



FALL HARVEST
Produce and Politics

November 2-5, 2020

#Fallharvest

CPMA
CANADIAN PRODUCE
MARKETING ASSOCIATION



Canadian
Horticultural
Council



BACKGROUND – WHY IT MATTERS

- Canada's Business Risk Management (BRM) programs are critically important to growers in the fresh produce supply chain.
- Even prior to the pandemic, there was wide recognition that, in any given year, BRM programs do not adequately cover business losses as a result of the restrictive Reference Margin Limit and coverage trigger.
- Slashes to the AgriStability program in 2013 have resulted in many growers abandoning the program. In addition, some sectors do not have adequate production insurance, while others - particularly the greenhouse vegetable sector - have been completely left out of farm production insurance programs altogether.
- As a result of the COVID-19 pandemic, many businesses faced significant losses due to a lack of workforce or a shutdown in the supply chain. Given the perishability and seasonality of fresh produce, some who had to temporarily shut down their operations faced devastating financial consequences. Businesses were left to bear these impacts alone as existing BRM programs were not designed to cover these catastrophic events.
- In addition, high costs incurred by employers of foreign workers to follow public health protocols are not covered by the funding available – and the wide variability and lack of harmonization of these protocols across local jurisdictions has added further complexity, confusion and cost.
- For many growers, the challenges posed by COVID-19 have had a major negative impact on the 2020 harvest. It is essential that Canadian growers are able to make necessary business decisions with the knowledge that the government has programs in place to support them if necessary.

ACTION REQUIRED

- Improve the AgriStability program, including increasing the margin coverage to 85% and increasing the compensation rate to 85%, as well as removing the program's Reference Margin Limit (RML).
- Adjust the AgriStability program to allow for COVID-19-related expenses to be included as eligible costs.
- Create a quarantine compensation model, in complement to existing BRM programs, to mitigate the financial impact to an operation in the event of an outbreak and subsequent loss of workforce or operational shutdown.
- Examine options for enhancing or creating access to production insurance for those growers who do not currently have adequate coverage or any plans in place, such as greenhouse growers.



Due to the economic impact of the COVID-19 pandemic, the value of complaints filed under the U.S. Perishable Agricultural Commodities Act for non-payment to produce sellers has risen by 52% in 2020 compared to 2019 – and is expected to rise even further in the 4th quarter of this year

BACKGROUND – WHY IT MATTERS

- Growing, harvesting, packing, and marketing fruits and vegetables comes with a number of risks and overhead coupled with high capital costs. Furthermore, returns are delayed until the product is sold and payment is collected down the supply chain – usually long after the farmer or other seller has passed on their product. This leaves farmers in a vulnerable position.
- Unfortunately, the COVID business environment has and will, over the next two years, drive businesses into bankruptcy. As financial impacts are realized along the produce supply chain, we anticipate company failures in Canada and are already seeing such cases in the U.S. market.
- The Bankruptcy and Insolvency Act (BIA) does not provide a workable mechanism for when buyers of fresh produce become insolvent. While the Act allows suppliers to recover their product following a bankruptcy, it provides no rights when the product has been resold or is no longer identifiable or in the same state. Given how quickly produce spoils, it would be very rare that fresh fruits and vegetables will be available for repossession.
- The “super priority” provision for farmers in the Act also fails to address the needs of fruits and vegetable suppliers, who regularly receive payment 30 days (or more) after product is delivered. The requirement that product must have been delivered within 15 days of the bankruptcy to be covered under the super priority means most fresh produce is unprotected.
- 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. At one time, our Canadian grower/shippers would have had preferential treatment in the U.S. under the Perishable Agricultural Commodities Act (PACA), which would have provided much needed access to prompt payment tools in the case of a buyer bankruptcy. Canadian sellers are now required to post a bond worth double the value of the shipment just to initiate a formal claim through PACA. Given the high volume of produce sold to U.S. buyers, this situation puts many Canadian businesses at a distinct disadvantage.
- A Canadian limited statutory deemed trust, which would operate similar to the U.S. PACA and protect produce sellers during bankruptcy in Canada, would reduce potential costs imposed on Canadian consumers, remove complications in cross-border trade with the United States, and eliminate an unnecessary risk for Canadian fruit and vegetable sellers.
- 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 in Canada.

ACTION REQUIRED

- Take immediate action to establish a limited statutory deemed trust that protects produce growers and sellers during bankruptcy in Canada.
- Adopt the draft Fresh Fruit and Vegetable Products Protection Act, written by Ronald C.C. Cuming, an expert in Canada’s bankruptcy laws. The Act would be administered by the Minister of Agriculture and Agri-Food as complementary legislation to the Bankruptcy and Insolvency Act (BIA).
- Upon introduction of the legislation, request the reinstatement of Canadian preferential access to PACA by the U.S. Department of Agriculture.



BACKGROUND – WHY IT MATTERS

- The fresh fruit and vegetable industry relies on thousands of workers coming into Canada as part of the Temporary Foreign Worker (TFW) Program and the Seasonal Agricultural Worker Program (SAWP) in order to plant, cultivate, process, harvest and pack our products.
- Even prior to the COVID-19 pandemic, the labour gap in horticulture was becoming a crisis, expected to increase to 46,500 jobs by 2025 – the largest labour gap in the agricultural sector.
- Early in the COVID-19 pandemic, access to employees under the TFW program was the single most significant threat to food production, food security and the integrity of the food supply chain in Canada. Concerns remain about the substantially reduced number of employees who have been able to come to Canada and about what that diminished capacity means for domestic production, particularly for those operations that have experienced outbreaks of COVID-19 infections.
- In addition to foreign employees, the produce supply chain relies on domestic labour. Programs such as the Canada Emergency Wage Subsidy (CEWS) have provided welcome support to segments of our supply chain during the COVID-19 pandemic; however, the Canada Emergency Response Benefit (CERB) created unintended consequences as some chose to apply for the CERB rather than stay in a job that paid a comparable salary. Moving forward, government programs need to take a focused approach to reduce unintended consequences and impacts to business, including challenges accessing domestic labour.
- From the farm gate to the dinner plate, the fresh fruit and vegetable industry has developed business plans and new procedures to address the spread of COVID-19. These operational changes are necessary to keep our essential supply chain open while fostering staff morale and keeping absenteeism low, but have also led to an increase in operating costs that cannot sustainably be absorbed by our sector as we move into the economic recovery period.

ACTION REQUIRED

- In both the short and longer term, work to improve service standards and processing times for applications under the SAWP and the Agricultural Stream of the TFW Program, including by ensuring that ESDC and IRCC have sufficient resources to efficiently manage the flow of incoming employees for 2021.
- Should the *Quarantine Act* be further extended, extend and provide additional funding to the *Mandatory Isolation Support Program for Temporary Foreign Workers*.
- Expand funding available through the Emergency On-Farm Support Fund to help growers manage costs associated with housing reforms and health and safety requirements.
- Work with source countries and implement measures to streamline the collection of biometrics and improve the visa and work permit application processes.
- Extend the CEWS until the Public Health Agency of Canada has declared that the COVID-19 pandemic has ended, and adjust the program to allow companies and organizations to apply retroactively for the CEWS based on an assessment of a full-year's financial impacts, to better reflect the revenue flow impacts for many in the diverse produce supply chain and recognize later income cycles.
- Adjust the CEWS to support essential businesses, such as those in the fresh produce supply chain, that have been impacted by a significant rise in operational costs due to COVID-19 by providing an option to apply for the CEWS based on reductions in net income.
- Ensure that current and future employment benefits related to COVID-19 provide Canadians requiring support with the opportunity to work beyond existing program limitations.



BACKGROUND – WHY IT MATTERS

- The fresh fruit and vegetable sector supports the Food Policy for Canada’s commitment to the promotion of long-term social, cultural, environmental and economic sustainability. Partnerships with federal and provincial governments can position the industry for long-term sustainability as we strive to recover from the economic impacts of the COVID-19 pandemic.
- Canada has been fortunate that the worst-case scenarios for our food supply have not been realized during the pandemic, but this renewed focus on our food supply chain is an opportunity to better understand the instrumental role our food system plays in a healthy economy and a healthy population.
- Packaging plays an important role in protecting the safety and integrity of our food and in reducing food waste by extending the shelf life of many products.
- The Canadian fresh fruit and vegetable sector has taken a leadership role in promoting environmental sustainability by adopting environmentally sustainable practices, working to reduce and mitigate the use of unnecessary and problematic plastics, and taking action to reduce food waste and other efficiency challenges, including through CPMA’s Waste Efficiency Tool.

ACTION REQUIRED

- Work with provincial partners and industry to evaluate the impact of COVID-19 on the food system and assess how it was managed during the pandemic, to ensure the Canadian food system is stable and working effectively to address future crises.
- Work with our sector to find evidence-based solutions that consider the food safety and food security implications of reducing the use of plastics for fresh produce. This includes a combination of education, innovation, and the development of harmonized, efficient and cost-effective recycling collection within communities across Canada that is critical to support a circular economy.
- Commit to putting in place dedicated funding for industry research and innovation to facilitate the transition away from unnecessary and problematic plastics towards more sustainable and environmentally friendly options.
- Provide greater recognition for the efforts of the agricultural sector to reduce greenhouse gas emissions and implement more environmentally sustainable practices. The government must include all fuels, for all activities, under the exemptions afforded to farmers under the Greenhouse Gas Pollution Pricing Act.
- Commit funds and resources to support the reduction of food waste across the supply chain, including through an enhanced Surplus Food Rescue Program, and leverage the expertise of the Canadian fresh produce industry to build an effective food purchasing and distribution program and ensure that food gets to those who are food insecure.

About the
Canadian Produce Marketing Association

Based in Ottawa, Ontario, CPMA is a not-for-profit organization that represents a diverse membership of over 810 member organization who represent every segment of the produce industry supply chain and are responsible for 90% of the fresh fruit and vegetable sales in Canada from farm gate to dinner plate. CPMA is fortunate to represent a sector that is both a significant economic driver for communities and that also improves the health and productivity of Canadians.

www.cpma.ca

About the
Canadian Horticultural Council

The Canadian Horticultural Council (CHC) is an Ottawa-based voluntary, not-for-profit, national association that represents fruit and vegetable growers across Canada involved in the production of over 120 different types of crops on over 14,237 farms, with farm cash receipts of \$5.4 billion in 2019. Since 1922, CHC has advocated on important issues that impact Canada's horticultural sector, promoting healthy, safe and sustainable food, and ensuring the continued success and growth of our industry.

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