

Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Federal Budget



By: Canadian Health Food Association

Recommendation 1: That Health Canada reevaluates any planned changes to the *Natural Health Products Regulations* (NHPR) to implement Plain Language Labelling. Any proposed changes cannot place an undue financial burden on Canadian businesses nor impede their ability to compete on a global scale.

Recommendation 2: That the Government remove cannabidiol from the Prescription Drug List and Schedule 2 of the NHPR in order to allow cannabidiol to be incorporated into natural health products.

Recommendation 3: That the Government engage a Value Chain Roundtable organic working group on domestic supply of organic products, and invest in programs and incentives that will encourage conventional farmers to transition to organic production.

Ensuring Common-Sense Oversight for Natural Health Products

Businesses in the natural health product (NHP) sector operating in Canada or looking to enter the Canadian marketplace are already impacted by rigorous requirements of the existing pre-market screening process outlined in the *Natural Health Products Regulations* (NHPR). On top of this existing system, Health Canada intends to propose regulatory changes that will create more red tape and make it more challenging and costly to bring products to the Canadian marketplace.

Plain Language Labelling, an initiative under Health Canada's Self-Care Products Framework, will increase the cost of packaging, labelling, licensing and marketing for NHP companies by a significant amount, despite limited evidence of any health and safety benefit. Beyond costs to industry and the consumer, this initiative would create more single-use plastic waste and consumption of resources that would harm the environment, which would be a step in the wrong direction for a government focused on meeting Sustainable Development Goals and reducing the prevalence of single-use plastics. Further, the proposal is out of step with the Canadian Government's present focus on reducing undue burden on industry in light of the challenges and financial pressures posed by the COVID-19 pandemic.

This situation, compounded with the growing appetite for ecommerce, raises the potential for increased online sales from non-Canadian sources to consumers, cutting out Canadian businesses, such as small independent health food stores in communities across the country. Products purchased online from outside of Canada have not gone through Health Canada's pre-market approval process. As a result, they do not meet the same regulatory requirements Canadian companies do and could contain ingredients that are not approved by our regulator. The sale of these products negatively influences Canadian businesses and poses a potential health risk for consumers. Closing the international internet sales loophole should be a priority for Health Canada, rather than focusing on requiring new label configurations on products that have already gone through a pre-market screening process.

CHFA supports Canada's world-class system of regulating NHPs and having a pre-market system in place to ensure products in Canada are safe and effective when used as directed. We believe it is important that the consumer is able to access the information they need to be informed users of NHPs. The current labelling proposal could cost up to \$1 billion for NHP producers with no clear evidence that it will improve the consumer's ability to use these products safely and effectively.

We ask that the government recognize that Plain Language Labelling for NHPs will add hundreds of millions of dollars in unnecessary costs to businesses in the wake of COVID-19. Health Canada must be asked to re-examine the benefit to Canadians and provide evidence of how it will improve the health and safety of Canadians by changing consumer use patterns. We ask the Government to instill a sense of accountability in Health Canada, wherein their proposed regulatory and policy changes are accompanied by high-quality evidence and analyses indicating measurable public health benefits that outweigh the cost to industry. Proposals failing to exemplify a clear and critical public health benefit, especially in today's environment, should not move forward. Moreover, the cost-benefit analyses of proposals that will surely increase the use of single-use plastics should account for their detriment to the environment. We recommend that the entire approach to how Health Canada wants to change the NHPR be re-evaluated. They must consider other creative solutions, outside of changing font and colour on a package, such as the use of digital information.

Recommendation: That Health Canada reevaluates any planned changes to the *Natural Health Products Regulations* (NHPR) to implement Plain Language Labelling. Any proposed changes cannot place an undue financial burden on Canadian businesses nor impede their ability to compete on a global scale.

Capitalizing on Canada's CBD Opportunity

In 2018, when the government legalized cannabis, they created a distinct recreational cannabis market, in addition to the pre-existing access scheme for medical purposes. All phytocannabinoids – compounds in cannabis plants – were placed on the Prescription Drug List (PDL), leaving no (legal) means to bring non-prescription health products containing cannabidiol (CBD) to the Canadian marketplace.

When the Government decided to apply the same level of oversight to all phytocannabinoids, they lacked the foresight that many Canadians would be interested in using CBD alone as a health product, rather than a recreational (or prescription) drug. CBD is a non-intoxicating compound found in all cannabis plants revered for its promising therapeutic properties.

A growing number of Canadians are using CBD to support their wellbeing. With no legal pathway to bring CBD health products to the Canadian marketplace, strong consumer demand continues to drive an illicit market for unregulated CBD products. Aside from the health and safety risks associated with the use of unregulated products, this is a major missed economic opportunity for Canadian businesses.

In 2019, we engaged the Institute of Fiscal Studies and Democracy (IFSD) to estimate the potential size of the CBD market and its economic impact if the Government of Canada regulated CBD products as natural health products (NHPs). The Institute assessed the economic impact of these regulatory changes if they were to occur in 2019.

The Institute's estimates showed that in the first year following a change in regulation, the market for CBD products would be approximately \$1.88 billion, with an expected average annual growth rate of 6.9% each year, reaching \$2.45 billion by the fifth year. In 2023, nutraceuticals (i.e. NHPs) would be expected to represent one-third of the market, or about \$1 billion.

Real GDP would be estimated to rise by a total of \$1.59 billion in 2019. The most significant positive impact would be on the wholesale and retail trade industries. The second and third greatest impacts would be realized by the finance, insurance, and real estate industry, and the professional, scientific, and technical services industry, respectively.

The CBD industry would be expected to generate \$917 million in labour income - \$501 million directly, and \$416 million through induced impacts on the economy and industries along the supply chain. This would generate approximately 9,638 direct full-time equivalent positions (FTEs) and an additional 5,917 FTEs through indirect and induced impacts, totaling 15,550 FTEs. Finally, based on their forecast of the size of the CBD market over the next five years, the Institute projected that the CBD market will raise real GDP by \$2.1 billion and generate 20255 more FTE jobs by 2023.

Allowing businesses to capitalize on the domestic and international demand for CBD products with NHPs would create a niche market for Canadian businesses. It would stimulate the economy and create jobs across various sectors - a top priority for Canada coming out of the pandemic. It would spark investments in research and development to support health claims. New avenues for licensed processors to sell their derivatives would promote further growth within cannabis and hemp industries, and it would also inspire greater innovation, creation of intellectual property, and collaboration between industries. Finally, it

would give Canadian consumers access to safe products from Canadian companies that they can have confidence in, fulfilling the Government's mandate to protect the health and safety of Canadians with respect to cannabis.

Recommendation: *That the Government remove cannabidiol from the Prescription Drug List and Schedule 2 of the NHPR in order to allow cannabidiol to be incorporated into natural health products.*

Helping Canadian Organic Supply to Meet Demand

Outcomes of the COVID-19 pandemic have highlighted the importance of strong domestic food supply-chains and a resilient Canadian food system overall. While there are facets of Canada's agriculture and agri-food sectors to be revered, there is room to improve and room to grow. As the government evaluates the consequences of the pandemic on Canada's critical infrastructure, and devises a plan to rebuild the economy, it is a critical time to identify opportunities to strengthen and grow a resilient and sustainable agri-food sector. In particular, now is a time to prioritize sustainable production systems, bolster domestic production capacity, and diversify food supply chains.

Prior to the pandemic in 2017, the Organic Value Chain Roundtable (OVCRT) identified insufficient supply of Canadian organic products for consumers and inputs for production and value-added products as a key challenge limiting the growth of the domestic organic sector.

In 2017, tracked organic imports were valued at \$672 million, while exports were valued at \$355.6 million in 2018. In 2019, the organic market, food and non-food, was valued at \$6.38 billion dollars in Canada, with 8.7% year-over-year growth. The market for organic food items was valued at \$5.1 billion. More and more Canadians are interested in purchasing organic food products, and this demand for organic products is largely fulfilled by organic imports. This presents an opportunity to reduce the gap between supply and demand of Canadian organic products, and see significant economic growth and job creation across the organic supply chain in agriculture, manufacturing and retail.

Augmenting domestic production of organic goods will have a direct positive influence on Canadian organic producers, while also giving organic food processors the opportunity to add further value to domestic organic ingredients. Encouraging producers that are presently using conventional farming practices to transition to organic also promotes the use of sustainable, and in some cases regenerative, production practices. Sustainable farming practices are a critical component of a national plan to mitigate climate change.

The pandemic has emphasized the importance of strong domestic food supply chains, and support for our agricultural sector. As the government looks to strengthen the economy and create jobs, develop policies with environmental sustainability in mind and strengthen our food system for the years to come, investing in greater domestic supply of organic products in Canada will help to accomplish all three goals. Increasing the supply of Canadian raw and value-added goods in the organic market would have positive effects on the organic sector, Canadian economy and the environment.

Recommendation: *That the Government engage a Value Chain Roundtable organic working group focused on domestic supply of organic products, and invest in programs and incentives that will encourage conventional farmers to transition to organic production.*