



Food & Consumer Products of Canada

Pre-Budget Submission

February 2016

Food & Consumer Products of Canada (FCPC) welcomes the opportunity to respond to the four questions outlined in the federal government's 2016 pre-budget consultations.

FCPC is Canada's largest industry association representing the companies that manufacture and distribute the vast majority of food, beverage and consumer goods found on store shelves and in people's homes. Our membership is truly national, providing value-added jobs to urban and rural Canadians in more than 170 federal ridings in every region of the country.

Our industry is the largest employer in the manufacturing sector in Canada, providing approximately 300,000 Canadians with high-quality jobs in over 6,000 manufacturing facilities in every region of the country. The food and consumer product manufacturing industry has an important economic footprint in thousands of communities across Canada, and is well-positioned to play an even greater role.

Our recommendations outline how to strategically position Canada to be successful in a fiercely competitive and knowledge-based global economy, while growing jobs for middle class Canadians and preserving our environment. This will help diversify our economy and move Canada beyond our reliance on commodities toward growth in value-added production.

Our recommendations include:

- Forging a national, value-added manufacturing strategy
- Providing investment support to manufacturers to innovate, modernize and grow operations
- Launching a consultation on the elimination of tariffs on imported ingredients used in agri-food processing
- Modernizing regulations and ensuring changes are based on sound, consensus science
- Expanding meaningful access to international markets
- Taking a national and coordinated approach to packaging stewardship

1. In your opinion, how can we better support our middle class?

Middle class Canadians depend on strong communities in which they live, work and raise their families. In order for communities across the country to be sustainable and positively contribute to the quality of life of Canadians, they require economic opportunities for their residents in the form of stable employment.

Employment is the foundation of a strong community. When Canadians have jobs, the tax base is expanded which supports critical investments in infrastructure, transportation, services and community initiatives. Employment also supports the local businesses that play an important role in serving the community and improving the convenience and well-being of its residents.

An inclusive approach is needed that better supports all middle class Canadians, including the one in five who live in the thousands of rural communities outside of Canada's urban centres. As the largest manufacturing employer in rural Canada, our industry plays a unique and critical role in linking both urban and rural Canadians through economic opportunity.

In rural areas, food manufacturers support farmers by providing a predictable and convenient market for the high-quality and safe food that they grow. Canadian farmers and food manufacturers work interdependently to produce some of the most trusted food in the world. Our industry also provides off-farm employment opportunities for rural residents and countless indirect jobs right across Canada.

The government has an opportunity to help communities attract jobs, and this requires all levels of government improving how they work together. Interested investors continue to be frustrated as they are pointed in different directions by multiple levels of government due to excess red tape and a lack of coordination.

There is an opportunity for the government to take a leadership role with municipalities and provinces to help attract middle class jobs to communities across the country via improved coordination and marketing of incentive packages to interested investors. This should be part of the government's manufacturing strategy.

2. What infrastructure needs can best help grow the economy, protect our environment, and meet your priorities locally?

We need to focus investment in infrastructure that helps retain and grow value-added manufacturing jobs for the middle class in communities across the country.

We are encouraged by the federal government's commitment to innovation via the Innovation Agenda and Agri-Food Value-Added Investment Fund. We are also pleased with the long-term extension of the Accelerated Capital Cost Allowance, which has been critical in encouraging investment in our sector.

Manufacturers require modern facilities to be productive and competitive in Canada and abroad. Our industry, however, is in urgent need of capital investment in order to maintain their presence in Canada.

More incentives are required to encourage food and consumer product manufacturers to re-invest in their Canadian plants and/ or open brand new modern facilities. Other countries are fiercely competing for these investment dollars and Canada needs to be in the game if we want to keep and grow value-added jobs in our country.

Further investment in automation and robotics in Canadian plants is the key to improving productivity and remaining competitive in a global economy. We therefore support the following recommendations by the Canadian Manufacturing Coalition:

- Adopt a non-repayable technology demonstration fund dedicated to the acceleration of automation and industrial robotics to allow manufacturers to test the costs, benefits and returns on investment in their production processes.
- Implement a permanent tax credit for the adoption of automation or industrial robotics.

In light of the unique challenges facing Canadian food manufacturers as demonstrated by recent plant closures, a sector-specific fund is also needed. We support the excellent work and recommendation of the Food Processing Industry Roundtable to create a unique investment fund for food manufacturers. The Roundtable's proposal seeking \$400 to \$800 million in government funding over five years would support a significant increase in investment (up to \$ 8 billion) in the sector. We strongly support their recommendation to:

- Create a Food Innovation Fund to help modernize the Canadian footprint of food and beverage manufacturers.

Supporting Canadian manufacturers to innovate and intensify the pace of automation is a critical strategic investment. Facilities with production line efficiencies are not only more competitive, but they also produce less waste thereby reducing their environmental footprint.

3. How can we create economic growth, protect the environment, and meet local priorities while ensuring that the most vulnerable don't get left behind?

Canada's economic growth depends on shifting away from a commodity-based mindset toward one that is cognizant of future growth opportunities in value-added production. This strategy hinges on a competitive manufacturing sector.

We are very pleased with the government's acknowledgement that manufacturing plays a vital role in contributing to the quality of life of middle class Canadians in communities across the country. We look forward to working closely with the government to make the future of manufacturing a priority.

Canada has the potential to become a global leader in food production – we have numerous advantages that make us an enviable place to invest. In order to grow and remain globally competitive, Canada needs a robust plan to capitalize on our competitive advantages. FCPC is committed to working with the government to forge a national value-added manufacturing strategy with a clear focus on our sector.

Food manufacturers of all sizes across the country have identified access to competitively priced inputs as a key barrier to growth at a recent meeting of the Food Processing Industry Roundtable. Currently 57% of agricultural goods are still subject to tariffs at an average rate of approximately 5%.

FCPC welcomes further discussion on tariff reductions on imported ingredients used in agri-food processing as outlined in Chapters 1-24 of the tariff schedule, and to eliminate tariffs where it makes sense to do so. Certain tariff reductions could allow manufacturers to lower their non-recoverable production costs, increase the competitiveness of their operations and enhance their ability to compete in domestic and foreign markets.

Given the complexity of the tariff system coupled with over 6,000 food manufacturing facilities in Canada that could be impacted, FCPC supports a thorough consultation process. We are eager to work closely with the government on reducing tariffs with the common objective to support food manufacturing in Canada.

In order to further increase the competitiveness of our industry, we require a modern regulatory framework based on sound science. More responsive and predictable regulations would encourage companies to introduce new innovative products and processes, and grow their operations in Canada. For Canadian families, regulatory reform would translate into more selection of innovative products on store shelves.

To achieve this, additional resources are required to rapidly modernize Canada's food and consumer product regulations in Health Canada. Adequate funding is also needed to implement the Canadian Food Inspection Agency's new food safety regulations, and to businesses to support their compliance. It's important that regulatory changes be based on sound science and do not jeopardize the integrity of our internationally-respected system. Changes to food labeling, for example, must be based on the most reliable evidence and helpful to Canadians in their efforts to make the nutrition choices that are right for them.

Expanding meaningful access to global markets for made-in-Canada products and removing non-tariff barriers would also encourage economic growth. We recognize the need to grow beyond our borders in emerging markets. Improving trade with our southern neighbor is also critical, and we therefore support the Canada-US Regulatory Cooperation Council.

Economic growth is compatible with a sustainable environment. FCPC members are committed to protecting our resources and take their role in helping to reduce greenhouse gas emissions very seriously. Although the food, beverage and consumer product manufacturing industry is not considered a large carbon emitter in Canada - accounting for less than 1% of total emissions - we recognize the importance of global collective action to combat climate change.

There is an opportunity for the federal government to play a leadership role in packaging waste diversion – an area in which we are actively engaged - that will have positive environmental benefits.

Currently these programs are individually regulated by provincial governments resulting in multiple program obligations, creating inefficiencies and confusion for both industry and consumers. A national and coordinated approach to packaging stewardship programs across the country would increase economies of scale, bring clarity to both businesses and residents, and in turn, provide greater environmental benefit by improving recycling rates, diverting waste from landfill and reducing greenhouse gas emissions.

4. Is the implementation of these new priorities and initiatives realistic? Will it help us grow our economy?

Our recommendations outline how to strategically position Canada to be successful in a fiercely competitive, innovative and knowledge-based global economy, while preserving and growing jobs for middle class Canadians and preserving our environment.

With the world's population growing to 9.6 billion by 2050, manufacturers have the potential to play a vital role in feeding the world with our trusted, made-in-Canada products. Investment in our industry is an investment in the future. We look forward to working together with the government to help position us to meet the growing global demand for food.

Investment in our industry also goes a long way. In comparison to other manufacturing sectors, the output and job multipliers for food and beverage manufacturing are significant - for example, they are higher than industries such as automotive and aerospace. For every additional million dollars in output generated by the food and beverage manufacturing industry (direct), an additional \$1.23 million in output is generated in the economy (indirect) and an additional 9 jobs, direct and indirect, are created (Source: Statistics Canada's Input-Output National Multipliers in 2010).

In close collaboration with the Food Processing Industry Roundtable, we believe that our recommendations are achievable and will help position Canada as the food basket to the world. This approach will help us reach the goals outlined by the Roundtable to:

- a. Recognize food and beverage manufacturing as a strategic industry
- b. Grow sales from \$105 billion to \$135 billion by 2020
- c. Grow level of food processing of agricultural products from 38% to 45% by 2020
- d. Grow exports from 27% to 35% by 2020

To achieve these goals, a multi-stakeholder strategy with collaboration between government and industry is needed. As a long-standing and active member of the Roundtable, we will continue to support their work to: gain recognition of the economic contribution of our sector; modernize our Canadian footprint; encourage innovation; and help grow global exports.

Thank you.

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