

Food & Consumer Products of Canada
Pre-Budget Submission
August 4, 2016

Executive Summary

Food & Consumer Products of Canada (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, restaurants 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. Please find below our member company logos.

Food processing 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 5 recommendations are to:

1. Provide investment support to manufacturers to innovate, modernize and grow operations.
 - Allocate the earmarked \$160 million to the Agri-Food Value-Added Investment Fund.
 - Create a Food Innovation Fund of \$500 million over 5 years to help modernize the Canadian footprint of food and beverage manufacturers.
 - Create a national cluster in the field of robotics and automation to help companies adopt advanced technologies.
 - Increase direct investments in high-potential firms by de-risking part of a company's cost in areas such as plant improvements, R&D and adoption of automated production processes.
2. Modernize regulations to support innovation and growth.
 - Provide adequate funding to Health Canada and CFIA to address regulations currently under review, longstanding regulatory irritants and emerging priorities.
 - Develop a mechanism to fast-track regulatory irritants that impede growth and innovation.

- Conduct a fulsome review of the impact of the overall regulatory landscape on Canadian food and consumer product manufacturers.
3. Increase support to help companies sell their value-added Canadian products abroad.
 4. Foster a national and coordinated approach to packaging stewardship.
 5. Provide more balance and equity in funding for the value-added sector at Agriculture and Agri-Food Canada.

Introduction

Food manufacturing represents one of Canada's biggest global economic opportunities. The world's population is estimated to grow to 9.6 billion by 2050; this will require a 70% increase in global food production.

Canada is well positioned to play a vital role in feeding the world with its safe, high quality, made-in-Canada products. Our country's economic growth depends on shifting away from a commodity-based strategy toward one that is cognizant of future growth opportunities in value-added production. This strategy hinges on a competitive manufacturing sector.

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).

We were very pleased that Budget 2016 recognized food manufacturing as the largest manufacturing employer in Canada and an important contributor to the economy.

FCPC works closely with other associations and in particular supports recommendations by the Canadian Beverage Association and Canadian Manufacturers & Exporters.

Impact on rural and remote communities

Food processing is the largest manufacturing employer in rural Canada. Our industry plays a unique and critical role in linking rural and remote 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.

When Canada's food manufacturing sector grows, so do the opportunities for farmers and middle class Canadians in every region of the country.

Recommendations

1. Provide investment support to manufacturers to innovate, modernize and grow operations

Top of the list of priorities for FCPC is investment in innovation. The growing challenges presented by ageing manufacturing facilities across the country must be addressed. Modern facilities are a prerequisite to productivity, growth and innovation.

More incentives are required to encourage food and consumer product manufacturers to re-invest in their Canadian plants and/ or open 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.

The adoption of advanced technologies like automation and robotics is especially important for our industry and there is a lot of potential to grow in this area. Also critical is R&D in Canada for the industry's long term growth and competitiveness.

In light of the unique challenges facing Canadian food manufacturers a sector-specific fund is needed. We appreciate the government's Agri-Food Value-Added Investment Fund to encourage the development of new value-added products. We urge the allocation of the earmarked \$160 million toward this fund in Budget 2017, and for it to be implemented immediately.

We also support the excellent recommendations of the Food Processing Industry Roundtable to create a unique fund to implement the priorities identified in their Action Plan, which includes support for regulatory modernization, R&D and exports. The Roundtable's proposal seeking \$500 million in funding over five years would support a significant increase in investment (up to \$ 8 billion) in the sector.

As proud members of the Canadian Manufacturing Coalition, we support their budget recommendations to create a national cluster in the field of robotics and automation to help companies adopt advanced technologies. Also of interest is their recommendation to increase direct investments in high-potential firms by de-risking part of a company's cost in areas such plant improvements, R&D, and development and adoption of automated production processes.

Our recommendations are to:

- Allocate the earmarked \$160 million to the Agri-Food Value-Added Investment Fund.
- Create a Food Innovation Fund of \$500 million over 5 years to help modernize the Canadian footprint of food and beverage manufacturers.

We support the Canadian Manufacturing Coalition's recommendations to:

- Create a national cluster in the field of robotics and automation to help companies adopt advanced technologies.
- Increase direct investments in high-potential firms by de-risking part of a company's cost in areas such as plant improvements, research and development, and adoption of automated production processes.

2. Modernize regulations to support innovation and growth

The federal government can support innovation in our industry by rapidly modernizing Canada's food and consumer product regulations. Regulations must continue to be based on science and prioritize product safety.

In order to meet the government's ambitious *Innovation Agenda*, it's imperative that Health Canada modernize its food and consumer product regulations. Regulations for our industry have not kept pace with advanced technologies, global practices or new product innovations.

Canada should be a hub for R&D and innovation in agri-food. This will never happen while it takes twice as long to bring new innovations to market than in competing jurisdictions. The inability to modernize Canada's regulatory apparatus in a timely and competitive manner is hampering innovation, investment and the ability of Canadian companies to seize and maximize global opportunities.

Our industry requires a more predictable and responsive regulatory framework, which would encourage companies to manufacture in Canada, grow their operations and introduce new innovative processes and products. The strategic alignment of our regulations with the US and other major trading partners is an important consideration.

According to Health Canada, at current funding levels it will take more than 20 years to modernize existing food regulations, at which time most will already be out of date.

We are concerned with the lack of additional resources required in addressing regulations currently under consideration, long-standing regulatory irritants that, if fixed, would encourage innovation, as well as emerging priorities. Regulatory change needs to take place more quickly and a mechanism needs to be developed to fast-track irritants that impede innovation and growth.

Regulatory modernization requires an integrated approach with Health Canada, Canadian Food Inspection Agency (CFIA) and Agriculture and Agri-Food Canada (AAFC). We urge the government to move forward with these regulations in a timely, aligned and coordinated manner to maximise efficiencies for both government and business, and minimize consumer confusion in the marketplace. We support the Canadian Beverage Association's recommendations on regulatory reform.

In light of the dozens of regulatory files that remain in the queue and the new priorities being brought forward from the Minister's mandate letter, a more fulsome and holistic review of the regulatory apparatus is necessary. The federal government needs to assess how cumulative regulatory changes – or lack thereof - will impact our industry's competitiveness and innovation today, as well as in the future.

Our recommendations are to:

- Provide adequate funding to Health Canada and CFIA to address regulations currently under review, longstanding food regulatory irritants and emerging priorities.
- Develop a mechanism to fast-track regulatory irritants that impede growth and innovation.
- Conduct a fulsome review of the impact of the overall regulatory landscape on Canadian food and consumer product manufacturers.

3. Increase support to help companies sell their value-added products abroad

Canadian manufacturers require meaningful access to global markets for made-in-Canada, value-added products, and the removal of non-tariff barriers that prevent trade. We recognize the need to grow beyond our borders, and improving trade with emerging economies like India and China, as well as our southern neighbor is critical.

4. Foster a national and coordinated approach to packaging stewardship

FCPC members are committed to protecting our resources. 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 help residents to put the right materials in their blue boxes. This will provide greater environmental benefit by improving recycling rates, diverting waste from landfill and reducing greenhouse gas emissions.

Though this is an area of provincial jurisdiction, we believe the federal government could play a coordinating role in establishing a national framework and standards, consistent with its role in driving action on climate change.

5. Provide more balance and equity in funding for the value-added sector at Agriculture and Agri-Food Canada

We would like to see the government's next budget reflect the significant economic contribution and potential of our industry. It's important to point out that despite AAFC being "our home" within the federal government, food manufacturers remain under-represented.

There are less than 20 officials working directly on food manufacturing issues in AAFC out of approximately 4,500. This has been reflected in the overall lack of inclusion of a meaningful manufacturing lens in the department's policy, program, research and communications initiatives. As a result, the department currently only allocates about 5% of its overall total spending to the food manufacturing sector.

Given the significant underrepresentation of the value-added sector in AAFC's departmental staffing and spending, we would like to see a more inclusive perspective that reflects the important role of food manufacturers to the economy and to the government's *Innovation Agenda*.

Thank you for the opportunity to provide input.



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Members

