



House of Commons Standing Committee on Finance
Sixth Floor, 131 Queen Street
House of Commons
Ottawa ON K1A 0A6

August 4th, 2017

RE: 2018 Pre-Budget Submission

Introduction

Fruit and vegetables contribute significantly to Canadian productivity and competitiveness but the Government of Canada must ensure policy and programs are in place to ensure the ongoing growth of the industry.

The Canadian Produce Marketing Association (CPMA) represents over 840 members across Canada and the world who are involved in the marketing and sales of fresh fruit and vegetables in Canada. Combined, CPMA members are responsible for 90% of fresh fruit and vegetables purchased by Canadians. As an industry association, CPMA represents the entire fresh fruit and vegetable supply chain, from farm gate to dinner plate. As such, our comments are reflective of a wide array of members across the supply chain who work daily to provide Canadians with the fresh and healthy fruit and vegetable options they demand.

Labour

Labour gaps in Canadian agriculture have reached almost crisis level with a 2016 Conference Board of Canada report stating that the current labour gap for the agricultural sector was 59,200 in 2014 – a number which has doubled over the past decade. According to the Canadian Agriculture Human Resources Council, the single largest labour gap in agriculture is in the horticulture industry which accounts for approximately 12% of the total labour gap shortage in agriculture.

A key priority in enhancing the fresh produce sector's productivity and competitiveness are sustained improvements to the Seasonal Agricultural Worker Program (SAWP). **Chief among them would be the introduction of a trusted employer program that would expedite the hiring process for qualified employers who have maintained good standing with SAWP.**

Additionally, CPMA encourages the Government to implement a process to reduce the administrative burden on companies that utilize SAWP to fill labour requirements. **To do so, employers who have had placements approved by Service Canada should not need to reapply for this previously approved placement should the intended seasonal foreign worker be unable to complete the service.**

Immediate action is necessary in order to ensure that the fresh produce industry remains vibrant and prosperous for years to come. This need has become even more crucial now that the Government has set a target of \$75 billion worth of agri-food exports by 2025. In order to achieve this goal, the fresh produce industry requires improvements to the SAWP.

International Trade and Market Access

The fresh produce industry is fully supportive of the \$75 billion agri-food export target established by the Government in Budget 2017. CPMA also welcomes the Government's Trade and Transportation Corridors Initiative which will be an important investment in trade infrastructure and in transportation data collection. Where possible, CPMA is committed to working with the Government to ensure that these initiatives are successful and take into account the entire supply chain.

As the agri-food sector looks towards meeting the Government's agri-food trade target, **CPMA encourages the Government to adopt all recommendations stemming from the May 2017 Market Access Report of the Standing Senate Committee on Agriculture and Forestry.** These recommendations would strengthen the position of the fresh produce industry and would provide the industry the support it needs from Government in order to be more competitive in global markets.

Moving forward, it is imperative that the Government pursue free trade agreements with new and emerging markets. CPMA has been actively engaged in the exploratory discussions regarding a free trade agreement with China and is hopeful that a TPP11 agreement can come to fruition. Expanding tariff-free trade opportunities in the Asia Pacific region will greatly benefit Canada's fresh produce industry, particularly in those countries that have identified food security as a major socio-economic challenge. Canada is well positioned to help feed the world and the fresh produce industry is eager to be a partner in that ambition.

Research and Innovation

The fresh produce industry strives to remain internationally competitive by increasing productivity, ensuring food safety and improving the quality of its products. To do so, investments in research and innovation are necessary as the industry looks for new ways to grow. Recent funding by the Government in the areas of research and innovation within the private sector are applauded and should be built in to annual budget allocations. However, there are some challenges that have been encountered by the fresh produce industry looking to access this funding and invest in new products for Canadian and global markets.

Industry encourages the Government to defer to industry associations in establishing key research and innovation priorities based on expert knowledge of that sector. The current process of re-validating a research or innovation concept by government officials despite the industry rallying around some key priorities is cumbersome and requires significant resources for a duplication of efforts. Ideally, industry associations would be able to provide letters of support for private sector research and innovation funding applications outlining how the proposed project is in line with pre-established priorities.

Another recommendation to the Government is to be more transparent with their expectations in terms of funding for research and innovation by the private sector. Despite a large number of produce companies looking to take advantage of government funding for new products, many have encountered issues due to the lack of clear communication of funding objectives and metrics for success in the application process. For example, stating whether the intent of the funding is to fund a product meant for a domestic audience or if it should be export focused would better outline the purpose of the funding and ensure that the companies expending resources in an application are compliant with the requirements of the fund.

Finally, many in the fresh produce industry have raised issues surrounding gaps within research and innovation funding when it comes to the commercialization of new products. **CPMA encourages the Government to develop a commercialization funding strategy in order to help bring new products to market and grow the Canadian economy.** Budget 2018 should include funding for such a strategy that is consistent with the principles of trust and transparency as outlined above.

Financial Risk Mitigation

In October 2014, the Canadian fresh produce industry lost its preferential access to the dispute resolution mechanism established under the U.S. Perishable Agricultural Commodities Act (PACA). Under Canada's former preferential access to PACA, Canadian companies needed only to pay a maximum \$500 USD administration fee in order to file a claim. Since the loss of preferential access, Canadian growers have been required to post a bond worth 200% of their claim in the case of a no-pay or slow-pay situation by a U.S. company. For many Canadian produce companies, the financial cost of tying-up their bond and the claim amount is not feasible, resulting in forfeiture of monies owed. This model is unsustainable and poses a significant financial risk for Canadian produce exporters, particularly as the industry works towards increasing exports in order to achieve the agri-food export goal outlined in Budget 2017.

The development of a deemed trust provision in Canada would, in cases of insolvency, allow sellers a first priority on cash on-hand, inventory and accounts receivable related to the sale of fresh produce. Payment protection resulting from the deemed trust is the final component of the American PACA model that requires a Canadian legislative framework in order to achieve a more fully integrated and reciprocal North American fresh produce market. This will ensure that businesses in Canada and the U.S. have the same guarantees and financial risk mitigation measures when trading fresh fruits and vegetables.

In order to regain preferential access to PACA and our global competitive advantage when trading with the U.S., the Government must create a PACA-like deemed trust. Loss of preferential access to PACA has become a serious competitive barrier for the industry and has increased the financial risk of accessing the U.S. market. This concept of creating a PACA-like deemed trust was unanimously supported by all parties of the House of Commons Standing Committee on Agriculture and Agri-Food in June 2016 and would greatly increase the industry's competitiveness and ability to grow exports to Canada's largest trading partner. **CPMA urges the Government of Canada to take immediate action on this issue in order to re-establish preferential access for Canadian produce companies under PACA's dispute resolution mechanism.**

Facilitating Compliance with the Safe Food for Canadians Regulations

CPMA fully supports the Government's plans for implementing modern food safety regulations under the Safe Food for Canadians Regulations (SFCR). Indeed, the fresh produce industry has been working closely with regulators and policymakers to ensure that these new regulations better protect consumers and outline clear processes for industry in such areas as traceability and licensing.

However, changes for the industry under SFCR will be substantial and require significant dollars in order to build and implement the infrastructure and systems required for compliance. The Government must play a role in assisting the industry with this transition and compliance. **CPMA recommends that the Government allocate funds for cost recovery by industry relating to compliance with the new SFCR.** Growers, packers, shippers, wholesalers and retailers will all be impacted under the new SFCR and

government funding for cost recovery will allow these businesses to continue investing in their workforce and middle-class Canadians. **CPMA also supports ongoing financial commitments to government departments who hold responsibility for SFCR compliance.**

Increasing Fruit and Vegetable Consumption to Increase Canadian Productivity

It is well documented that low consumption of fruits and vegetables can have negative health effects including a greater risk of obesity, cancer, cardiovascular disease and other health risks. Indeed, the World Health Organization has identified low intake of fruits and vegetables as one of the top 10 selected risk factors for global mortality. In Canada specifically, a 2016 report by Dr. Hans Krueger has highlighted that low consumption of fruits and vegetables creates an economic burden of approximately \$4.4 billion annually given an estimate that 78.4% of Canadians are not consuming the recommended number of fruits and vegetables daily.

CPMA strongly believes that the time for action is now and is calling on the Government to set a goal of increasing consumption of fresh fruits and vegetables by 20% within five years as part of the new Food Policy for Canada. Doing so will have a positive impact on the Canadian economy, reduce the economic burden of low consumption and make Canadians generally more productive.

In conclusion, we are pleased to submit these comments to the House of Commons Standing Committee on Finance regarding Budget 2018 and how it can increase the productivity and competitiveness of the Canadian fresh produce industry. Indeed, we have been actively engaged on these files with government officials and are encouraged by the Government's recent investments in the agri-food sector in the areas of international trade, food safety and innovation.

Thank you for reviewing our submission and we would be pleased to answer any questions members of the committee may have.

Regards,

A handwritten signature in black ink, consisting of a stylized 'R' followed by a horizontal line.

Ron Lemaire
CPMA President