

**Written Submission for the Pre-Budget
Consultations in Advance of the upcoming
2021 Federal Budget**

By: Food & Consumer Products of Canada

RECOMMENDATIONS

- **Recommendation 1:** That the government implement sector-based investments and supports to build a robust and competitive food and consumer products industry. Specifically, (i) Expand the criteria and re-finance programs such as the Strategic Innovation Fund (SIF) and Accelerated Capital Cost Allowance (ACCA).
- **Recommendation 2:** That the government provide supports to help transition unemployed Canadians into new jobs. Specifically, (i) Create an Employer Training Tax Credit.
- **Recommendation 3:** That the government (i) Undertake a comprehensive review of the regulatory agenda; (ii) Rigorously enforce an economic lens to the design and implementation of all regulations; (iii) Focus on approaches known to have the greatest impact on healthy eating, mental health, education and physical activity.
- **Recommendation 4:** That the government increase the competitiveness of Canadian business by ensuring rules-based trade and e-commerce. Specifically; (i) Ensure that international trade allows for the predictable flow of ingredients, products and people; (ii) Work with industry to address the regulatory burdens that are inflating business costs and drive Canadians to shop for foreign products online; (iii) Modernize regulations to leverage electronic labelling.
- **Recommendation 5:** That the government implement a UK-style Code of Conduct to restore balance and fair competition to grocery retail practices.
- **Recommendation 6:** That the government support initiatives to keep workers safe and Canadians healthy. Specifically, (i) Expand the criteria and increase funding for the Emergency Processing Fund and implement a tax credit to offset pandemic-related costs; (ii) Implement a National Self-Care Strategy.

INTRODUCTION

For over 60 years, Food & Consumer Products of Canada (FCPC) has represented companies that manufacture and distribute the vast majority of the food and consumer products found on store shelves, in restaurants, and in every Canadian home.

Our membership is truly national, providing value-added jobs to Canadians in urban and rural communities in every region of the country. Our members range from small, independently and privately-owned companies to large, global multinationals.

The food and consumer products (FCP) sector is the largest manufacturing employer in Canada, providing more than 300,000 Canadians with middle-class jobs in more than 6,500 facilities across the country.

Our sector purchases more than 40 per cent of the food that farmers grow, and produces some of the highest-quality and safest food in the world. Our industry contributes nearly \$33.5 billion annually to the country's economy and our products account for \$35.8 billion in Canadian exports.

Third member survey reveals business is still not normal

Since the start of the pandemic, food and consumer product manufacturers have stepped up to provide the essential products that Canadians rely on every day. While other manufacturing sectors experienced production declines, our industry saw demand for some products increase by up to 500 per cent.

Our June member survey showed that Canada's largest manufacturing workforce continues to face unprecedented costs and ongoing pressures that will influence the country's economic recovery and its ability to prepare for future infection waves.

Costs associated with compliance to new health and safety measures for workers, purchasing of personal protective equipment (PPE), closure of the foodservice market, and training new employees due to absenteeism and illness have all risen significantly. Additionally, continued difficulty in securing access to raw materials reveals deep-rooted vulnerabilities in the global supply chain.

Our most recent member survey captures that:

- 60% of companies report above normal levels of absenteeism, some of up to 10%
- Half of manufacturers still operate at reduced productivity due to pandemic-related impacts and adaptations
- Disposable PPE and permanent facility adaptations will cost hundreds of millions of dollars, compounding productivity losses
- 30% report continued concerns in accessing ingredients and packaging
- 30% report international shipping disruptions
- Stockpiling early in the pandemic and increased demand have depleted inventories, which are struggling to return to pre-pandemic levels
 - Two-thirds report below-normal inventory levels with 40% significantly below average
- 60% expect future waves of infection to have moderate to significant impacts

These results prove not only that business has not returned to normal, but growing costs and

uncertainties are jeopardizing the industry's sustainability. The drop in productivity, higher rates of absenteeism, disruptions in the supply chain and below-normal inventory will negatively impact the industry's ability to prepare for future waves of infection.

As the government shifts its focus from emergency supports to a growth-led approach that encourages businesses to invest and hire Canadians, it must address the constraints undermining the competitiveness of key strategic sectors like ours.

With our significant economic footprint, our industry can and should play a central role in rebuilding Canada's economy. We propose the following recommendations to address our challenges.

Calling for a Domestic Manufacturing Strategy

We are pleased the federal government formally designated the food and consumer products industry, including its supply chains and workforce, as critical infrastructure, recognizing the vital role it plays in providing Canadians with the products they rely on. We know that our products will always be in demand. The question is where will they be made and how much they will cost. We encourage the government to focus supports on this sector that makes them, in order to secure a stable and affordable supply for Canadians and fuel Canada's economic recovery.

As other countries look to repatriate manufacturing and become more self-reliant, companies in Canada are facing growing pressure to leave and take their jobs with them. Canada needs to build a competitive manufacturing sector that incentivizes companies to stay, invest and create jobs for Canadians. Canada needs to develop a comprehensive domestic manufacturing strategy to not only help us manage today's pandemic but also prepare us for the future.

We ask the federal government to:

- Expand the criteria and re-finance programs such as the Strategic Innovation Fund (SIF) and Accelerated Capital Cost Allowance (ACCA) to encourage greater participation of the food and consumer product sector.

Helping transition unemployed Canadians into the workforce

Always a critical challenge for our industry, access to labour has gotten worse. Our previous labour gap of 10,000 vacancies in the food and beverage manufacturing sector (Canadian Agricultural Human Resource Council Report, 2019) has been exacerbated. Our members continue to face high levels of absenteeism, with 40 per cent expecting significant training costs as a result.

Despite a dramatic increase in the labour pool, positions in our sector remain chronically unfilled. With record numbers of Canadians currently unemployed, we have a unique opportunity to both transition them into new careers and fill a much-needed labour gap. As such, we need to ensure they receive the training required.

We ask the federal government to:

- Help transition unemployed Canadians into new jobs via the creation of an Employer Training Tax Credit.

Rethinking the federal regulatory agenda

Pre-pandemic, Health Canada was proposing unprecedented and monumental changes to the way our industry makes, packages and sells products. We are referring to the overtly simple labelling proposals, including Front of Package Labelling and Plain Language Labelling for over-the-counter medicines (OTCs) and natural health products (NHPs), and proposed restrictions on how companies market their products.

We support regulations that improve public health and product safety. However, we are concerned these costly proposals do not contribute to these objectives, run counter to environmental sustainability, and are irrelevant in our exploding e-commerce environment. Should they proceed, their cumulative impact will further disrupt supply chains, discourage investment and job retention, increase packaging and carbon outputs, and affect product availability and price.

We ask the government to:

- Undertake a comprehensive re-evaluation of the regulatory agenda to ensure all new initiatives achieve balanced, effective and evidence-based policies that support measurable public health outcomes, environmental sustainability and economic growth.
- Rigorously enforce an economic lens to the design and implementation of all regulations and hold departments accountable for achieving their desired public health objectives and reflecting our industry's operational realities.
- Focus on approaches and programs known to have the most significant impact on healthy eating, mental health, education, and physical activity.

Ensuring rules-based trade and e-commerce

The economies of Canada and the US are highly integrated to ensure sustainable and efficient production and provide predictable and fair market access. Our members export their products to the US and rely on imported US ingredients, products and packaging. Any added costs or disruptions, like tariffs, would significantly jeopardize our ability to provide Canadians with their essential products.

Throughout the pandemic, online purchases of food, health and consumer products have become a necessity. Canadians, with increased disposable buying power, are purchasing more of these products online from other countries.

Our regulatory approach is not designed for an e-commerce environment where Canadians can access a wide range of foreign (and often less expensive) products. These purchases undermine manufacturers who comply with Canadian regulations regarding product formulations and labelling. Collective action is required to address the diverse reasons Canadians choose to buy from foreign sources and stop illicit and non-compliant products from entering the Canadian market.

We ask the federal government to:

- 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.
- Work with industry to address the regulatory burdens that are inflating business costs without consumer benefit and driving Canadians to shop for foreign products online.

- Modernize Canada’s food, health, and consumer product regulations to leverage electronic labelling while tackling illicit markets.

Addressing Canada’s highly consolidated grocery landscape

Canada has a highly consolidated grocery sector, with the top five companies controlling over 80 per cent of the stores. With limited competition, manufacturers, farmers and consumers have long been subject to the egregious practices of grocery retailers. Costs to get products on store shelves and keep them there have surged more than 20 per cent in recent years, while remaining flat in the US. These fees reduce value to Canadian consumers through lower investments and product innovation.

Grocery retail’s recent imposition of arbitrary fees comes at a time when our industry, recovering from early demand spikes, is preparing for future infection waves. Action is needed to keep our supply chain stable, support our agriculture community and protect jobs.

We ask the federal government to:

- Implement a UK-style Code of Conduct to restore balance and fair competition to grocery retail practices.

Keeping workers safe and Canadians healthy

FCPC’s members always prioritize the safety of their workers. Our June survey revealed hundreds of millions of dollars had been invested on new health and safety measures to keep workers safe.

Companies need help to offset these costs. While the government’s \$77.5 million Emergency Processing Fund is an important first step, this amount is not nearly enough to cover PPE costs already incurred or future investments.

We ask the federal government to:

- Expand the criteria and increase the funding for the Emergency Food Processing Fund and implement a tax credit, like in the US, to offset mounting and ongoing pandemic-related costs.

Every day, Canadians practice self-care to prevent illness and manage their health, from minor ailments to chronic disease. Throughout the pandemic, self-care has proven to be more crucial than ever. While Canadians have been caring for themselves at home and minimizing their interactions with others, they have freed up the healthcare system to focus on COVID-19 cases and emergencies.

In a recent Consumer Health Products of Canada (CHP Canada) survey, 39 per cent of Canadians have been seeking more information about their health from home, 28 per cent considered their knowledge about their health had improved, and 58 per cent of those who managed health conditions themselves during the pandemic were satisfied doing so.

Self-care is both cost-effective and necessary; supporting Canadians in caring for themselves reduces demand and cost on the healthcare system, improves employee absenteeism, and promotes a healthy workforce.

We support CHP Canada’s call that self-care should be nationally recognized for its critical contribution

to the health of Canadians and the sustainability of our healthcare system.

We ask the federal government to:

- Implement a National Self-Care Strategy to relieve pressures on our healthcare system while promoting a healthy productive workforce.