

Minister
of Agriculture and
Agri-Food



Ministre
de l'Agriculture et de
l'Agroalimentaire

Ottawa, Canada K1A 0C5

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July 21, 2020

Mr. Richard Denis
Interim Clerk of the Senate and Clerk of the Parliaments
2 Rideau Street, Room A408
The Senate
Ottawa ON K1A 0A4

Dear Mr. Denis:

Please find enclosed two copies, in both official languages, of the Government's response to the Standing Senate Committee on Agriculture and Forestry's report entitled: *Made in Canada: Growing Canada's Value-Added Food Sector*, which was presented to the Senate on July 15, 2019, and adopted on February 27, 2020.

As you are aware, the Government's response is presented pursuant to Rule 12-24(3) of the *Rules of the Senate of Canada*.

Sincerely,

A handwritten signature in blue ink, appearing to read 'M. Bibeau'.

The Honourable Marie-Claude Bibeau, PC, MP

Enclosures

Minister
of Agriculture and
Agri-Food



Ministre
de l'Agriculture et de
l'Agroalimentaire

Ottawa, Canada K1A 0C5

July 21, 2020

Quote: 258723

The Honourable Diane Griffin, Senator
Standing Senate Committee on Agriculture and Forestry
The Senate
Ottawa ON K1A 0A4

Dear Senator Griffin:

I am pleased to provide you with a copy, in both official languages, of the Government's response to the recommendations of the Nineteenth Report of the Standing Senate Committee on Agriculture and Forestry, entitled: *Made in Canada: Growing Canada's Value-Added Food Sector*, which was adopted on February 27, 2020. Pursuant to Rules of the Senate 12-24, the Government's response must be tabled in the Senate within 150 days.

The Government of Canada extends its gratitude to the members of the Committee for their work and expresses its appreciation to the witnesses who appeared or provided written submissions. The Government supports the efforts of the Committee to examine the opportunities and challenges of the agriculture and agri-food sector. As well, the Government appreciates the Committee's recommendations, which suggest several actions to support growth in the value-added food sector in Canada.

The value-added food sector is a key strategic industry within the Canadian economy. It is the second largest manufacturing industry in Canada in terms of value of production with shipments worth \$117.8 billion in 2019; it accounts for 17 percent of total manufacturing shipments and for 2 percent of the national Gross Domestic Product. It is the largest manufacturing employer and provides work for 290,000 Canadians. It is also the largest provider of manufacturing jobs in rural areas across Canada. The value-added sector touches the lives of all Canadians, both directly and indirectly, as consumers, producers, employees, retailers, and equipment and service providers.

Canada offers competitive advantages to food and beverage processing firms, including proximity to high-quality inputs, a reputable food safety regulatory environment, access to the American market, and abundant natural resources. A range of complex issues, however, affect its

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competitiveness—issues that are of interest across the Government and all levels of government, and to the sector. Addressing these issues requires greater coordination and discussion.

On behalf of the Government, I would like to express my appreciation for the efforts of the members of the Committee and its staff in preparing the Report, which I believe will make an important contribution to enhancements in Canada's value-added food sector. The Government's response outlines the actions that the Government has already taken or is currently taking to support the Committee's recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Bibeau". The signature is fluid and cursive, with a large initial "M" and a long, sweeping underline.

The Honourable Marie-Claude Bibeau PC, MP

Enclosure

**GOVERNMENT RESPONSE TO THE 19TH REPORT OF THE STANDING SENATE
COMMITTEE
ON AGRICULTURE AND FORESTRY, ENTITLED:
*MADE IN CANADA: GROWING CANADA'S VALUE-ADDED FOOD SECTOR***

The Government of Canada (the Government) is pleased to respond to the Report of the Standing Senate Committee on Agriculture and Forestry (the Committee) entitled: *Made in Canada: Growing Canada's Value-Added Food Sector* (the Report).

The Government commends the members of the Committee, and the witnesses who appeared before it, for their insight and commitment toward improving agriculture and agri-food sector competitiveness. The Government of Canada agrees with the Committee's overall assessment that there is significant untapped potential in the value-added food sector. The Government supports the broad, positive approach, and the constructive ideas put forth by the Committee.

The Government appreciates the comprehensive recommendations developed by the Committee, and is working collaboratively with provincial and territorial governments, and stakeholders to help address the opportunities and challenges highlighted throughout the Report. Details are provided below regarding the Government's Response to the specific recommendations of the Committee in this regard.

The Response is the product of a collaborative effort among implicated federal departments, and agencies including: Agriculture and Agri-Food Canada (AAFC); the Canada Border Services Agency (CBSA); the Canadian Food Inspection Agency (CFIA); Employment and Social Development Canada (ESDC); Finance Canada; Global Affairs Canada (GAC); Health Canada; Immigration, Refugees and Citizenship Canada (IRCC); Infrastructure Canada; Innovation, Science and Economic Development Canada (ISED); Transport Canada; the Treasury Board Secretariat (TBS); and, Western Economic Diversification Canada (WD).

Since the Report was issued, this Response was written during a challenging time for the food industry amid the global COVID-19 pandemic. While the food system has continued to function well during the COVID-19 pandemic, there have been numerous disruptions to the Canadian food supply chain that has historically relied on "just-in-time" manufacturing. Numerous spikes in demand for certain products and the significant reduction of food service demand, which removed a key market for producers and processors, have posed challenges for the industry as it continued to deal with increased costs. Overall, the food supply chain has stabilized since the beginning of the pandemic but it still remains vulnerable to disruption while COVID-19 continues to circulate.

Given the magnitude of the impact of COVID-19, it is expected that its implications will be the source of further policy discussions going forward regarding supply chain sovereignty and security.

RECOMMENDATION 1

The Committee recommends that, regarding the Temporary Foreign Worker Program, the Government of Canada:

(a) review the program’s requirements in order to provide an expedited process for participants that have complied consistently with the program requirements over consecutive years;

The Government of Canada acknowledges this recommendation. The Government recognizes the importance of an expedited process for users of the Temporary Foreign Worker (TFW) Program that facilitates access to labour while ensuring workers’ rights are protected. However, at the present time the Government is focusing on recent investments to improve service delivery rather than implementing a trusted employer model.

The enhancements to service delivery are based on discussion held during numerous roundtable sessions that were conducted with various stakeholders throughout 2017 and 2018, which focused on exploring a trusted or recognized employer model. The sessions included associations, employers, migrant worker organizations and unions from the primary agriculture and food processing sectors (fruits, vegetables, meats, fish and seafood).

The key finding from the roundtable sessions was that employer representatives strongly supported the streamlining of the Labour Market Impact Assessment (LMIA) application process to increase efficiencies and to reduce the administrative burden on employers, while still maintaining a rigorous compliance regime and ensuring the protection of foreign workers. The stakeholders had the view that a recognized employer status model would “free up” program resources, which could then be used to process more applications from across all Program Streams.

Meanwhile, since the roundtable sessions, Employment and Social Development Canada (ESDC) has strategically reallocated funds to address increased volumes across the Program. A number of steps have been taken to improve service delivery to employers, while also ensuring the safety and protection of workers, including:

- launching a National Quality Monitoring Program in December 2017 to improve consistency in decision-making and processing of LMIA applications;
- reducing the administrative burden for Seasonal Agriculture Worker Program (SAWP) employers by allowing multiple employee arrival dates on a single LMIA application;
- implementing a national workload management strategy to help maintain consistent and timely decisions across Canada, which has improved processing times by up to 38 business days in the Agriculture Stream;
- publishing current average processing times by stream on the TFW Program website to manage employer expectations and service predictability, which began in April 2019; and,

- launching a pilot of the new LMIA Online system, in August 2019, which allows for a single end-to-end applicative flow for employers, eliminating the data entry for officers and facilitating the exchange of documents and correspondence which optimizes the service experience overall.

In the context of COVID-19, additional measures were introduced in March 2020 to provide employers with flexibility to access labour in recognition of the continued importance of foreign workers to ensuring Canada’s food security. Most immediately, Service Canada has on a temporary basis, streamlined requirements for employers hiring workers in occupations related to agriculture and food processing, and are prioritizing those applications.

Given the persistent need for foreign workers in full-time/full-year positions under the low-wage stream of the program, which include occupations related to meat, fish and seafood processing, ESDC has introduced a pilot to increase the maximum duration of a LMIA from one to two years. This initiative is expected to reduce processing times and costs for employers and the Government.

ESDC has also implemented additional administrative flexibilities to enable employers to adapt to the COVID-19 situation, such as expediting the process for employers wishing to change the name of an already identified foreign worker, and eliminating the requirement for an employer to advise Service Canada of minor administrative changes.

These additional flexibilities complement the introduction of the LMIA online system which Service Canada launched August 5, 2019, with employers in the agriculture sector (and with employers in other sectors in approximately October). Although the LMIA Online system is still in “pilot mode”, the current volumes allow employers to receive a decision letter on an average of eight business days (depending on the stream and region). The LMIA Online system is much more efficient than the previous paper-based application process, which for April 2020 had average processing times of the following:

	Average Processing Time (business days)
National Average	19
10 Day Service	8
Global Talent Stream	13
Agriculture Stream	17
Seasonal Agricultural Worker Program (SAWP)	9
Permanent Resident Applications	20
Caregiver Applications	14
High-wage Stream	36
Low-wage Stream	38

In tandem with measures to ensure employers have the labour they need, key steps have been taken to protect the health of workers and Canadians.

On March 27, 2020, ESDC sent a guidance document to employers, informed by the expertise of public health officials, on how to manage the arrival and quarantining of workers to ensure their safety and prevent the spread of COVID-19. In addition, in a letter dated April 1, 2020, the Minister of Employment, Workforce Development and Disability Inclusion and the Minister of Health outlined the Government's expectations of employers in this regard. This has complemented information provided to workers on their rights and responsibilities during COVID-19 such as a multilingual, plain language guide.

These requirements are supported by new regulations in force, which compel employers of temporary foreign workers to comply with new conditions to protect the health and safety of foreign workers and the public. This includes not preventing foreign workers from meeting their requirements under orders made under the *Quarantine Act*, as well as not preventing them from complying with provincial/territorial public health laws related to COVID-19.

Employers who do not comply with the requirements could be subject to penalties of up to \$1 million and a ban from hiring foreign workers, depending on the seriousness of the situation and number of workers affected. On April 13, 2020, the Government of Canada announced \$50 million to offset costs of new requirements on employers related to COVID-19 in key sectors, in order to help employers fully meet new requirements. In late June, key federal, provincial and local departments and agencies also undertook joint collaborative assessments of four farms in Southwestern Ontario to assess the working and living conditions of TFW, to address concerns regarding outbreaks and propose additional guidance. Preliminary reports show that the approach was useful and could lead to better coordination of government oversight as it relates to COVID-19 outbreaks.

To further support worker protection, the Migrant Worker Support Network pilot in B.C., and associated funding agreements, was recently extended for another year. One objective of this extension is to address gaps experienced by workers as a result of COVID-19, through both service offerings in B.C., and the development of information tools to be leveraged by workers across Canada.

Going forward, the Government will continue to work with provinces/territories, partner countries, employer associations, worker support organizations, and other stakeholders to improve Program outcomes by facilitating access to labour while supporting workers and ensuring opportunities for Canadians.

(b) review the processing fees for program applications so that they do not impose too heavy a burden on businesses; and

The Government supports this recommendation. The Government has already initiated a review of the Temporary Foreign Worker (TFW) Program's Labour Market Impact Assessment (LMIA) fee to ensure that it adequately reflects the costs of providing this service. The review is examining both the structure and the amount of the fee. This review is being undertaken in

conjunction with a Service Canada review of service standards for the TFW Program, given the linkages and interdependencies between the two reviews. Both reviews remain ongoing.

As part of the review, preliminary stakeholder consultations have been carried out through a number of activities, including a review of the TFW Program's Primary Agriculture Stream, reviews of sectors that are heavy users of the TFW Program, and an online survey for employers and stakeholder groups. Employment and Social Development Canada is carrying out analysis to determine how best to align the LMIA fee with program costs and the Program's service delivery model, including service standards.

(c) establish mechanisms that prioritize access to permanent residence for temporary foreign workers in agriculture and agri-food sectors that are particularly affected by labour shortages.

The Government supports this recommendation. In line with the Committee's recommendation, the Government has taken action to ensure there are pathways to permanent residence for temporary workers in the agriculture and agri-food sectors.

As announced in Budget 2019, the Government has introduced a new three-year Agri-Food Pilot which tests an industry-specific approach to address the longstanding labour market needs of the Canadian agriculture and agri-food sectors - particularly in the meat processing, mushroom and greenhouse crop production, and livestock raising industries. The new pilot program aims to provide non-seasonal temporary foreign workers in these industries, who are capable of economically establishing in Canada, with an opportunity to become permanent residents.

The Agri-Food Pilot opened on May 15, 2020, and will accept applications until May 14, 2023. A total of 2,750 applications will be accepted annually, with an estimated 16,500 new permanent residents landing throughout the pilot, including family members.

The Agri-Food Pilot complements Canada's existing suite of economic immigration programs. This includes the Rural and Northern Immigration Pilot, a community-driven program designed to boost economic development and fill labour market shortages by welcoming new permanent residents to Canada's rural and northern communities. Also operating as a three-year pilot, this program partners the federal government with 11 Canadian communities to test an approach to community-driven immigration in response to specific economic and demographic challenges. Many participating communities have identified labour shortages in the agri-food sector as an opportunity for economic growth, and this pilot is intended to help attract and retain new permanent residents to fill meaningful, year-round jobs. In the first year of operation, the Rural and Northern Immigration Pilot will accept up to 1,100 applications for permanent residence, with the potential to grow in future years.

The Government is also taking steps toward making the Atlantic Immigration Pilot a permanent program with at least 5,000 admission spaces dedicated to the program. This program will continue to be an additional viable immigration option for employers in Atlantic Canada to attract and retain workers in key sectors like agriculture and aquaculture.

In addition to these federal initiatives, the Government supports provincial immigration priorities through the Provincial Nominee Program. A number of Provincial Nominee Program streams target workers in the agricultural and agri-food sectors.

In March 2019, the Government announced a three-year initiative (2019-2021) to dedicate an additional 2,000 spaces annually to the Provincial Nominee Program to transition intermediate skill level temporary foreign workers, which includes many occupations in the agri-food sector, to permanent residence.

In the context of COVID-19, the Government of Canada has moved quickly to provide greater flexibility in accessing labour. IRCC has launched a new temporary process to allow temporary workers to be re-employed swiftly. This new temporary policy is in place to allow a worker who is already in Canada and has secured a new job offer, typically backed by a labour market test, get approval to start working in their new job, even while their work permit application is being fully processed. This policy will reduce the process length time from upwards of 10 weeks processing down to 10 days or less.

RECOMMENDATION 2:

The Committee recommends that, regarding the problems of transportation of agricultural and agri-food products, the Government of Canada:

(a) work with the provincial and territorial governments to maintain and expand an efficient road network through the country, and more specifically expedite the timelines for twinning of the following highways to reduce transportation costs through the use of Long Combination Vehicles:

(i) Alberta Highway 40; and

(ii) Quebec Highway 185 from Saint-Antonin to Saint-Louis-du-Ha! Ha! to decrease transportation costs to and from the Atlantic Provinces;

The Government supports this recommendation in principle while noting that the majority of transportation infrastructure is owned and operated by other levels of government and private industry.

Highways are almost exclusively within the responsibilities of provinces and territories. Notably, the Province of Alberta and the Province of Quebec have jurisdiction over Highway 40 and Highway 185 respectively. The Government of Canada recognizes the importance of an efficient transportation system, including the road network, and works in partnership with provinces, territories, municipalities and private industry to ensure a safe, efficient and reliable transportation system.

Through the National Trade Corridors Fund (NTCF), the Government of Canada is making strategic transportation infrastructure investments in Canada's trade corridors to increase global market access for Canadian goods, including agricultural commodities.

As of June 1, 2020, a total of 85 projects were approved across the country, with \$1.7 billion in federal funding leveraging total investments of \$3.8 billion. This includes over \$109 million in federal funding for four projects in Alberta that leverage total investments of \$330 million.

Projects are not directly linked to Highway 40, but will improve the overall fluidity and reliability of Canada, and Alberta's, transportation network.

Additionally, in August 2018, the governments of Canada and Quebec signed an agreement to support construction work for the third phase of the Highway 185 redevelopment into a two-lane divided highway. Under the National Infrastructure Component of the New Building Canada Fund, Infrastructure Canada will provide up to \$389,681,618 for this project. A gradual roll-out of this final section of Highway 185 is slated to begin in 2021.

(b) work with provinces/territories to harmonize regulations for the trucking industry in order to minimize delays for trucks moving from one province to another;

The Government supports this recommendation. Provinces and territories have primary jurisdiction in this area, which has resulted in a limited federal role and can lead to inconsistencies and introduce barriers to internal trade.

To address the issue, the federal government has continually worked with provinces and territories through various fora and more recently via the Canadian Free Trade Agreement (CFTA) to ensure that trucking rules, regulations and policies support internal trade and reduce regulatory burden for the trucking industry.

There are existing federal, provincial, territorial (FPT) working groups which are making steady progress toward minimizing interprovincial barriers in the trucking and transportation sector by establishing common minimum vehicle weights and dimensions thresholds, and safety standards. These standards are accepted in all jurisdictions and allow for compliant vehicles to travel and operate unhindered across Canada.

In addition, the Regulatory Reconciliation and Cooperation Table (RCT), established under the Canadian Free Trade Agreement, was created to oversee the regulatory reconciliation process to align regulatory frameworks between provinces, territories, and the federal government. The aim was to reduce regulatory divergences, facilitate innovation and growth in emerging industries, and streamline approval processes thereby minimizing the administrative burden for Canadian businesses. The RCT has recently agreed to resolve specific transportation and trucking industry barriers related to the adoption of wide-based single tires, and the most recent RCT work plan includes work focused on addressing FPT differences in the areas of electronic logging devices.

The Government will continue to use the FPT table and will play a leadership role in encouraging these groups to advance regulatory harmonization efforts.

(c) modernize the Canadian Food Inspection Agency and Canada Border Services Agency inspection and registration systems in order to reduce processing times for trucks crossing the border with the United States; and

The Government supports the recommendation. The CFIA is working in collaboration with the CBSA on innovative solutions to modernize the border as part of the CBSA Renewal.

Throughout this modernization, the CBSA continues to work closely with the CFIA to reduce processing times at the border and thereby facilitate trade.

An example is the realization of the Single Window Integrated Import Declaration, which streamlines sharing of commercial import data between the Government of Canada and the import community. Despite postponing the decommissioning of the traditional (legacy channel) system for import declarations due to COVID-19 on [April 1, 2020](#), the usage of the Single Window Integrated Import Declaration has not been affected by COVID-19 and continues to be the preferred and encouraged manner of declaration to the CFIA. Import declarations are transmitted electronically to the CBSA and, in turn, to the CFIA for release recommendations in real-time.

(d) modernize the *Canada Maritime Act* in order to allow Port authorities to provide expanded services such as providing logistics services, operating grain elevators or processing facilities.

The Government acknowledges this recommendation. Transport Canada is undertaking a review of Canada Port Authorities, the arms-length corporations that run Canada's 17 ports of strategic importance, to optimize their current and future role in the transportation system as innovative assets that support inclusive growth and trade.

As part of the review, under the National Marine Policy and the *Canada Marine Act*, Transport Canada is currently examining activities of Canada Port Authorities within the context of the ports' core mandate, with an eye to direct links to trade facilitation and port activities.

RECOMMENDATION 3

The Committee recommends that the Government of Canada examine ways to support the development of the food processing sector in Western Canada in order to increase the value of shipments of agricultural and agri-food products.

The Government supports this recommendation. The food and beverage processing sector is a strong driver of Canada's economy and the second largest manufacturing industry in Canada. The sector plays a key role in the economy of Western Canada. The food industry in Western Canada has seen significant growth in recent years with sales growing by 26% in the last six years (\$26 billion in 2013), faster than at the national level (22% increase over the same period).

Investment in the food processing sector is an important avenue to expand exports. The Canadian Agricultural Partnership (the Partnership) – a five-year (2018 to 2023), \$3 billion investment to strengthen the agriculture and agri-food sector - will help the sector reach the Government's goal to grow Canada's agriculture and food exports to \$75 billion by 2025.

Federal programming is available to support competitiveness in the food and beverage processing industry, including several AAFC initiatives under the Partnership such as the AgriInnovate, AgriMarketing and AgriScience programs.

To date, these programs have provided \$90 million in funding to the Canadian food and beverage sector, of which Western Canada has received \$8.7 million.

The Strategic Innovation Fund (SIF), led by Innovation, Science and Economic Development (ISED) Canada, supports research and development by innovative businesses to help them expand, attract investments and improve collaborative relationships between organizations. Agricultural sectors are eligible to apply for this program through various streams. For example, Maple Leaf Foods received \$20 million in funding from SIF towards its new, \$660 million state-of-the-art advanced poultry processing plant in London, Ontario.

Through SIF Stream 4 funding, which provided funding for national scale initiatives in automation and digital technology applications in the agriculture and agri-food sector, the Government of Canada announced an investment of up to \$49.5 million in the Canadian Agri-Food Automation and Intelligence Network. The project, worth \$108.5 million overall, will build on Canada's strengths in artificial intelligence, robotics and precision agriculture to develop exportable farming solutions. Many of the project participants are based in Western Canada.

Up to \$30 million was also announced in July 2019 to support the Canadian Food Innovators' Network (CFIN), headquartered in Winnipeg, aimed at product development, process development and technology adoption in Canada's food and beverage processing sector.

ISED's Innovation Superclusters Initiative proposes to accelerate innovation by investing \$950 million over five years through the creation of business-led innovation "Superclusters" to enhance Canada's global competitiveness by focusing on innovative industries, including agri-food. The agri-food sector is represented by an agreement to invest up to nearly \$153 million, matched dollar for dollar by the private sector, in the Prairie-based Protein Industries Canada (PIC) Supercluster. The PIC Supercluster aims to capture value-added, premium markets for sophisticated crop ingredients and products in foreign markets to become the world's leading source of high-quality, sustainable, plant proteins.

The Economic Strategy Tables (ESTs) were announced as part of the Government's Innovation and Skills Plan to support economic growth in six key sectors, including agri-food, in recognition of the sector's potential for growth. The industry-led work of these tables resulted in a sector-specific plan for economic growth. The Agri-Food EST developed several proposals to support the sector's growth, including building an agile regulatory system that promotes the competitiveness of the sector, developing and diversifying Canada's markets, investing in innovation through investment in automation and digitization, building a state-of-the-art transportation and IT infrastructure network and fostering a diverse labour force with the right skills set. The Government has committed to support the sector's vision.

Western Economic Diversification (WD) Canada supports the development of western industry, including value-added agriculture, through regionally customized programs. Since 2015, WD has invested \$63.2 million into 57 different agricultural oriented projects. In fiscal 2019-20 alone,

WD approved roughly \$23.2 million in funding to 23 value-added agriculture projects – more than double the number of projects and funding in fiscal 2018-19.

RECOMMENDATION 4

The Committee recommends that the Government of Canada reform regulatory agencies' mandates to include innovation, growth and overall agri-food sector competitiveness as a core consideration as well as establish a permanent and independent panel of industry experts and other stakeholders to advise regulators.

The Government supports this recommendation. In the 2018 Fall Economic Statement and further in Budget 2019, the Government committed to review legislation to assess whether opportunities for changes exist to further solidify that regulatory efficiency and economic growth is an integral part of regulator's mandates. This would ensure that departments and agencies, including those with mandates that support the agri-food sector, better address competitiveness and innovation when designing and implementing regulations, that they consider economic impacts of regulations, while continuing to prioritize health, safety and environmental responsibilities.

The Government recognizes the value of having mechanisms in place that allow industry experts and other stakeholders to provide independent advice to regulators. Alongside the above, the Government announced the establishment of an External Advisory Committee on Regulatory Competitiveness (EACRC). This brings together business leaders, academics and consumer representatives from across the country to assist the Treasury Board in identifying ways to support the modernization of Canada's regulatory system. Their efforts contribute to improving regulatory competitiveness in Canada, while ensuring Canadians' health, security and safety, and the protection of the environment.

A sectoral example of how the Government of Canada actively solicits advice and recommendations from industry experts and stakeholders is the Plant Breeders' Rights Advisory Committee. It is a committee of experts and stakeholders appointed by the Minister of Agriculture and Agri-Food to provide advice and recommendations on administration and implementation of the *Plant Breeders' Rights Act* and Regulations.

Regulatory departments and agencies recognize the critical role they play in supporting innovation, growth, and overall agri-food sector competitiveness. The CFIA is actively working to modernize its suite of science-based regulations to create strong, responsive and agile regulations that foster industry's ability to innovate and compete globally. Likewise, the CBSA works to ensure that import requirements set by the CFIA are met at the border to reduce the likelihood of introducing to Canada plant and animal diseases, pests and invasive species.

As part of the 2019 Regulatory Roadmap for Agri-Food and Aquaculture, the Government committed to modernize regulatory frameworks through initiatives including reviewing the *Canada Grain Act* and Regulations, increasing Canadian participation and influence in international standards setting bodies and reviewing the policy for voluntary "Product of Canada" and "Made in Canada" label claims.

AAFC committed to establishing a regulatory hub for improved industry-government collaboration on regulatory issues. AAFC has also been engaged with regulators and industry stakeholders in a process examining approaches for improved predictability, clarity and transparency with respect to the regulation of products developed through plant breeding innovation. Also under this Regulatory Review Roadmap, the CFIA committed to developing a policy on competitiveness and innovation to help ensure future approaches to programs and services better enable competitiveness and innovation while continuing to maintain health and safety. Budget 2019 committed \$200 million over 5 years to implement these and other Regulatory Roadmap initiatives.

RECOMMENDATION 5

The Committee recommends that the Government of Canada support innovation, growth, and competitiveness in the value-added food sector by:

(a) developing initiatives similar to the innovation superclusters in order to support the development of key agriculture and agri-food industries. These should be capable of securing the financial and entrepreneurial resources necessary to support successful innovation and scalability nationwide;

The Government supports this recommendation. Networks of industry, academia, and non-profit organizations focused on collaborative innovation will support the growth of Canada's value-added food sector. The Innovation Canada Superclusters are administered by Innovation, Science and Economic Development (ISED) Canada and provide targeted investments in technologies and regions that are key to GDP growth and employment over the next 10 years, as noted in the report. The Protein Industries Supercluster, located on the Prairies, will provide up to \$153 million in funding to increase the value of key Canadian crops, such as canola, wheat and pulses. This strategic investment supports innovation and competitiveness in the growing value-added plant protein sector.

Although PIC is primarily known for its contributions to primary production, the supercluster has also provided support for value-added processing in Canada's plant protein sector and is committed to investing in innovation throughout the value chain. For example, PIC has committed \$4 million towards Calgary-based Botaneco, which researches and produces new high-value protein ingredients from Canadian crops, like canola and hemp, and \$9.5 million towards Winnipeg-based Merit Functional Foods to open a canola and pea-processing facility.

The Strategic Innovation Fund (SIF), administered by ISED, is supporting network-building and collaborative innovation in the broader value-added food sector through Stream 4 - Collaborative Technology Development and Demonstration. The SIF Stream 4 competition, "Automation and Digital Technologies in the Agriculture and Agri-food sector", sought proposals from consortia with a vision to accelerate collaborative innovation in the sector. In 2019, the Government of Canada announced SIF Stream 4 investments of up to \$49.5 million in the Canadian Agri-Food Automation and Intelligence Network and up to \$30 million in the Canadian Food Innovators Network.

These investments aim to reorient the agri-food sector by building collaborative innovation networks across subsectors, involving firms positioned at every step of the supply chain. The outcomes of these networks will inform the development of subsequent programs aimed to promote collaborative innovation in the value-added food sector.

Value-added food sector businesses may also access relevant financial and entrepreneurial resources offered by Farm Credit Canada (FCC), a federal Crown corporation and Canada's leading agriculture and food lender. With a financial portfolio of over \$38 billion, which includes approximately \$400 million in venture capital (if taking into account the recently announced \$100 M to create Forage Capital). FCC provides flexible, competitively priced financing, management software, information, and knowledge designed to help businesses grow and innovate to become more efficient and sustainable. To further ensure agribusinesses continue to have access to necessary capital, the Government's recent enhancement to support the economy during the COVID-19 pandemic provides FCC with an additional \$5 billion in lending capacity.

(b) exploring options to fund innovation and adapt to changing market conditions. Among them, considering changes to capital cost allowance, such as reducing amortization periods or expanding the Accelerated Investment Incentive to apply to agricultural and farming equipment;

The Government acknowledges this recommendation. The Government has taken steps to support new business investments by introducing broad-based accelerated capital cost allowances.

In the 2018 Fall Economic Statement, the Government introduced the Accelerated Investment Incentive to provide support to all businesses making new capital investments. Under the Accelerated Investment Incentive, capital investments are generally eligible for a first-year deduction for depreciation equal to up to three times the amount that would otherwise apply in the year an asset is put in use. Tripling the current first-year rate allows businesses to recover the initial cost of their investment more quickly—reducing risk and making it more attractive to make capital investments. The Accelerated Investment Incentive is available for all types of capital investments, including agricultural and farming equipment.

At the same time, the Government introduced immediate expensing for machinery and equipment used for the manufacturing or processing, allowing businesses to immediately write-off the cost of this equipment. Businesses in the food and beverage processing sector may also be able to make use of this incentive.

To fund innovation, businesses conducting eligible activities in all sectors of the economy, including the value-added food sector, have access to the Scientific Research and Experimental Development tax incentive program. It is the single largest federal program supporting business R&D in Canada, providing approximately \$2.6 billion in tax assistance in 2019. The tax incentive program provides a tax credit at a rate of 15% to all businesses, and an enhanced rate of 35% to small and medium-sized businesses. In Budget 2019, the Government eliminated the income test for accessing the 35-per-cent rate, allowing more growing businesses to qualify for enhanced support.

(c) strengthening and providing increasing support and funding for basic, applied and market focused research, especially the development and mentoring of Canada’s next generation of highly qualified personnel. Agriculture and Agri-Food Canada’s research stations should be integrated into this effort; and

The Government supports this recommendation. AAFC supports the agriculture and agri-food sector through research and development transfer at its 20 Research and Development Centres (RDCs) across Canada. The food processing research conducted at AAFC’s RDCs falls into the following categories:

- Develop or adopt novel processing technologies or manufacturing processes/Improve process efficiency
- Standardize formulation for enhanced quality or safety
- Value-added processing and optimizing co-product value-streams to reduce food loss and waste
- Investigate the effects of formulation and processing on bioactive ingredients in novel food formulations

The Guelph RDC focuses on research and development in food safety and value-added food attributes to help foster a profitable agri-food sector in Canada. The Saint-Hyacinthe RDC focuses exclusively on food processing research. Half of the centre is made up of pilot plants that allow companies to manufacture processed foods in quasi-industrial conditions, enabling researchers and Canadian businesses to collaborate and research ways to improve manufacturing. Through its Industrial Program Saint-Hyacinthe RDC has collaborated with 1,100 businesses that benefited from the industrial program and carried out nearly 2,050 projects.

The Saint-Hyacinthe Industrial Program:

- Fosters innovation in the Canadian food processing industry
- Helps agri-food companies develop and scale-up new or improved food products and processes to meet the needs of consumers
- Offers support from experienced technologists
- Flexible to meet client needs, with varying leasing contract options and associated fees

Research teams in AAFC’s RDCs support the development of highly qualified personnel by hiring students from high school to graduate-level as well as post-doctoral researchers. There are currently 39 students working at Guelph and Saint-Hyacinthe RDCs. AAFC also coordinates an Indigenous Student Recruitment Initiative offering Indigenous students work experience that allows for personal growth while contributing to the goals of the Department. Working in a team environment, students can expand their knowledge and develop skills associated with science and other professions within the federal public service.

(d) prioritizing the modernization of traceability systems for agri-food products, in order to enhance this important priority that is highly valued by Canadian and global customers.

The Government supports this recommendation. With the passing of the *Safe Food for Canadian Act*, CFIA made significant improvements in traceability by expanding the number of food

businesses required to keep and maintain traceability records, as well as increasing consumer trust in the safety of all foods available to Canadians and traded internationally.

CFIA has begun further consultations with industry to inform the approach to modernizing traceability systems to account for new and emerging technologies. Earlier this year, CFIA held consultations with the fish industry, other government departments, and academia on a boat-to-plate traceability program. CFIA has determined that there is value in initiatives such as supply chain control, third party certifications, education and awareness, as well as examining approaches from various trading partners.

CFIA will continue to engage with stakeholders and other government departments to determine the best approach to strengthening regulatory oversight of traceability; benefitting Canadians through improved consumer confidence, food safety, and market access.

In addition to the efforts of Canada's regulators, as part of the Canadian Agricultural Partnership (CAP), the Government has the AgriAssurance Program. AgriAssurance is a five-year, \$74 million federal initiative to foster public trust. The program helps industry develop and adopt systems, standards and tools, including modern traceability systems, that enables them to make credible, meaningful and verifiable claims about the health and safety of Canadian agricultural and agri-food products, and the manner in which they are produced. To date, under CAP, the Program has approved four traceability projects for approximately \$10 million. This builds on the six traceability projects that were supported by the Program under Growing Forward 2, for just under \$12 million.

RECOMMENDATION 6

The Committee recommends that the Government of Canada engage actively with its main trading partners to bolster an open and rules-based approach to international trade and address emerging non-tariff barriers to trade in export markets.

The Government supports this recommendation. The Government recognizes that an open and rules-based approach to international trade that seeks to eliminate unjustified non-tariff barriers is critical for the Canadian agriculture, forestry, seafood and agri-food sectors to prosper. The Government works multilaterally, plurilaterally and bilaterally to support international rules-based trade in order to mitigate negative impacts of non-tariff barriers and to address market access issues resulting from these barriers.

The Government is actively engaged in the World Trade Organization (WTO), which establishes the multilateral rules-based trading system that provides the bedrock framework for the predictable and transparent trade environment Canadian exporters depend upon for foreign market access. For example, the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) sets out a balance of rights and obligations for WTO Members with respect to measures that protect against risks to food safety, as well as animal and plant life or health. The Government participates in the WTO Committee on Sanitary and Phytosanitary Measures to support the effective implementation of the WTO SPS Agreement, to uphold the rules-based trade system that promotes SPS measures based on science, to raise

concerns related to SPS measures that may not be science-based, and to work collaboratively with like-minded countries to develop strategies to address SPS measures that adversely affect Canadian agricultural trade interests. On WTO engagement more broadly, the Government is also leading a small, representative group of WTO members, known as the Ottawa Group, in order to strengthen and modernize the WTO, and its dispute settlement system in particular, to enable the WTO to continue performing its critical role in promoting global trade.

The Government also undertakes advocacy activities and demonstrates leadership across a number of multilateral fora to promote the adoption and implementation of science-based standards and trade rules, which mitigates the risk of unjustified non-tariff barriers occurring. In particular, recent funding from the 2018 Fall Economic Statement has enabled the Government to more closely engage in the work of the International Standard-Setting Bodies which include the Codex Alimentarius Commission, the World Organisation for Animal Health, and the International Plant Protection Convention. These standard setting bodies help ensure a science- and risk-based international regulatory environment for food, animal and plants, which can facilitate trade. This funding has been used to increase Canada's presence at these bodies, as well as to fund international workshops to support these bodies' work.

Where appropriate, the Government also seeks to enhance regulatory cooperation with trading partners through free trade agreements (FTAs) with dedicated text on SPS measures, technical barriers to trade, and other regulatory practices. Canada's FTAs, such as Canada-United States-Mexico Agreement (CUSMA), Canada-European (EU) Union Comprehensive Economic and Trade Agreement (CETA), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), build on the commitments outlined in WTO Agreements through new rules, enhanced regulatory cooperation, and the establishment of mechanisms and committees through which non-tariff barriers can be addressed. The 2018 Fall Economic Statement also identified new resources to support Canada's work on regulatory cooperation and FTAs.

The Government also works bilaterally to prevent and address market access issues resulting from unjustified non-tariff barriers. For example, the Government has established the Canada–EU Regulatory Cooperation Forum (RCF) and the Canada–United States Regulatory Cooperation Council (RCC), which are regulatory cooperation tables that work to reduce misalignments and regulatory barriers to trade between our international partners. Through these fora, the Government provides stakeholders, including industry, consumers and non-governmental organizations, the opportunity to discuss regulatory barriers and brings together government regulators, from partner countries, to work towards harmonized solutions. These efforts help to lower trade barriers and make it easier for Canadians to do business with our international partners.

The Government remains committed to engaging with industry stakeholders, such as through the Agriculture and Agri-Food Value Chain Roundtables, to set priorities and strategies to address non-tariff barriers affecting Canada's competitiveness abroad.

RECOMMENDATION 7

The Committee recommends that the Government of Canada commit to supporting supply management by examining initiatives to improve competitiveness and promote growth.

The Government supports this recommendation. Producers and processors operating under Canada's supply management system and their workers can count on the full support of the Government of Canada.

In October 2018, in response to incremental market access granted to Canada's dairy, poultry, and egg markets through the CETA, the CPTPP and the CUSMA, the Government of Canada created new industry working groups to develop strategies and chart a path forward to ensure that Canada maintains its robust dairy, poultry and egg industries, now and into the future. The Poultry and Egg working group looked at short-term and long-term goals for the sector which included on-farm investments and enhancing market recognition of Canadian poultry and egg products, and discussed a path forward for the sector that stimulates innovation and ensures the sector remains an important source of jobs and economic growth for future generations. The Dairy Mitigation Working Group collaborated on the development of mitigation strategies to fully and fairly support farmers and processors to help them adjust to CETA, CPTPP, and CUSMA. The Dairy Strategic Working Group remains ongoing and is tasked with developing a strategic vision for the dairy sector to ensure the sector is well positioned in the sustainable economy of the future and is attuned to emerging consumer trends.

Additionally, in 2017 the Government of Canada introduced the \$250 million Dairy Farm Investment Program (DFIP) and the \$100 million Dairy Processing Investment Fund (DPIF). These programs were in response to the CETA and were established to provide funding to dairy processors and producers for investment that will improve productivity and competitiveness.

Under DPIF, as of June 2020, 86 projects totalling \$74.88 million have been approved. The vast majority of DPIF projects have not yet begun reporting on project outcomes, as they are not completed. However, based on project targets, the program is expected to result in an average reduction of production costs of 11% per unit of production, therefore increasing the productivity and competitiveness of the sector.

Under DFIP, as of April 3 2020, a total of \$223.13 million have been approved for projects in Phase 1 and 2. Based on project targets, the Program is expected to result in a majority of milk producers reducing their production cost in the range between 4% and 15%, therefore increasing the productivity and competitiveness of the sector.

The Government is committed to providing compensation to the supply management sectors in response to recent trade agreements. In addition to the DFIP program, the Government also announced \$1.75 billion to dairy producers in response to CETA and CPTPP. Of this amount, \$345 million was available in 2019-2020 under the Dairy Direct Payment Program. All eligible producers who submitted their application received their payment.

The Government will continue to work with producers and processors to support Canada's supply managed sectors. The Government of Canada reiterated this commitment in the 2019 Speech from the Throne and the Minister of Agriculture and Agri-Food's mandate letter.

Supply managed sectors can also benefit from programs under the Canadian Agriculture Partnership. Through the AgriScience Program, the Government of Canada invested \$11.4 million in the Dairy Research Cluster and with industry contribution, the total investment in this cluster is \$16.5 million. The Cluster is led by the Dairy Farmers of Canada and will foster public trust, drive innovation and stimulate economic growth of the Canadian dairy sector.

Also under AgriScience, an investment of up to \$8.34 million went to the Canadian Poultry Research Council. This funding, which is in addition to an investment of \$4.08 million from industry, will be used to develop new products and processes to address threats to the poultry value chain and improve poultry health and welfare. It also aims to develop best management practices at the farm level to improve food safety and reinforce public trust.

Under the AgriInnovate program, the Government is supporting companies looking to commercialize, adopt and/or demonstrate innovative agri-based products, technologies, processes or services that increase agri-sector competitiveness and sustainability. The program is investing up to \$128 million in supporting innovation, clean technology, advanced manufacturing including automation and robotics, strengthening Canada's value-added agri-sectors and increasing export opportunities.

Furthermore, the Strategic Innovation Fund, led by Innovation, Science and Economic Development Canada, supports research and development by innovative businesses to help them expand, attract investments and improve collaborative relationships between organizations. Agricultural sectors are eligible to apply for this program through various streams.

RECOMMENDATION 8

The Committee recommends that the Government of Canada develop and fund an effective global marketing program that explicitly focus on increasing the value of the Canada Brand in the mind of global consumers.

The Government supports this recommendation. Work is underway by AAFC to refresh the existing Canada Brand program.

AAFC's Canada Brand program was launched in 2006 and brings together diverse Canadian agriculture, agri-food and seafood products under a cohesive umbrella to build recognition and pride in Canadian products, internationally, with over 700 Canadian companies and industry associations as members. The Government recognizes that a growing number of Canada's competitors are investing in the development of a national brand. In an increasingly crowded international marketplace, it is critical that Canadian products are sought after and easily recognized as Canadian – drawing on Canada's reputation for being reliable, trustworthy and a sustainable supply of safe food.

In a recent survey, 92% of trade commissioners have indicated the Canada Brand program is helpful in conveying to international buyers and consumers that Canadian agriculture, food and seafood products possess these important attributes.

AAFC is fully committed to making improvements to, and increasing the value of, the Canada Brand program. The refresh will include updates to the Canada Brand tools, including graphics, images and messaging, which will be modernized and optimized for digital platforms. These enhancements are expected to reinvigorate industry's support and use of the Canada Brand program. AAFC will collaborate with the Canadian Trade Commissioner Service to introduce the refreshed Canada Brand in key export markets. The Government recognizes that ongoing support targeting both global buyers and consumers is required to build a strong, consistent branding strategy that is focused on key growth markets.

RECOMMENDATION 9

The Committee recommends that the federal government work actively with provincial/territorial governments to ensure that laws, regulations, and policies enhance trade in agriculture and agri-food products between provinces and territories.

The Government supports this recommendation. The Government recognizes that legislative, regulatory and policy differences between jurisdictions can introduce barriers to internal trade which can raise operating costs and discourage firms from expanding. The Government also recognizes that the reduction of these barriers can improve the international competitiveness of Canada's agriculture and agri-food sector by: encouraging investment and innovation; allowing national economies of scale; and, by reducing costs. To this end, the federal government works with provinces and territories through the Canadian Free Trade Agreement (CFTA) and other fora to ensure that laws, regulations, and policies enhance the internal trade of agriculture and agri-food products.

The CFTA introduced a comprehensive set of rules designed to minimize barriers to internal trade created by federal, provincial, territorial (FPT) laws and regulations. For example, the CFTA established the Regulatory Reconciliation and Cooperation Table (RCT), to oversee the regulatory reconciliation process that is tasked with aligning FPT regulatory frameworks, reducing regulatory divergences, facilitating innovation and growth in emerging industries, and streamlining approval processes. Together, these actions will minimize the administrative burden for businesses. The RCT has recently resolved specific agricultural and agri-food trade barriers related to produce inspection and aquaculture product labelling. The most recent RCT work plan has included work to address FPT differences in the areas of food and meat inspection.

The CFTA also established an Alcoholic Beverages Working Group to enhance the internal trade of alcoholic beverages. This working group's activities include discussions on the feasibility of direct-to-consumer sales of alcohol products across provincial and territorial boundaries. Beyond the CFTA, the FPT Regulatory Assistant Deputy Ministers Committee was developed to give advice on improving alignment across FPT regulatory governance and enhanced regulatory agility. The Committee has developed guiding principles to support regulatory alignment and facilitate trade, enhance collaboration, and reduce overlap and duplication.

This work helps improve FPT collaboration to achieve key trade and market access objectives. In 2017, at the direction of the FPT Regulatory Assistant Deputy Ministers Committee, the FPT Food Safety Committee began work to identify issues pertaining to inspectorate responsibilities under the new federal Safe Food for Canadians Regulations (SFCR) regulatory regime. This collaboration has led to a better understanding of the SFCR and the identification of themes, such as addressing regulatory overlap that can help to lessen the regulatory burden on industry.