

Opening Statement to House of Commons Standing Committee on Finance study of the Canadian response to the COVID-19 pandemic

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Tuesday, May 26th, 2020

Thank you, Mr. Chair and Honourable Members of the Committee. On behalf of the Canadian fresh fruit and vegetable sector, I welcome the opportunity to share our comments regarding the financial repercussions that the COVID-19 pandemic poses for the fresh produce industry and its supply chain.

I will focus my comments today on certain tools, including employment incentives and tax relief measures, that can help support our industry over the short and long term. Further information can also be found in the brief that we had previously submitted to the Committee.

CPMA represents the entire fresh fruit and vegetable supply chain, from farm gate to dinner plate. Our comments are reflective of a wide array of members who work daily to provide Canadians with the fresh and healthy fruit and vegetable options they demand – and have been continuing to do so during this extremely challenging and stressful time.

To begin, CPMA would like to recognize and express our industry's appreciation for the high level of engagement and collaboration the federal government has shown in working with industry during these challenging times. We look forward to mutually determining how we can drive towards reopening and recovery using existing and new tools.

Industry Impact, Coping and Recovery

Since the start of the pandemic we have seen massive shifts within our markets, we have seen winners and losers. With Canadians staying at home and buying patterns shifting during the pandemic, at the end of April we saw retail sales up 8% for vegetables and 5% for fruit. This was driven by staples like potatoes and onions; currently we are seeing numbers levelling off.

While the CPMA members within our national retail category have navigated COVID effectively there are many other companies within the supply chain that will not be so fortunate. Foodservice represents 30% of our value chain, and the catastrophic impact to this sector and those who supply it will be felt for years to come. While meal delivery and curbside pick-up has lifted restaurant foodservice produce sales from zero to 20% and sometimes 30% of traditional volume, it will be a long recovery, as physical distancing and consumer fear will play a role in how restaurants reopen.

Many produce sales rely on volume due to small margins. When restaurants reopen the physical space cannot typically be changed and capacity will be smaller and will reflect lower sales numbers. For many, the physical space available will be a major factor in the economic decision on whether to re-open thus potentially impacting the supply chain.

One potential positive is the consumer shift to e-commerce and "click and collect" options. If these continue to develop post-COVID, some small restaurants and other store front businesses may remain online, reducing their lease costs and other overhead they carried prior to the pandemic. In this scenario the impact would be not fully rehiring the labour force they once managed. The growth of e-commerce could also have significant implications for growers and suppliers across the country, making access to broadband internet even more important. This is a potential trend we are watching closely.

Many of our members, particularly those involved in picking, packing and processing, are also being dramatically impacted due to the rising costs of inputs, access to labour and operational changes. The government's announcement of \$77 million set aside for the broader processing industry is appreciated but will not truly support the scope of impact across all processing groups.

In a post-COVID world, business continuity will be challenging as we transition. The impact to businesses in our sector is not only happening today, but will continue for many months. The complexity and seasonality of the industry means both large- and small-scale operations across the entire supply chain must have access to programs and tools developed by government leading into and out of harvest.

We recognize that the government cannot keep pumping money into the system. Moving forward, it will be important to provide a more focused approach to reduce the unintended consequences and impacts to some businesses. Government programs created or adjusted to support the produce industry must provide the necessary flexibility, adaptability, and longevity to minimize losses to our diverse industry.

Programs like the Canada Emergency Wage Subsidy (CEWS) should be reviewed and extended beyond September for particularly hard-hit sectors, such as those who supply and operate within foodservice, and the produce supply chain. The Canada Emergency Response Benefit (CERB) and the Canada Emergency Student Benefit (CESB) must also be adjusted to support unemployed Canadians without creating a disincentive to work.

Other programs and tools which require consideration include: bankruptcy protection for produce sellers, targeted tax credits for those essential services now required to change business practices and purchase new equipment including personal protective equipment (PPE), and more effective programs to access operating capital for a sector that works with very small margins and limited available capital.

Employment Incentives

In addition to foreign workers, the produce supply chain relies on a steady supply of domestic labour. The Canada Emergency Response Benefit (CERB) has created unintended consequences in the short term for many packers, distributors, wholesalers and small retailers who are facing higher levels of absenteeism and greater challenges to hire at a time when Canadians are relying on them to provide the food they need.

It is a reality that, when faced with a decision to work and potentially become exposed to COVID, as opposed to staying home for \$2000, many may choose CERB. This is especially true with the current \$1000 cap on allowable monthly income, which is not enough encouragement during these unique times.

The CERB must be adjusted to support unemployed Canadians without creating a disincentive for Canadians to work. Increasing the allowable income limit, or providing a targeted exemption to the limit to allow Canadians to collect the CERB and work in the produce supply chain, is essential over the next 10 months.

The Canada Emergency Student Benefit (CESB) also needs to be reviewed to not only support students but to provide an incentive for students to work and for employers to hire. Increasing the allowable income limit, or providing a targeted exemption to the income limit, could encourage more students to

collect the benefit and work for essential providers like those in agriculture and agri-food. These incentives could also include a student wage subsidy for new hires.

It is also important to note that many grower businesses only begin to generate revenue at the time of harvest, with many revenues for the current season's crop realized into the following year. This makes the current Canada Emergency Wage Subsidy (CEWS) requirement to document a decline of at least 30% of revenue unworkable for many growers.

In addition, CEWS funds are not currently available for employers of workers hired through employment agencies. Adjustments to address these gaps will help alleviate the economic stress companies are forecasting under the new, post-COVID normal.

Early in the pandemic, access to temporary foreign workers was the single most significant threat to food production, food security and the integrity of the food supply chain in Canada. While some of our industry's key labour concerns have been addressed, logistical and financial challenges remain.

CPMA would like to echo the concerns of our partners at the Canadian Horticultural Council about the significantly reduced number of workers who have been able to come to Canada, particularly looking ahead to harvest. The challenges currently facing Canadian asparagus growers could well be experienced by other growers if this diminished capacity continues into the fall.

Financial Protection for Produce Sellers

We all know there will be winners and losers during this pandemic. The Canadian produce industry has been requesting the implementation of a financial protection tool for produce sellers for many years. Unfortunately, the COVID business environment has and will, over the next two years, drive businesses into bankruptcy and our sector has no protection. In addition to a lack of domestic protections, Canadian produce sellers are now at even more risk when selling to our major trading partner, the United States.

Without a limited statutory deemed trust, we will potentially see more companies dragged into economic hardship. At a time when food security is second only to health care in terms of priorities for all Canadians, it is crucial that the government provides all possible safeguards for the food supply chain, including a deemed trust mechanism for produce sellers.

Operational Costs

From growers, to packers, shippers, processors, wholesalers and retailers, our industry has incurred unprecedented costs to develop COVID-related business plans and new procedures to ensure business continuity, to mitigate the impact of COVID-19 on their business and community, and to prepare for an eventual return to work.

Many CPMA members will need to continue to address employee concerns by implementing physical/social distancing measures and ensuring access to PPE. At one B.C. greenhouse packing operation, 30% of the workforce did not show up to work on the day following the announcement of a

suspected COVID case. This example is why access to PPE is recognized as necessary to ensure business continuity and staff morale, while working to keep absenteeism low.

In a recent member survey, 87% of our members reported that they are actively purchasing PPE and other health screening tools. However, challenges pertaining to access of these essential supplies have been noted by many CPMA members, including a shortage of supplies and long lead times to order products like hand sanitizers, gloves and N95 masks.

I must note that the added cost of purchasing this equipment cannot be sustainably absorbed by industry and is difficult to recover without increasing the cost of fresh produce. While the recent government announcement of funding through the Agri-food Workplace Protection Program was encouraging, CPMA recommends that the government implement a PPE tax credit to support industry in procuring the equipment needed to keep workers and the public safe.

Conclusion

The produce supply chain is a globally integrated model that relies on both domestic and international networks. Our complex and essential supply chain includes a wide range of players, all of whom play a role in securing Canada's food supply now and in the post-COVID world.

The business challenges incurred to date by our sector have demonstrated that we can pivot to meet adversity, but this will not always be the case moving forward. Costs incurred by the fresh fruit and vegetable industry will continue to be significant, and as Canada moves forward on our economic recovery, Canadians should be prepared to pay more for food, as the sector simply cannot absorb any more costs.

In closing, CPMA would like to recognize the extraordinary efforts by government, both elected officials and public servants, throughout this unprecedented time. On behalf of our members, we thank you for the opportunity to share our comments today and would be happy to answer any questions from Committee members.