FCPC
Food & Consumer Products of Canada

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Food & Consumer Products of Canada

Pre-Budget Submission

August 6, 2014

Executive Summary:

The food and consumer products industry is the largest employer in manufacturing in Canada and is well-positioned to contribute to our country's future economic growth.

The food and beverage sector was the top contributor to GDP in manufacturing in 2012 with $26.5 billion or 15.7 percent.

In comparison to other manufacturing sectors, the output and job multipliers for food and beverage manufacturing are significant.

Food & Consumer Products of Canada's member companies have facilities in 170 federal ridings across the country.

To encourage competitiveness and grow value-added jobs in Canada, FCPC proposes to:

1. **Make the Accelerated Capital Cost Allowance for the acquisition of machinery and equipment permanent at 50% in line with the Canadian Manufacturing Coalition's proposal.**
2. **Create a new national Capital Investment Fund to attract large-scale capital investments from within Canada and from foreign-owned manufacturers.**
3. **Support the work of the Food Processing Industry Roundtable to create an Investment and Innovation Fund.**
4. **Ensure government has adequate funding to implement and oversee new food safety regulations and businesses are provided support for compliance, in line with the Canadian Supply Chain Food Safety Coalition's proposal.**
5. **Re-instate the $17.4 million to Health Canada for food regulatory reform and ensure it is clearly earmarked for food - not drugs.**
6. **Take into account the potential risk of a product via an exemption for low-risk consumer products in the Plain Language Labelling regulations.**
7. **Ensure strategic regulatory alignment and cooperation with the US via timely implementation of the recommendations outlined in the Regulatory Cooperation Council (RCC).**
8. **Resolve the Country-of-Origin-Labelling (COOL) dispute with the US in a manner that does not increase tariffs on food manufacturers in Canada.**

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Background:

Food & Consumer Products of Canada (FCPC) welcomes the opportunity to contribute to the federal government's 2014 pre-budget consultations.

FCPC is the largest national industry association in Canada representing companies that manufacture and distribute food and consumer products. Our member companies have facilities in 170 federal ridings across the country. Our industry is the largest employer in the manufacturing sector in Canada, with approximately 300,000 Canadians working in 6,000 manufacturing facilities in every region. The food and beverage sector was also the top contributor to GDP in manufacturing in 2012 with $26.5 billion or 15.7 percent.

Our membership consists of small manufacturers and large ones; multi-nationals and Canadian owned companies. Our members include robust companies committed to growing their operations in Canada and extending their reach outside of Canada. Please find below in Appendix 1, our member company logos.

We are proud to be a truly national industry providing high-quality jobs to both rural and urban Canadians in every province and territory. We support farmers by providing them a market for the high-quality food that they grow. Outside of urban centres, food manufacturing facilities provide off-farm employment opportunities and countless indirect jobs that help expand the tax base and support the economic sustainability of communities. We also help meet the needs of Canadian consumers who increasingly prefer to buy food that is both grown and processed in Canada.

We are proud members of the Canadian Manufacturing Coalition led by the Canadian Manufacturers & Exporters, which represents more than 50 national manufacturing associations from across Canada and their nearly 2 million employees.

In comparison to other manufacturing sectors, the output and job multipliers for food and beverage manufacturing are significant as shown in the chart below. The output multiplier for the food and beverage manufacturing industry (2.23) is the highest amongst the industries listed below including automotive, aerospace, shipbuilding, paper and wood. In terms of job creation, our industry is the third highest (8.99), just a little less than the value for the shipbuilding and wood manufacturing industries.

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.

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SIMPLE MULTIPLIERS (DIRECT + INDIRECT)			
North American Industry Classification System (NAICS)	**Industry Description**	**Output**	**Jobs**
31-33	Total Manufacturing	1.75	5.78
311 and 3121	Food and Beverage Manufacturing	2.23	8.99
3361 to 3363	Automotive Manufacturing	1.52	4.03
3364	Aerospace Product and Parts Manufacturing	1.41	5.35
3366	Ship and Boat Building	1.60	9.61
321	Wood Manufacturing	2.10	9.58
322	Paper Manufacturing	1.98	6.49
325	Chemical Manufacturing	1.78	4.43
334	Computer and Electronic Product Manufacturing	1.37	6.05

[1]

Recommendations:

<u>Increasing the competitiveness of Canadian businesses through research, development, innovation and commercialization</u>

Food manufacturers require state-of-the-art facilities to be productive and competitive in both Canada and abroad. Many, however, are facing challenges related to ageing infrastructure and equipment in their facilities. The need to further invest in automation to increase productivity is important and we look forward to the results of this study underway by Industry Canada.

[1] This chart is a subset of the multipliers available from Statistics Canada's Input-Output National Multipliers in 2010: http://www5.statcan.gc.ca/olc-cel/olc.action?ObjId=15F0046X&ObjType=2&lang=en&limit=0.

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More incentives are required to encourage food manufacturers to re-invest in their Canadian plants, expand existing operations 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 value-added jobs in our country.

We are strong advocates of the government's Accelerated Capital Cost Allowance (ACCA) for the acquisition of machinery and equipment, which is set to expire in 2015. The ACCA has been a huge driver of labour productivity in the Canadian manufacturing sector and we recommend making this program permanent at 50% as per the Canadian Manufacturing Coalition's (CMC) proposal. This would provide certainty for Canadian manufacturers, keep our regime competitive with the US and help increase productivity in the Canadian economy.

We also support the CMC's recommendation for the creation of a new national Capital Investment Fund, which would be used to attract large-scale capital investments. This fund would consider only those projects that would demonstrate an ability to increase manufacturing and processing output in Canada. The sorts of projects that could be eligible for such direct support would include the building of new production facilities, the expansion of current facilities or the upgrading of machinery and equipment.

In light of the unique challenges facing food manufacturers as demonstrated by recent plant closures, a sector-specific fund would be helpful to address their competitiveness issues in Canada. We support the recommendation developed by the Food Processing Industry Roundtable to create a unique fund for food manufacturers to encourage investment and innovation. This was one of two priorities established by the March 2014 roundtable, where discussions focused on ensuring government support is commensurate with the industry's economic contribution to Canada.

Our recommendations:

- **Make the Accelerated Capital Cost Allowance for the acquisition of machinery and equipment permanent at 50% in line with the Canadian Manufacturing Coalition's proposal.**
- **Create a new national Capital Investment Fund to attract large-scale capital investments from within Canada and from foreign-owned manufacturers.**
- **Support the work of the Food Processing Industry Roundtable to create an Investment and Innovation Fund.**

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Improving Canada's taxation and regulatory regimes

Regulations:

The most important way to support innovation and competitiveness in our industry is to rapidly modernize and simplify the regulatory framework governing our products, which are found on grocery and drug store shelves across the country.

Canada's manufacturers require a more predictable and responsive regulatory framework, which would encourage companies to maintain and grow their operations in Canada. For consumers, regulatory reform is needed to provide more product choice on store shelves.

The regulatory changes that we support do not in any way compromise product safety, which is – and will remain – the number one priority of our member companies.

For the first time in over 60 years, Canada is undergoing a major modernization of its food safety regulations. As co-chair of the Canadian Supply Chain Food Safety Coalition, FCPC supports their recommendations to ensure government has adequate funding to implement and oversee new food safety regulations and businesses are provided support for compliance.

We have seen some progress in food regulatory reform in Health Canada. This was achieved because Agriculture and Agri-Food Canada (AAFC) provided $17.4 million over 5 years to Health Canada to address food regulatory reform. In *Growing Forward 2,* however, this funding was no longer made available and, as a result, food regulatory modernization has stalled. We urge a re-instatement of these funds and request that they are clearly earmarked for food - not drugs.

We support Health Canada's new Plain Language Labelling Initiative, which proposes changes to ensure that product labels are clear, accurate and easier to understand. We have concerns, however, with the new requirements for low-risk consumer products like sunscreen, acne therapy and anti-dandruff products. Several of the new regulatory requirements for these products are unnecessary and do not take into account the potential risk of the product, and therefore will not enhance consumer safety. An exemption for low-risk products is a common sense approach that will reduce red tape - with no impact on the safety of Canadian consumers.

We remain committed to the Regulatory Cooperation Council (RCC). As outlined in our RCC submission dated October 2013, we urge the implementation of a common electronic submission gateway, adoption of common monographs for routine over the counter drugs and US alignment of pesticides. Our priority recommendations for the food industry include the development of a common approach to food safety, establishment of mutual reliance on food testing results, and mutual recognition of audits.

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Our recommendations:

- **Ensure government has adequate funding to implement and oversee new food safety regulations and businesses are provided support for compliance, in line with the Canadian Supply Chain Food Safety Coalition's proposal.**
- **Re-instate the $17.4 million to Health Canada for food regulatory reform and ensure these funds are clearly earmarked for food - not drugs.**
- **Take into account the potential risk of a product via an exemption for low-risk consumer products in the Plain Language Labelling regulations.**
- **Ensure strategic regulatory alignment and cooperation with the US via timely implementation of the recommendations outlined in the Regulatory Cooperation Council (RCC).**

Taxation:

In order to grow jobs in Canada and increase exports, our industry requires predictable access to competitively-priced inputs. This was one of two priorities established by the Food Processing Industry Roundtable (as referenced above) in March 2014.

Our member companies remain very concerned with the Canadian government's proposed 100 per cent surtax on select imported US food ingredients in response to the ongoing country-of-origin labelling (COOL) dispute with the US.

The proposed retaliatory tariff list is comprehensive and if implemented, would affect every product category on grocery store shelves. A total of 30 out of the 31 food items on the list, or 97%, are used by Canadian manufacturers for further processing, and are therefore considered raw materials. We are concerned that the proposed tariffs would have unintended consequences on Canadian food manufacturers, and in turn farmers and consumers.

An increase in tariffs on ingredients would have a negative impact on domestic sales, exports and jobs. Canadian farmers would be forced to find new markets for the food that they grow. And Canadian families would be subject to a vast increase in their grocery bills and significantly less product selection in stores. For a typical shopping trip, purchasing just ten items including such staples as breakfast cereal, juices, potato products and rice, would increase from $40 to $75.

We strongly urge the government to pursue a resolution to COOL that does not include the implementation of punitive tariffs on value-added food manufacturers in a highly-integrated North American industry.

Our recommendation:

- **Resolve the Country-of-Origin-Labelling (COOL) dispute with the US in a manner that does not increase tariffs on food manufacturers in Canada.**

Thank you for the opportunity to provide our feedback to the 2014 pre-budget consultations.

I would be pleased to appear before the committee to discuss our comments in more detail.

Sincerely,

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Appendix 1

FCPC Members – July 25, 2014