

## Canadian Health Food Association Pre-Budget Submission 2016

Presented to:  
House of Commons Standing Committee on Finance

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## Background

The Canadian Health Food Association (CHFA) is Canada's largest trade association dedicated to natural health and organic products. Our members include manufacturers, retailers, wholesalers, distributors and importers of natural health and organic products. The natural health product (NHP) industry contributes \$3 billion, and the organic product industry contributes another \$4 billion to the Canadian economy annually while employing thousands across the country, and supporting the health of the 77% of Canadians who consume our products.

The Standing Committee on Finance has asked how the federal government can support improvements that would allow individual Canadians, businesses, and communities from coast-to-coast-to-coast to maximize the contributions they make to the economy. This document will focus on concrete recommendations supporting the 1,000 member businesses we represent, their employees and the millions of consumers who use our products every day.

CHFA embraces the need for regulation of all health products and we have worked with our members to comply since the inception of the *Natural Health Product Regulations* in 2004. This task has not been an easy one for many, but our industry is now in a favourable position with a predictable and steady state for product licensing with over 80,000 NPNs issued representing over 100,000 products. For the industry to prosper, and to allow our businesses, entrepreneurs, and employees to maximize their economic contributions, we ask the government to continue to be mindful of the lower risk profile of our Members' products as well as the distinction between NHPs and other consumer health products. Natural products are just that—natural. This is one reason that the federal government took important steps in the 1990's to support natural health by differentiating NHPs from pharmaceuticals. Under the leadership of the Hon. Allan Rock, then Minister of Health, the government concluded that NHPs were not drugs and should not be treated as such.

We recommend that the federal government implement the following policies that will ensure Canadians have access to safe, high-quality products while improving the ease of doing business and supporting employment in Canada's NHP and food industries:

- Ensure support for Canada's health food sector and particularly health food retailers by maintaining the existing *de minimis* threshold on imported goods and also promoting safety by closing the personal importation loophole for NHPs.
- Support CHFA's proposal for preferential tax treatment for NHPs encouraging Canadians who take proactive measures to maintain their health.
- While Health Canada and the Canadian Food Inspection Agency (CFIA) work to modernize Canada's food safety system, consideration must be made to minimize the financial burden on companies. To save businesses money, consideration should be given to harmonize the implementation of proposed food labelling changes ensuring they come into force simultaneously.
- While labelling changes are being reviewed, initiate the labelling of genetically modified ingredients for human consumption in all food categories to support Canadians' right to know what is in the food they eat.

## Keeping natural health businesses and jobs in Canada by maintaining the *de minimis* threshold

To ensure natural health businesses, especially retailers and wholesalers, are able to continuously contribute to the economy, the federal government must maintain the current *de minimis* threshold at \$20. While American



courier companies would benefit from being able to ship more goods to Canada tariff-free, the benefits to Canadians would be limited and the negative implications for businesses would be immense. Our members import, distribute, and sell products from Canada and abroad. Whether the goods on their shelves are foreign or domestic, they are selling to people and creating jobs in our communities. At present, the natural health industry employs nearly 50,000 Canadians on a full and part-time basis in both retail and supplier roles.

Many of our members, especially those with small niche stores, will inevitably be directly harmed by an increased *de minimis* threshold. Research shows that 67% of Canadians already do cross-border shopping and an increased threshold would only serve to grow that number, placing unnecessary and in some cases intolerable burden on local retailers, while also seeing the number of Canadians employed at these local establishments decrease. Such a change in consumer behaviour would mean that Canada, not to mention provincial governments, would not just be giving up on tariff revenue, but also foregone sales taxes from goods purchased in this country. Decreased revenue will clearly harm our country's ability to meet the needs of our population, but will also limit opportunities for communities to maximize their ability to support businesses and improve trade, something the Standing Committee on Finance is seeking recommendations to improve.

A decrease in the *de minimis* would further encourage Canadians to shop abroad for NHPs. Canada is viewed as the leader in the regulation of NHPs and is seen throughout the world as setting a gold standard. The *'Import and Export Policy for Health Products under the Food and Drugs Act and its Regulations'* allows companies outside of Canada to sidestep our strong regulations and ship products directly to Canadian online shoppers. Some of these products are unlicensed and may be unsafe. This is another financial disadvantage to Canadian companies who invest time and money to becoming compliant and licensed and it hurts small and mid-sized retailers as shoppers are drawn to buy their products online rather than purchasing at local businesses.

We understand, and appreciate the appeal of reducing administrative burdens for companies looking to do business with Canada, but in this circumstance, where no clear benefit to Canadian businesses or taxpayers exists we must voice our strong opposition to an increased *de minimis* threshold.

### **Promoting self-care through preferential tax treatment for NHPs**

Natural health products are safe and effective. Health Canada's Natural and Non-prescription Health Products Directorate (NNHPD) provides regulatory oversight and pre-market approval for all NHPs. It is a fact that 77% of Canadians choose to use these products to help maintain their health and well-being. This shows that consumers place tremendous value in NHPs, but the valuable contributions these products make to reducing the burden on our healthcare system are not adequately recognized. Canadians use NHPs for health maintenance (85%); illness prevention and strengthening one's immune system (79%); and a general concern about one's health (76%).

It is CHFA's belief that government should eliminate the current bias against NHPs by changing tax policy to recognize the value of self-treatment and self-care that millions of Canadians embrace every day. At present, health products that are used by millions of Canadians to support their wellbeing are taxed the same way as soft drinks and candy. Vitamins and minerals are the most commonly used NHPs (53%), so most Canadians would be surprised to find out that a dozen donuts are zero-rated, but essential vitamins and minerals are not.

Further, the Committee has requested recommendations for ways in which the federal government could support particular individuals like seniors in maximizing their economic contributions as well as offering



suggestions for improving urban, rural and remote communities' ability to support business growth and development. In both cases, reconciling the tax treatment of NHPs would be beneficial. The Canadian Medical Association's 2015 study *Canadian Views on a National Seniors' Health Care Strategy* found that wellness and preventative care was the second most important of six metrics to promote better health and prevent disease. Seniors would clearly benefit from better access to the tools of preventative care, but communities would surely benefit because healthy populations are productive populations, whether they live in urban, rural or remote communities.

Health policy is constantly advancing and has recently moved toward greater recognition of the importance of self-care to overall wellness and to the sustainability of Canada's healthcare system. Tax policy that is applicable to NHPs has not kept pace. It is important that tax policy keep pace with health policy developments to support the millions of Canadians who choose proactive measures to support their short and long-term health. As such, CHFA recommends that the federal government undertake a review of the tax status of NHPs. Some options for addressing this policy gap include providing an income tax benefit to people who purchase products to aid in self-care, or a zero-rating of NHPs in retail contexts.

### **Saving businesses money by harmonizing ongoing food labelling modernization processes at Health Canada and the CFIA**

Both Health Canada and CFIA are undertaking processes to make changes to food labels. While Health Canada is proposing changes to the Nutrition Facts Table and ingredient lists, CFIA is concurrently developing supporting regulations to bring the *Safe Food for Canadians Act* into force. Both sets of changes will impact all food labels in Canada. Both are important and valuable contributions, and to be clear, we are not opposed to the proposed updated labelling requirements. However, if both sets of changes come into force at different times, food processors, importers, distributors and wholesalers will have to implement labelling changes on two separate occasions, which will be a burden to businesses of all sizes. We also encourage a longer transition time of up to five years for the coming into force for the required changes to allow companies use up and sell through existing stock.

CHFA has met with politicians and bureaucrats to signal the importance of streamlining the labelling process. Coordinated timing of labelling initiatives by Health Canada and CFIA makes good business sense and will support Canadian industry. The bottom line is that streamlining will help to reduce the burden that the proposed nutrition labelling changes will place on all companies in the Canadian food sector. This impact will be particularly challenging for small businesses who have limited resources and capacity to implement multiple and often confusing changes simultaneously.

### **Supporting Canadians' Right to Know: Labelling for all genetically modified products.**

Canadians have the right to know if their food contains genetically modified (GM) ingredients.

The Standing Committee on Agriculture and Agri-Food will be studying GM animals for human consumption and will report back to Parliament no later than December 8, 2016. We believe that the committee mandate to "address the full range of potential issues around the approval of products involving genetically modified animals beyond health and safety... (including) what steps should be taken to best inform the public about new products planned for introduction to the market," limits the scope to GM animals, not going far enough. Understanding the safety of GM foods is of the utmost importance, but providing consumers with the



knowledge they want to make informed purchasing decisions, is also crucial.

Informed choice matters to Canadians. A recent Ipsos Reid poll shows that 88% of Canadians want GM labelling on food products. This information comes on top of the fact that 64 countries around the world already require some form of GM labelling, with jurisdictions south of the border poised to join them.

CHFA advocates on behalf of the organic product industry and supports the production of organic food. We believe that consumers concerned about GM ingredients should know that organic food is grown/handled according to strict rules. Producers and consumers of organic products are concerned about the high level of risk GM crops pose to their yield quality. The Standing Committee on Agriculture and Agri-Food wants to “address the full range of potential issues” and should consider the long-term impact and economic risk for those small to mid-sized businesses devoted to providing certified organic food that could be jeopardized by broader, and hastier approval of more GM commodities. We call on the government to implement regulatory reform that includes transparency, and peer-reviewed risk assessment of long-term, multi-generational safety validation. In the meantime, products containing ingredients derived from GM crops and sources should be labelled to give consumers the information they desire.

