

Further Poultry Processors Association of Canada

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

Comprised of more than 400 federally registered establishments, the processing of beef, pork, veal, horsemeat, lamb, chicken, turkey and eggs represents the largest component of Canada's food processing sector. Registering annual sales of \$24 billion, exports totalling \$5 billion and year-round manufacturing jobs for some 70,000 Canadians, the red meat, poultry and egg processing industry sustains valuable economic activity and employment in rural towns and urban centres across the country. Red meat, poultry and egg processing constitutes a critical link in Canada's integrated "farm to fork" animal protein supply chain. The industry offers: a dependable source of safe and high quality domestically-produced protein for Canadian consumers; a market outlet for Canadian livestock and egg producers; and, a domestic market for the cereal grain, oilseed, pulse and forage crop farmers who produce livestock feed ingredients. Through imports, exports, or both, all components of Canada's red meat, poultry and egg processing sector are impacted by international trade. Global competitiveness is critical to the current and future health and economic survival of a Canadian animal protein processing industry. The animal protein processing industry recommends that the Government of Canada, in cooperation with its provincial and territorial counterparts, ensures predictable and level domestic and international playing fields through: - internationally competitive tax rates, including business and social levies; - an adequate supply of trainable and willing to work Canadian and foreign labour; - an outcome-based regulatory framework that eliminates unnecessary bureaucracy and costs; - international implementation of science-based multilateral standards that provide fair treatment for Canadian production systems, processing methods and product standards; and - international negotiations that ensure access to all global markets under tariff and non-tariff conditions that are no less than those available to foreign competitors.

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

The response to question 1 identified the paramount necessity for growth of the red meat, poultry and egg processing sector of internationally competitive tax, labour, regulatory and trade rules environments that facilitate the maintenance and expansion of Canada's 70,000 direct jobs in the industry. The absence of an adequate, trainable and ready to work domestic and foreign labour supply constitutes a significant constraint to increased employment. To ensure that Canada does not forfeit current and future employment opportunities, the animal protein processing industry recommends that the Government of Canada, in cooperation with its provincial and territorial counterparts, ensure: - an inspection and enforcement system applied as stringently for foreign origin products as it is for Canadian foods. Canada should prohibit the importation of foreign products processed with equipment, technologies, processing aides, antimicrobials and other compounds unless the equipment, technology

or chemical is permitted for use in Canada; - in the absence of an adequate domestic supply of livestock to maintain the efficiency and competitiveness of Canada's primary processors, improved access to live hogs from those regions of the U.S. with low incidence of pseudorabies and brucellosis; - in the absence of adequate domestically-produced supply, access to competitive sources of imported poultry meat for use as an ingredient in the production of further processed products that either replace foreign-processed imports or are exported; - internationally competitive tariff and non-tariff barrier access to all foreign markets. Although Canada exported 1,151,274 tonnes of pork, 336,954 tonnes of beef and veal, 15,786 tonnes of horsemeat, 133,000 tonnes of chicken meat, 21,400 tonnes of turkey meat and 4,518 tonnes of processed egg products in 2011, foreign tariff and non-tariff barriers continue to constrain export opportunities. Canada should negotiate bilateral, regional or multilateral trade agreements with all countries of export potential and continue to respond forcefully to tariff and non-tariff barriers in existing markets.

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

The near-term and future retirement of trained workers is of significant concern to the red meat, poultry and egg processing sector. Employment opportunities in the industry require physical endurance, special skills (e.g., knowledge of multiple different meat cuts) and technical knowledge (e.g., awareness of food safety and equipment sanitation standards). The animal protein processing industry recommends that the Government of Canada, in cooperation with its provincial and territorial counterparts: - continue an employment insurance program that encourages Canadians to seek and accept available job opportunities, regardless of whether these are located in the vicinity of their current residence; - design and implement proactive outreach and skills training initiatives, in collaboration with first nations communities, to encourage significantly greater future participation in the food processing sector by this comparatively young and rapidly expanding segment of Canada's population; - maintain a flexible foreign labour recruitment program that includes timely application and renewal processing as well as the potential of receiving Canadian citizenship; and - enhance provisions in the employment insurance and public pension programs that encourage senior workers to maintain both full and part-time employment.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

Characterized by a high labour input demand per unit of output, the red meat, poultry and egg processing sector must maintain international competitiveness in the context of a high value currency, a shortage of domestic labour and cyclical livestock production. In addition to the measures identified in responses to questions 2 and 3, the animal protein processing industry recommends that the Government of Canada, in cooperation with its provincial and territorial counterparts: - replace the current two-tier meat and poultry inspection system with a structure that provides a uniform level of food safety protection for all Canadians. At present, numerous facilities process animal protein without a requirement to meet the stringent construction, operational, inspection and enforcement standards for food safety that are required of federally-registered establishments; - adopt a government fee structure that ceases to place Canadian livestock producers and federally-inspected processors at a competitive disadvantage on every kilogram of red meat and poultry processed in Canada. Canadian processors should cease to be assessed meat inspection fees that exceed \$20 million annually as long as

their U.S. counterparts, their primary competitors for live animals, Canadian consumers and foreign markets, are exempt from similar fees; - implement a food safety enhancement tax credit supportive of investment in procuring and adopting new food safety equipment, technologies, products and third party certification that increases domestic consumer and foreign market confidence in the Canadian food safety system; - introduce cost-sharing programs in instances where government-mandated technical requirements place Canadian processors at a competitive disadvantage. Canada should reinstate the interest-free, conditionally repayable, Abattoir Competitiveness and Slaughter Improvement Programs to support industry investments in slaughter improvement and modernization as a partial offset to the costs incurred as a result of the Canadian government's imposition of mandatory removal and disposal of designated ruminant materials; - terminate incentives that increase production costs for livestock producers and food prices for consumers by promoting the diversion of food and feed ingredients into fuel for transportation; - recognize the effectiveness and equivalence of private sector initiatives that assure animal welfare and food safety; - provide timely regulatory approval of new equipment, technologies, processing aids and antimicrobials that have already been assessed and approved by competitor countries; - initiate tax incentives that encourage and support company investments in new facilities, new machinery and equipment and new technologies; - increase public sector investment in research and innovation that supports Canadian livestock production, red meat, poultry and egg processing and access to foreign markets; and - expand the accelerated capital cost allowance depreciation schedule for capital investments by industry in scientific research and innovation.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

For the past decade the animal protein sector has confronted a succession of very serious challenges. These have included: the closure of foreign markets following the identification of bovine spongiform encephalopathy (BSE) in several animals; the closure of some foreign markets to all Canadian poultry and egg products in the event of Avian Influenza when it is limited to a Control Zone within Canada; the imposition of illegal mandatory country of origin labelling (COOL) in the United States; and, high feed prices as the result of production shortages and government incentives that cause food and feed grains to be diverted into use as fuel. Although some livestock prices have risen recently, the domestic cattle and hog herds may be reduced even further in response to a continental drought and continuing high grain prices. The animal protein processing industry recommends that the Government of Canada, in cooperation with its provincial and territorial counterparts: - remove incentives that promote the diversion of food and feed ingredients into fuel for transportation thereby resulting in increased livestock production costs, reduced livestock herds and higher red meat, poultry and egg prices for Canadian consumers and Canadian exporters; and - develop an income assurance program for the livestock sector that, similar to crop insurance, is international trade obligation compliant and sufficiently predictable to support livestock producers in their endeavours to secure investment and operating loans from financial institutions.