Minister
of Agriculture and
Agri-Food

Ministre
de l'Agriculture et de
l'Agroalimentaire

Ottawa, Canada K1A 0C5

Quote: 286053

9/19/2024

Mr. Eric Janse
Clerk of the House of Commons
111 Wellington Street, Room C233
House of Commons
Ottawa ON K1A 0A6

Dear Mr. Janse:

I am pleased to provide you with a copy, in both official languages, of the Government's response to the recommendations of the Standing Committee on Agriculture and Agri-Food's eighteenth report, entitled *A Call to Action: How Government and Industry Can Fight Back Against Food Price Volatility*, tabled in the House of Commons on May 23, 2024.

Pursuant to section 109 of the Standing Orders of the House of Commons, the response must be tabled in the House of Commons within 120 days of being presented in the House of Commons.

Sincerely,

Lawrence MacAulay, PC, MP

Attachments

Canada

Minister
of Agriculture and
Agri-Food

Ministre
de l'Agriculture et de
l'Agroalimentaire

Ottawa, Canada K1A 0C5

Quote: 286053

9/19/2024

Mr. Kody Blois, MP
Chair
Standing Committee on Agriculture and Agri-Food
House of Commons
Ottawa ON K1A 0A6

Dear Mr. Blois:

Pursuant to the House of Commons Standing Order 109, I am pleased to provide you, in both official languages, the Government Response to the recommendations of the Standing Committee on Agriculture and Agri-Food's eighteenth report, entitled *A Call to Action: How Government and Industry Can Fight Back Against Food Price Volatility*, which was tabled in the House of Commons on May 23, 2024.

I would like to express my sincere thanks to you and the Committee for undertaking this study, as my colleague the Honourable François-Philippe Champagne and I suggested in our October 2023 letter, which also highlighted the valuable role the Committee plays in ensuring accountability. The Government of Canada commends the members of the Committee for their work to better understand the impacts of unpredictable food prices on Canadians and expresses its gratitude to the witnesses across the supply chain who supported the Committee's work. The Government also appreciates the efforts of

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the Committee to provide concrete recommendations that can stabilize food prices while also strengthening the resiliency of Canada's food supply chain so that all supply chain players, including consumers, can benefit from the results.

The issues impacting food price stability in Canada and our grocery supply chain are complex. The Government recognizes the critical importance of addressing these issues with a collaborative and cohesive solution that avoids unintended consequences for Canadians and for Canada's agriculture and agri-food sectors. As evidenced by the number of departments and agencies involved in the preparation of this government response, these issues are of interest across the Government of Canada, all levels of government and industry. The Government is committed to continuing to work with our provincial, territorial and Indigenous partners and impacted stakeholders to ensure that all Canadians have reliable and equitable access to essential, healthy and nutritious food at a reasonable price.

I am also pleased to report that on July 18, 2024, industry confirmed that there is widespread commitment from organizations across the supply chain to adopt the voluntary, industry-led Grocery Code of Conduct. Work continues, and industry aims to have the Code implemented by June 2025.

Please find attached the Government Response to the recommendations of the Report.

Sincerely,

Lawrence MacAulay, PC, MP

Attachments

GOVERNMENT RESPONSE TO THE EIGHTEENTH REPORT OF THE STANDING COMMITTEE ON AGRICULTURE AND AGRI-FOOD ENTITLED *A CALL TO ACTION: HOW GOVERNMENT AND INDUSTRY CAN FIGHT BACK AGAINST FOOD PRICE VOLATILITY*

The Government of Canada is pleased to respond to the Eighteenth Report of the Standing Committee on Agriculture and Agri-Food (the Committee) entitled: *A Call to Action: How Government and Industry Can Fight Back Against Food Price Volatility*, which was tabled in the House of Commons on May 23, 2024.

The Government commends the members of the Committee, and the witnesses who appeared, for their contributions to understanding and developing actionable recommendations that could help stabilize food prices in Canada. The Government appreciates the time and attention that went into developing the Committee's 10 recommendations outlined in the Report. The Government is also pleased to report that there has been a noteworthy development since the conclusion of the study, specifically that industry has come to a consensus on the provisions of a voluntary Grocery Code of Conduct that will bring more fairness, transparency, and predictability to Canada's grocery supply chain and for consumers.

The Government supports most of the recommendations, recognizing that food affordability is a critical issue for Canadians, and is taking action to stabilize grocery prices. The Government continues to work collaboratively with provincial, territorial and Indigenous partners, and industry stakeholders to adequately address the challenges highlighted in the Report. Details of the Government's Response to each of the Report's recommendations are provided below.

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

Food insecurity, food affordability and building resilience in our domestic food system are persistent, complex issues in Canada. However, the Government has, and will continue to take concrete action to address these issues as part of the government's broader approach to putting healthy, sustainable, and affordable food on the table of Canadians.

RECOMMENDATION 1

The Committee, noting the particular importance of temporary foreign workers to the agriculture and agri-food sectors, recommends that the Government of Canada reduce the administrative burden associated with the Temporary Foreign Worker Program and make permanent the Recognized Employer Pilot program that was put in place in Budget 2022.

The Government acknowledges this recommendation. The Recognized Employer Pilot (REP) program, launched in Summer 2023, is a three-year pilot program designed to be more responsive to established labour market shortages and to reduce administrative burden for repeat employers hiring in high-demand fields when they meet the highest standards for wages, working and living conditions, and worker protection. For instance, this measure helps reduce the administrative burden for employers who hire temporary foreign workers through the Seasonal Agricultural Worker Program, who often make repeat use of the program and hire the same workers year after year.

As a pilot project, ESDC will complete an assessment of the REP Program's results and will assess these results and determine future steps once the pilot project is completed.

The Temporary Foreign Worker Program is designed to be responsive to changes in the labour market and enables Canadian employers to fill labour and skills shortages on a temporary basis,

when Canadian and permanent residents are not available. Program policies are continuously reviewed to ensure that they reflect the latest economic conditions.

RECOMMENDATION 2

The Committee recommends that the Government of Canada increase staffing and the regularity of inspections at the border to ensure compliance, and that the government require that imported products meet the same quality standards – including environmental, labour, and growing standards –as domestic products, while ensuring it respects its trade obligations.

The Government supports in principle the first element of this recommendation pertaining to increased staffing, and regularity of inspections at the border. Tools are in place to conduct inspections at the border to ensure compliance, and staffing and regularity of inspections are adjusted on a regular basis where and when they are needed.

The CFIA uses a risk-based approach to target its inspections and verify compliance. This approach facilitates identification of the most significant risks and allows the CFIA to allocate resources accordingly.

All foods sold in Canada, whether domestic or imported, must comply with Canadian legislation, including meeting strict safety and labelling standards and requirements. For imports, the CFIA directs its inspection resources to where they will have the greatest impact. The location, scope and frequency of the CFIA's activities are based on the type of imported products and the associated risk to human health and consumer protection. The CFIA reviews its national inspection priorities and can increase the frequency of inspections annually, based on what it learns from evolving risk intelligence and risk analysis.

The CFIA shares information and collaborates with the CBSA to deliver inspections at the border. The CFIA establishes the requirements for importing food, plants and animals, and CBSA is responsible for enforcing these import requirements. The CBSA verifies that commercial shipments are accompanied by any required licenses, permits, certificates or other documentation. Documentation for high-risk products requires review by the CFIA before the goods can be released into Canada. With regard to inspections, CBSA conducts the screening of postal shipments and inspection of goods crossing the border. In both instances, CFIA provides support and expertise as needed to assist CBSA in managing risks and making admissibility decisions. Existing memoranda of understanding (MOUs) between the CFIA and CBSA support risk mitigation at the border through information sharing and collaboration between the two agencies.

To support its aspect of this work, the CBSA manages a robust risk management strategy for addressing non-compliance in the importation of goods, and takes a risk-based approach to compliance, using all available evidence in assessing revenue risk and determining CBSA compliance priorities. The CBSA's Trade Compliance activities aim to confirm that the importer's assessment of duty on imported goods is correct. To do this, it relies on three primary elements: Tariff Classification, Valuation, and Origin/Tariff Treatment. The CBSA reviews if conditions are met for delay, refund or exemption of duty as part of a Trade Incentives Program and whether goods are subject to anti-dumping or countervailing duties. In its administration of the *Customs Act* and Customs Tariff, the CBSA conducts post-release compliance interventions of importer declarations. It does this by following a formal trade compliance verification process detailed in the Trade Verification Manual, which contributes to a level-playing field across Canada. Any trade compliance intervention should be considered within the CBSA's culpability framework, the mechanisms of the trade risking network and the CBSA Assessment and Revenue Management modernization, in order to provide a coordinated and targeted response.

Regarding the second part of the recommendation pertaining to imported products, the Government supports this recommendation and notes that it aligns with current government policies. All foods sold in Canada, whether domestic or imported, must comply with Canadian

legislation, including meeting requirements of the *Food and Drugs Act* and its 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 SFCR licence and maintain food safety plans that demonstrate their imported food meets the same requirements as domestically produced food. For example, products with organic claims imported into Canada must have an organic certificate. This organic certificate can only be issued by either a CFIA accredited certification body, or a certification body accredited by a foreign country with an existing organic equivalency arrangement with Canada. Equivalency arrangements between Canada and a foreign country are established following a thorough comparison and assessment of the two regulatory systems to determine whether the principles and outcomes achieved are consistent.

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

While implementing the above import program, the Government of Canada adheres to Canada's obligations and cooperative mechanisms under the World Trade Organization and its free trade agreements that support fair, predictable and mutually beneficial trade in agri-food products. This requires Canada's import requirements to be transparent, not create unnecessary barriers to international trade and be justified for the protection of health and safety. These international trade obligations require Canada to base its import requirements on international standards while affording the right to be more stringent if the assessment of risk is scientifically justified or necessary to meet a legitimate policy objective and if the measure is consistent with the requirements applied to domestic agri-food products.

RECOMMENDATION 3

The Committee recommends that the Government of Canada support the passage of Bill C-234 unamended, as adopted by this committee.

The Government acknowledges this recommendation but disagrees with the approach in the unamended Bill C-234. The Government's position on the unamended version of Bill C-234 has been that it does not reflect Canada's commitment to climate change or incentivize farmers to switch to less carbon-intensive solutions. It also risks weakening Canada's efforts to lower its greenhouse gas emissions. The Government continues to take proactive steps to provide targeted relief to the agriculture sector.

The purpose of the *Greenhouse Gas Pollution Pricing Act* is to reduce greenhouse gas emissions by ensuring that carbon pollution pricing applies broadly throughout Canada. Recognizing that many farmers use natural gas and propane in their operations, farming businesses that operate in jurisdictions where the federal fuel charge applies may claim the return of fuel charge proceeds to farmers refundable tax credit to directly receive a portion of fuel charge proceeds. Through this refundable tax credit, the total amount to be returned is generally equal to the estimated fuel charge proceeds from farm use of propane and natural gas in heating and drying activities in those provinces. This aims to ensure that, overall, all the proceeds collected from these farming activities are returned to farmers.

This refundable tax credit is available to farmers in addition to other relief mechanisms under the existing fuel charge framework. The current framework provides upfront relief of the fuel charge to farmers for gasoline and light fuel oil (e.g., diesel) used in eligible farming machinery (e.g., farm trucks, tractors), and upfront relief of 80% of the fuel charge for natural gas and propane used to heat an eligible greenhouse or to supplement carbon dioxide in eligible greenhouses in order to grow or produce plants.

The refundable tax credit for farmers maintains the effectiveness of pollution pricing because it does not return fuel charge proceeds in direct proportion to a farm's actual natural gas or

propane use, but rather according to the approximate size of the farm as measured by its total operating expenses. Putting a price on pollution and returning a portion of the proceeds to farmers helps farmers transition to lower-carbon ways of farming by providing support to farmers, while also maintaining the price signal to reduce emissions.

As well, the $441.4 million Agricultural Clean Technology Program (62% of the funds have been committed to date) supports the development and adoption of clean technologies, including those that increase energy efficiency and enable fuel switching on farms. Furthermore, the $704.1 million Agricultural Climate Solutions On-Farm Climate Action Fund (52% of the funds have been committed to date) supports the adoption of Beneficial Management Practices to reduce on farm emissions in priority areas of nitrogen management, rotational grazing, and cover cropping.

RECOMMENDATION 4

The Committee recommends that the Government of Canada review its front-of-package labelling regulations to better balance its public health objectives with industry concerns over the cost of complying within the proposed timelines and the effect this will have on consumer food prices.

The Government of Canada acknowledges this recommendation. In developing the front-of-package nutrition labelling regulations, extensive input from a range of stakeholders was considered and many actions have already been taken in recognition of economic concerns for the food industry while protecting the health and safety of Canadians. In addition, public consultations and consumer research were undertaken to support the regulations in achieving their public health objective.

Canada is facing increasing rates of obesity and diet-related chronic diseases, such as type 2 diabetes, cardiovascular diseases, and some cancers. Diet-related chronic diseases are now a leading cause of morbidity and mortality in Canada.

The front-of-package nutrition labelling regulations published in July 2022, aim to help reduce risks to health by providing consumers with quick and easy-to-use information on foods high in saturated fat, sugars and/or sodium to help reduce consumption of these nutrients. Between 2016 and 2022, the initiative underwent extensive public consultations, with input from health and industry stakeholders as well as consumers. Several adjustments were made to minimize costs to industry to the extent possible and facilitate compliance, while ensuring the initiative remains effective. For example, some flexibility was introduced for the location and format requirements for the symbol and a simplified approach using a lower threshold was developed for foods with small serving sizes to prevent the need for complicated calculations. As a consequence, it is expected that these adjustments would have the effect of reducing costs for industry.

In addition, HC published a guidance document at the time the regulations were issued, to support industry understanding of the technical details and requirements for compliance. This guidance was updated in May 2023 based on questions and feedback from industry.

HC estimated in the final publication of the front-of-package nutrition labelling regulations, based on the Public Health Agency of Canada's 2014 report Economic Burden of Illness in Canada, that the direct costs (e.g., hospital, physician and pharmaceutical costs) of the four primarily impacted diseases (cardiovascular disease, some cancers, diabetes and musculoskeletal disease) amount to $28.16 billion annually (2021 CAD). The front-of-package symbol provides improved information to consumers which in turn could result in health care savings of up to $422.34 million in a given year. An extension to the 3.5-year transition period would delay the availability of improved nutrition information, which in turn would further delay these health benefits. The Government of Canada will continue to monitor and collect data pertaining to the implementation of these regulations, including the nutritional quality of the food supply.

RECOMMENDATION 5

The Committee recommends that the Government of Canada work with industry to ensure that there are commercially available and affordable alternatives to Price Look-up (PLU) stickers and other primary plastic food packaging items before it implements its proposed pollution preventing planning notice.

The Government supports this recommendation. The presence of plastic in finished compost, when applied to land, has the potential to contribute to microplastics in the environment, and plastic Price Look-up (PLU) stickers can contaminate organic waste, which can lead to the landfilling of produce and associated greenhouse gas emissions. The proposed requirements for PLU stickers, as outlined in ECCC's "Recycled content and labelling rules for plastics: Regulatory Framework Paper", align closely with the produce industry's voluntary guidance on transitioning to compostable PLU stickers published in 2023. These proposed regulations as well as the proposed pollution prevention (P2) planning notice for plastic food packaging are currently on hold pending the results of the Government of Canada's appeal of the Federal Court decision of November 16, 2023, that retroactively declared the 2021 Order adding "plastic manufactured items" to Schedule 1 to the *Canadian Environmental Protection Act*, 1999 invalid and unlawful.

The Government recognizes opportunities to transition away from the use of single-use plastic produce stickers to other solutions. ECCC's proposed approach is consistent with policy approaches in other jurisdictions, such as the European Union, France, and New Zealand. The Government remains committed to ongoing engagement with the produce industry.

ECCC continues to engage with stakeholders and conduct additional research and technical analysis on a potential approach to plastic food packaging. This includes gathering and sharing knowledge with different actors in the supply chain and assessing what is possible through innovations and advancements of commercially viable alternatives to plastic food packaging. ECCC has also engaged with other government departments and jurisdictions on approaches to plastic food packaging, with special consideration being given to issues surrounding food waste and food affordability. ECCC has partnered with AAFC to assess the feasibility of reducing plastic packaging in key sectors, such as produce, and is working with industry partners to gather information on market readiness of alternative packaging solutions.

The Government has also engaged with the United States Department of Agriculture (USDA) on reducing plastic food packaging waste and promoting circularity within the supply chain through cross-border collaboration.

RECOMMENDATION 6

The Committee recommends that the Government of Canada take the following actions to assist Canadians experiencing food insecurity:

- **review the Nutrition North Program to ensure that it is meeting its mandate of providing affordable food to residents and that subsidies to retailers are being used appropriately; and**
- **re-evaluate the objectives of its 2017 Food Policy for Canada with a focus on food affordability.**

The Government supports this recommendation and action is ongoing to assist Canadians experiencing food insecurity. CIRNAC is continuing its support for food security in isolated northern communities at a time when rising food prices are impacting families across Canada and the world. Nutrition North Canada (NNC) is one component of the Government of Canada's food security response. The program supports isolated Northern communities by improving access and affordability for market, country and local food.

The NNC program is currently being reviewed by CIRNAC's audit and evaluation unit. The

purpose of this evaluation is to assess the design, delivery, relevance, and performance of the expanded elements of the program including its food subsidy. As part of this exercise, an Evaluation Working Group, comprised of Indigenous and program partners, has been established to work with evaluators and to inform the evaluation process. The final evaluation report is expected to be published online in summer 2025. Program evaluations like this are required by the Treasury Board and are fundamental to ensuring accountability, transparency and oversight in government operations.

In addition, five ongoing Indigenous-led research projects are examining the retail subsidy (including subsidy passthrough) as part of the Food Security Research Grant. The results of these studies will provide NNC with additional options to improve food access and affordability in isolated northern communities.

Through this evaluation and academic research, as well as through ongoing collaboration with the Evaluation Working Group, the NNC Advisory Board, the Indigenous Working Group, and the Inuit Food Security Working Group, the Government of Canada is continuously working to improve programming to help northern and isolated communities address the complex issue of food insecurity.

The Government of Canada is committed to an external review of NNC at the appropriate time, following the completion of the internal evaluation and research projects currently underway to inform program improvements.

Beyond CIRNAC, action to improve food security is also a priority for AAFC. In 2019, the Food Policy for Canada was launched with the vision that all people in Canada are able to access a sufficient amount of safe, nutritious, and culturally diverse food, and that Canada’s food system is resilient and innovative, sustains our environment, and supports our economy.

A key initiative under the Food Policy for Canada was the creation of the Local Food Infrastructure Fund (LFIF) in 2019. This $70 million, 5-year program, delivered by AAFC, filled a critical need for community food infrastructure projects and enabled community organizations to increase their capacity to provide nutritious and culturally appropriate food to people at risk of food insecurity.

LFIF supported approximately 1,100 food security projects, across all provinces and territories, totaling more than $65 million. Of these projects, the program funded more than 250 projects in Indigenous communities, representing about 40 percent of LFIF funding. An internal AAFC evaluation of the program completed in 2023 determined 93 percent of LFIF funding had been invested in projects that benefited people from low-income households. Projects eligible for funding included community gardens and greenhouses, walk-in refrigerators and freezers, and refrigerated vehicles for transportation and distribution of food.

Budget 2024 announced $62.9 million over three years, starting in 2024-25, to renew and expand LFIF to support community organizations across Canada to invest in local food infrastructure, with a priority to be given to Indigenous and Black communities, along with other equity-deserving groups. Part of the expansion will support community organizations to improve infrastructure for school food programs as a complement to the National School Food Program.

As part of the Food Policy for Canada, Budget 2019 announced the Government's intention to work with provinces and territories towards the creation of a National School Food Program. Budget 2024 announced the creation of a National School Food Program, which will provide $1 billion over five years to provide meals for more than 400,000 kids each year. This program is expected to save the average participating family with two children as much as $800 per year in grocery costs, with lower-income families benefitting the most.

Supporting food security in Indigenous and northern communities is one of the near-term action areas intended to move towards the long-term Food Policy outcome of strong

Indigenous food systems. When the Food Policy for Canada was announced in 2019, the Canadian Northern Economic Development Agency (CanNor) received $15 million over five years to deliver the Northern Isolated Community Initiatives Fund (NICI), aiming to enhance Indigenous and northern food security by supporting local, community-led projects that reduce dependence on the southern food industry. Projects included $400,000 to help revitalize the Mackenzie Delta reindeer herd so that it can one day provide a sustainable source of protein to all Inuvialuit; and $50,000 to the Yukon Government's Agriculture Branch to support deployment of a mobile abattoir to enhance local processing capacity. Under NICI, CanNor facilitated the Northern Food Innovation Challenge, which delivered nearly $5M total to a variety of innovative food systems projects, including support for feasibility work for a commercial teaching kitchen for First Nations youth in Whitehorse, Yukon; supporting country food subscription box service in Iqaluit, Nunavut; and supporting feasibility work on establishing a bison farm and meat processing facility in Fort Simpson, Northwest Territories.

In support of a renewed Food Policy for Canada, Budget 2024 announced funding to strengthen access to culturally important foods. Indigenous Peoples suffer higher rates of food insecurity than the rest of Canada. Traditional foods obtained through harvesting are an important part of Indigenous communities' diet and culture, making access to such foods critically important.

As part of the Government's work to eradicate food insecurity, Budget 2024 provides:

- $14.9 million over three years, starting in 2024-25, to renew and expand the Northern Isolated Community Initiatives Fund to all regions of Inuit Nunangat to support local and Indigenous food production systems, including innovative northern food businesses, which contribute to food security in the North.
- $25.1 million over two years, to expand the Canadian Shellfish Sanitation Program to assist Indigenous communities to safely access shellfish harvest for food, social and ceremonial purposes.
- $2.8 million over three years, starting in 2024-25, to implement the *United Nations Declaration on the Rights of Indigenous Peoples Act* Action Plan Measures to bolster the policy and engagement capacity among Inuit Tapiriit Kanatami and Inuit Treaty Organizations to co-develop legislative and policy options to facilitate the production, sale, and trade of traditional and country food.

RECOMMENDATION 7

The Committee recommends that the Government of Canada establish a process to engage with the provinces and territories in order to discuss the enactment of legislation applying the Grocery Code of Conduct while respecting their jurisdictions.

The Government supports this recommendation and has been engaging with provinces and territories to consider all options, in case the current industry-led process to implement a Grocery Code of Conduct (Grocery Code) for Canada is unsuccessful. An industry-led solution is unanimously preferred by Federal, Provincial and Territorial (FPT) Agriculture Ministers. The Government of Canada has always supported a voluntary and industry-led approach to the development of a Grocery Code that will improve the strength and resilience of Canada's food supply chain. On July 18, 2024, industry provided a report to FPT Ministers of Agriculture confirming that organizations across the supply chain, including all key suppliers, many regional and local independent grocers, and Canada's five largest grocery retailers have committed to joining the Grocery Code. On July 19, 2024, FPT Ministers of Agriculture agreed to provide the $1.2 million in short-term funding requested by industry to support the operation of a Grocery Code of Conduct Adjudication Office. Industry is aiming to implement the Grocery Code by June 2025. The continued participation of all major grocers and suppliers is vital to its success.

While a Grocery Code will not directly affect food affordability, it will improve predictability, transparency, and fair dealing in supply chain relationships, ultimately benefitting consumers.

The Government will continue to monitor progress towards implementation of the Grocery Code, and actively engage with the provinces and territories in order to ensure that Canada has

a stable, resilient and competitive grocery supply chain that benefits everyone.

RECOMMENDATIONS 8, 9, and 10

The Committee recommends that the Government of Canada consider implementing policies to effectively tackle excessive net profits in monopolistic and oligopolistic sectors in the food supply chain, which are driving up food prices for consumers and input costs for farmers.

The Committee recommends that the Government of Canada reinforce the competition law by making the following legislative changes:

- **enact structural presumptions to simplify merger cases by shifting the burden onto the merging parties to prove why a merger that significantly increases concentration would not substantially lessen or prevent competition;**
- **revisit the remedy standard to provide that the Competition Tribunal's remedial order ensure that remedies preserve the pre-merger state of competition to prevent merging parties to accumulate market power and harm the economy;**
- **examine the rules surrounding Competition Tribunal decisions, to ensure better alignment with the Competition Bureau's merger recommendations; and**
- **empower the Competition Tribunal to make an order dissolving a completed merger or prohibiting the merger from proceeding if the merger would result in excessive combined market share.**

The Committee recommends that the Government of Canada continue to pursue and advocate for additional competition within the Canadian grocery sector to stabilize and lower food prices, notably by identifying and removing barriers that prevent new companies from entering the marketplace.

The Government supports these recommendations, which relate to enhancing competition in the Canadian retail grocery sector. Many stakeholders and members of the public have voiced concerns over the growing state of corporate concentration in Canada, rising prices, and the outsized power of corporate giants. Over the last several years the Government has taken measures to address these concerns across all sectors of the economy, including a substantial increase in the 2021 Budget to the Competition Bureau's resources, and targeted amendments in 2022 to correct recognized shortcomings in the Act. It then launched the "Consultation on the Future of Competition Policy in Canada" in late 2022.

Following this consultation, the Government devised two sets of significant amendments to the *Competition Act*. Bill C-56, *Affordable Housing and Groceries Act*, which received Royal Assent in December 2023, made a number of targeted but significant amendments designed to increase market transparency and affordability. This included better equipping the law to tackle property controls that limit competition, a factor recognized as limiting new market entry, including in the grocery sector. A more comprehensive package of amendments included in Bill C-59, *Fall Economic Statement Implementation Act, 2023* received Royal Assent in June 2024. This bill touches all aspects of the Act's enforcement framework, including revisions to the merger review framework. Concentrative mergers will be presumed to harm competition and may face remedial orders by the Competition Tribunal if the parties cannot rebut the presumption. The standard to be achieved by merger remedies will also be adjusted to return competition to pre-merger levels. Another important change would be to prevent the Tribunal making cost awards against the Commissioner of Competition in most cases.

Together, the amendments deliver on the Government's commitment to significantly update the Act to address stakeholder concerns and better equip the Bureau to tackle excesses from corporate concentration wherever they are harming Canadians, including at all levels of the food supply chain.
The Government also recognizes numerous characteristics of the Canadian market that can increase costs and the payback period for new entrants compared to other markets like Europe or the United States. Some of these factors include Canada's physical geography and low

population density, legal landscape and varying regulations across provinces. ISED, with its range of sector-specific experts, will continue to analyze Canada's economic sectors to determine appropriate policies and programs that will increase competition, efficiency, and the standard of living for Canadians. ISED will continue to work with other federal departments to analyze our domestic and comparable international grocery sectors to identify methods to improve competition within Canada's grocery sector, and develop recommendations on foreign grocery retailers of interest.