape that attracts investment and creates jobs.

We look forward to continuing our collaborative work with the government to address our immediate concerns, and to develop a domestic manufacturing strategy that will help ensure the longer term sustainability of our industry and transition Canadians into the workforce.

I welcome the opportunity to discuss our comments and proposals in more detail.

Thank you.



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Our Members

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FCPC
Food & Consumer
Products of Canada

PACC
Produits alimentaires et de
consommation du Canada





COVID-19 CONTINUING IMPACTS

Demand remains significantly above normal



After dramatic initial spikes, FCPC members estimate demand now 20-40% above normal



Sales lost because of food service closures are at least 2x greater than increases in retail demand



Smaller businesses more vulnerable to shifts - 80% report sales down by as much as half

Significant cost increases and decreased productivity are contributing to cash flow concerns

75% report moderate to significant **cost increases** in the last 4-6 weeks



50% report **productivity down** by up to 25% due to COVID-19 mitigation measures



Almost **20%** of respondents expect **liquidity issues within 3 months**



Manufacturers are increasingly concerned about supplies of materials, packaging, and personal protective equipment (PPE)

- One third expect raw material supply issues within 2-4 months.
- 35% are experiencing moderate to significant PPE shortages.



Food & Consumer Products of Canada (FCPC) is the voice of the Canadian food, beverage and consumer products industry. We represent more than 100 food, beverage, and consumer product manufacturers of all sizes. Food and consumer product manufacturing is the largest employer in the manufacturing sector in Canada, directly employing more than 300,000 workers in over 6,500 establishments from coast to coast. The industry contributes nearly \$50 billion annually to Canada's economy and provides safe, high-quality products found in virtually every single home in Canada.

For more information, visit www.fcpc.ca/foodisfundamental.