



Food & Beverage Canada
Aliments et boissons Canada

**Submission to the Standing Committee on Finance
for the 2019 Pre-Budget Consultations**

By:

**Food and Beverage Canada-Aliments et boissons Canada
(FBC-ABC)**

August 3, 2018

LIST OF RECOMMENDATIONS

Recommendation 1: That the federal government recognize that the agri-food industry is made up of distinct sectors, including food and beverage manufacturing, and that the federal government ensure its policies and programs are targeted to support each of these sectors.

Recommendation 2: That the federal government adopt aggressive growth targets for the agri-food industry, including targets for domestic and export sales, and specific targets for each agri-food sector, including food and beverage manufacturing.

Recommendation 3: That the federal government immediately establish a joint government-industry Food and Beverage Manufacturing Advisory Committee to review the report and recommendations of the Agri-food Economic Strategy Table; and that the Advisory Committee work through fall 2018 to agree on a joint vision, measurable objectives and key policies and programs to achieve industry and government's competitiveness goals for this important sector, for incorporation into Budget 2019.

Recommendation 4: That the federal government, in consultation with industry, ensure appropriate policy support and expertise for the food and beverage manufacturing sector, either through Agriculture and Agri-food Canada or another government department, including an executive level "champion" whose mandate is to ensure government programs and policies across all departments consistently support the competitiveness goals industry and government set for this sector.

Recommendation 5: That all federal departments, including regulatory departments and agencies, embrace competitiveness and innovation in their mandates and that the federal government undertake a review of current regulations to determine whether they are consistent with the government's competitiveness and innovation priorities.

Recommendation 6: That the federal government require that every proposed regulation be subject to a distinct competitiveness assessment to be conducted by a federal government department skilled in economic analysis.

Introduction

Food and Beverage Canada – Aliments et boissons Canada (FBC-ABC) thanks you for this opportunity to contribute to the 2019 Pre-budget Consultations.

FBC-ABC was formed this year as a new, national voice for over 1,500 food and beverage manufacturing businesses across the country. Our goal is to be a partner with governments in realizing our sector's potential to contribute to Canada's future economic growth and prosperity, while also demonstrating leadership in the areas of healthy eating and sustainability. FBC-ABC members include Canada's seven provincial and regional food and beverage associations, leading food and beverage manufacturers, and key industry suppliers and service providers.

Canada's Food and Beverage Manufacturing Sector

In Budgets 2017 and 2018, the federal government identified agri-food – including primary agriculture, food and beverage manufacturing and aquaculture and fisheries – as priority sectors. We applaud the government's focus on these activities, however we note that each of these sectors is distinct.

Food and beverage is first and foremost a manufacturing sector. It is, in fact, the largest manufacturing sector in Canada in terms of contribution to GDP and employment, and the second largest manufacturing sector in Canada in terms of value of production.

In 2016, Canadian food and beverage shipments were worth \$112.4 billion and accounted for 18% of total Canadian manufacturing. The industry's 6,900 businesses are the largest manufacturing employer in Canada, providing over 257,000 jobs – more than the auto and aerospace industries combined.

Canadian food and beverage manufacturing is growing. In the last five years, value-added food and beverage manufacturing increased by 21%, making it one of Canada's fastest growing manufacturing sectors. Food and beverage exports are also increasing, registering \$33.5 billion in 2016, an increase of 7% over 2015.

Despite these figures, Canadian food and beverage manufacturing continues to fall short of its potential. Canadian companies have historically underinvested in technology and productivity – machinery and equipment spending in this sector peaked in 2014 and has declined ever since. In addition, Canada has fallen from third to fifth place as a global exporter of agri-food products.

FBC-ABC believes there is reason for optimism. Global demand for food is expanding. Achieving the full economic potential of Canada's food and beverage manufacturing sector is possible within the next decade. It will, however, require a clear commitment from industry and government to work together to improve the competitiveness of this key manufacturing sector.

Creating a Strategy for the Food and Beverage Manufacturing Sector

The federal government has identified the broader agri-food industry as a priority, particularly in the Innovation and Skills Plan announced in Budget 2017, which:

- Identified agri-food as one of six priority sectors through which the government believes Canada can position itself as a leader in innovation;
- Established the Agri-food Economic Strategy Table to “set ambitious growth targets for Canadian innovators, identify sector-specific challenges and “bottlenecks” to innovation as well as barriers to greater participation across gender lines, and lay out specific strategies to help innovators achieve their target”;
- Established a Strategic Innovation Fund for priority sectors, including agri-food value-added processors; and
- Set a target of \$75 billion in annual agri-food exports by 2025.

FBC-ABC supports these initiatives. In their implementation, FBC-ABC encourages the federal government to recognize that primary agriculture, food and beverage manufacturing and aquaculture and fisheries are all unique sectors. Each sector must have a distinct strategy, measurable objectives and targeted programs and supports to ensure the federal government’s innovation and economic growth objectives are met.

FBC-ABC believes the federal government should set strong objectives for economic growth for the agri-food sector, including an aggressive target for domestic sales and an export target that exceeds \$75 billion. There should also be specific targets for each sector, including food and beverage manufacturing.

FBC-ABC also encourages the federal government to broaden its focus beyond innovation and examine the full suite of factors that impact the competitiveness of Canada’s food and beverage manufacturers. This includes considerations such as labour, infrastructure, trade policy and trade barriers, regulatory efficiency, environmental policy and taxation.

FBC-ABC is particularly interested in the work of the Agri-food Economic Strategy Table. The Strategy Table is developing recommendations for a Vision, Targets and Key Actions to support competitiveness, innovation and economic growth in Canada’s agri-food sector. The Strategy Table’s recommendations could be an important step towards increasing our sector’s domestic and global competitiveness.

The Strategy Table’s report is expected this fall. FBC-ABC encourages the federal government to immediately establish a joint industry-government Food and Beverage Manufacturing Advisory Committee to reviewing the Strategy Table’s report. The Advisory Committee should be given the mandate to agree on a joint vision for the

food and beverage manufacturing sector, establish measurable objectives and identify key policies and programs to enhance the sector's competitiveness.

We encourage the federal government to form the Advisory Committee now. By working together this fall, industry and government can develop the critical road map, to be announced in Budget 2019, that will lead Canada's food and beverage manufacturing sector to domestic and global competitiveness and economic success.

Recommendation 1: That the federal government recognize that the agri-food industry is made up of distinct sectors, including food and beverage manufacturing, and that the federal government ensure its policies and programs are targeted to support each of these sectors.

Recommendation 2: That the federal government adopt aggressive growth targets for the agri-food industry, including targets for domestic and export sales, and specific targets for each agri-food sector, including food and beverage manufacturing.

Recommendation 3: That the federal government immediately establish a joint government-industry Food and Beverage Manufacturing Advisory Committee to review the report and recommendations of the Agri-food Economic Strategy Table; and that the Advisory Committee work through fall 2018 to agree on a joint vision, measurable objectives and key policies and programs to achieve industry and government's competitiveness goals for this important sector, for incorporation into Budget 2019.

Supporting the Food and Beverage Manufacturing Sector

FBC-ABC encourages the federal government to ensure each of its priority sectors is appropriately supported through federal policy expertise. Today, support for food and beverage manufacturing is provided through a strong but small group of experts housed within Agriculture and Agri-food Canada – a department whose resources are mainly focused on primary agriculture. The amount of policy resources dedicated to food and beverage manufacturing does not reflect the size or contribution of this sector to the Canadian economy, nor does it reflect the priority the federal government has placed on this sector.

To achieve its full potential, food and beverage manufacturing requires the support of a strong cross-department group of federal policy and program specialists who bring together the necessary expertise in food, health, labour, innovation, environmental, trade and other key policy areas. The sector also requires an executive level “champion” within the federal government to support the sector's policy and economic growth objectives across the whole of government.

Recommendation 4: That the federal government, in consultation with industry, ensure appropriate policy support and expertise for the food and beverage manufacturing sector, either through Agriculture and Agri-food Canada or another government department, including an executive level “champion” whose mandate is to ensure government programs and policies across all departments consistently support the competitiveness goals industry and government set for this sector.

Whole of Government Approach to Innovation and Competitiveness

For food and beverage manufacturing to thrive, there must also be a whole of government approach to competitiveness. Currently, this is not always the case. For example, while the Innovation and Skills Plan identified agri-food as a government priority, there are significant and costly regulatory actions under Health Canada's Healthy Eating Strategy that risk undermining the government's innovation goals.

Success requires that all federal departments, including regulatory departments and agencies, embrace innovation and competitiveness. Our shared goals of health and food safety do not need to be at odds with economic development. FBC-ABC believes we can enhance the competitiveness of our sector while continuing to maintain and even expand Canada's solid reputation for food quality and safety.

Recommendation 5: That all federal departments, including regulatory departments and agencies, embrace competitiveness and innovation in their mandates and that the federal government undertake a review of current regulations to determine whether they are consistent with the government's competitiveness and innovation priorities.

In Budget 2017, the federal government announced a Regulatory Reform agenda focused on supporting innovation and business investment. This will include a targeted review of regulatory requirements in “agri-food and aquaculture” to identify practices that are bottlenecks to innovation and growth.

FBC-ABC will submit comments as part of the Agri-food and Aquaculture Regulatory Review. Directly related to these pre-Budget consultations, however, we would like to highlight the importance of ensuring all regulations are reviewed through a competitiveness lens. Currently, the federal regulatory impact analysis process includes a cost-benefit analysis and consideration of the economic impact of proposed regulations. It also requires that regulations support a fair and competitive economy. However, there is no explicit requirement for an empirical assessment of how a regulatory action affects competitiveness. FBC-ABC encourages the federal government to require that every regulation be subject to a distinct competitiveness assessment. Because many government departments lack the skills in economic analysis needed, FBC-ABC also recommends that these assessments be conducted by an economic department.

Recommendation 6: That the federal government require that every regulation be subject to a distinct competitiveness assessment to be conducted by a federal government department skilled in economic analysis.

Industry-Government Collaboration

As a final note, we would like to highlight the importance of establishing a strong partnership between industry and government. FBC-ABC believes there is considerable potential for Canada's food and beverage manufacturing sector. Success will, however, require continued collaboration. We look forward to working with government to create a shared vision for our sector and to ensuring federal policies and programs are aligned to achieve our competitiveness goals.

Sincerely,



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