

Submission to House of Commons Standing Committee on Agriculture study of opportunities and solutions to increase processing capacity and competitiveness in Canada

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Tuesday, December 8, 2020

On behalf of the Canadian Produce Marketing Association, representing over 820 companies within the fresh fruit and vegetable supply chain, I respectfully submit our recommendations for opportunities and solutions to increase processing capacity and competitiveness in Canada. These recommendations support the Government of Canada's export objective of \$75 billion by 2025, as referenced by the Barton Report, and also support the goal of increasing local capacity to protect food security and strengthen Canada's food sovereignty, while providing safe food for all Canadians.

CPMA is a 95-year-old not-for-profit trade association representing member companies growing, packing, shipping and selling fresh fruit and vegetables in Canada. In a sector supporting roughly 249,000 jobs across the country, our members are responsible for 90% of fresh produce purchased by Canadians. This submission reflects a complex supply chain that works tirelessly to provide fresh fruit and vegetables across Canada.

The Canadian fruit and vegetable industry contributes significant benefits to our economy, to our communities and to the government. In 2018 alone, the total value added of the fresh fruit and vegetable sector was \$17.7 billion¹. Development in the fruit and vegetable sector, including processing, directly leads to jobs for many Canadians and Canadian workers. At the same time, the government collects over \$2.6 billion in revenue through taxes on production each year.

The fresh fruit and vegetable industry has significant potential to transition more products towards processing and value-added items such as frozen fruit and vegetables, baby food, juices, shredded lettuces, minimally processed salad kits, mini cut carrots, and others. In fact, in a November 2020 survey conducted by Caddle Inc., 24% of Canadians indicated they are planning to spend more on frozen produce next year.

Unfortunately, the current market condition encourages Grade #2 Canadian produce items to be sold to the open market in the United States for processing or for juicing in Canada, as there are self-imposed barriers to the domestic processing sector. The pathway for fresh #2 (grade) produce items to be processed needs to be modernized to encourage greater investment in the sector at a provincial level. The regulated commodity model has created a disincentive to drive innovation and investment. Currently, there are no new processors entering the Canadian market and the existing provincially regulated market conditions for certain commodities destined for processing restricts some movement of open market product.

¹ CPMA Annual Market Report 2020 - Authors' calculations based on Canada *Supply and Use Tables 2015*. (2018). Statistics Canada. Retrieved from <https://www150.statcan.gc.ca/n1/pub/15-602-x/15-602-x2017001-eng.htm> Table: 36-10-0594-01 : Canada Input-output multipliers, detail level 2015.(2018). Statistics Canada

The Government of Canada should thoroughly review the following factors:

- our domestic labour model in processing facilities,
- the high cost of inputs, and
- competition from frozen products coming from overseas which are significantly more cost effective due to low input and labour costs.

As commodity prices and volumes drive the success or failure of the produce sector, the Government of Canada should examine short and direct supply chain opportunities to support and create market opportunity both domestically and internationally. Additionally, federal and provincial regulatory models must be reviewed to determine opportunities and gaps being created by the unintended consequences of regulated commodities models.

It is also important to note that, since the start of the COVID-19 pandemic, the fresh fruit and vegetable supply chain has seen massive shifts in our markets, including changing retail sales patterns and the rise of e-commerce, as well as major disturbances in foodservice. Export markets remain vital as the industry looks to diversify its distribution channels. Recognizing that the market disruption impacts of the pandemic have had impacts across the supply chain, the Government of Canada should ensure that margin stabilization programs address financial losses experienced by food processors so that processing plants and packing operations can stay open and continue to provide products to Canadians.

At the same time, the COVID-19 pandemic has imposed significant new challenges for businesses throughout our supply chain including the added cost of purchasing personal protective equipment (PPE), other health screening tools and equipment, and implementing safety protocols to allow for social distancing. All of these impacts are difficult to pass on to Canadians without increasing the cost of fresh produce, thereby creating food security concerns. While the government announcements of funding through the Agri-food Workplace Protection Program and the Emergency Processing Fund were encouraging, these measures will not be able to address the full scope of the economic challenge facing our sector, especially as COVID protocols will be with us for the foreseeable future. The Government of Canada should implement a PPE tax credit to support those companies procuring the equipment they need to keep packing lines and processing lines operating and safe for workers.

As noted above, there is significant potential for the Canadian fresh fruit and vegetable industry to transition more products towards processing and value-added items. The Government of Canada can foster growth in our sector by working with industry to address the challenges outlined above. CPMA is appreciative of the opportunities to share our comments and we thank the Committee members for their consideration.

Sincerely,



Ron Lemaire, President
Canadian Produce Marketing Association