

Follow-up from National Supply Chain Summit – January 31, 2022

KEY MESSAGES AND RECOMMENDATIONS

- **Substantial increases in costs and delays along the supply chain threaten our food security and the long-term economic viability of the North American fresh produce sector.**
 - The high perishability of fresh fruits and vegetables further complicates supply chain challenges for our sector.
 - Compounding supply chain disruptions will impact the price of fresh produce. These costs cannot be fully borne by the industry and will ultimately be passed to consumers, affecting most those who can least afford it.

- **We cannot emphasize strongly enough the need for the Government of Canada to work across departments and with provincial, territorial and international partners to address these issues in a multi-lateral and holistic manner.**
 - As a smaller market reliant upon trade, it is imperative for the federal government to take a leadership role in these discussions to ensure Canada's needs and interests are represented and that there is not an economic incentive for companies to redirect their business elsewhere.

- **To begin, the Government of Canada should name a Supply Chain Commissioner to lead a Joint Industry-Government Task Force to bring departments and stakeholders together to effectively address ongoing supply chain disruptions in the short-term and support supply chain resiliency in the long-term.**
 - Recognizing that the challenges we face do not fall within the purview of any individual Minister or department, a Supply Chain Commissioner will play a crucial role in bringing the necessary stakeholders to the table and providing transparency and accountability for finding solutions.
 - Additional key considerations for the structure of the proposed Supply Chain Commissioner and Joint Industry-Government Task Force include:
 - The Supply Chain Commissioner must be mandated and empowered to bring together the necessary stakeholders to effectively address the complicated and interconnected supply chain disruptions we are facing. This person should have the reputation and authority to be able to deliver on this task.
 - The Supply Chain Commissioner should be independently empowered to bring decision-makers from all applicable government departments to the table (including, but not limited to, Agriculture and Agri-Food Canada, Employment and Social Development Canada, Transport Canada, Global Affairs Canada, the Canada Border Services Agency, and the Canadian Food Inspection Agency). Given the urgency of the situation, these participants should be authorized to negotiate, find solutions and make decisions on behalf of their respective organizations.

- In addition, stakeholders from across the supply chain must be included to find workable solutions that do not result in unintended consequences or compounding of problems. These should include: port authorities, terminal operators, shipping companies, carriers and freight forwarders, railways, trucking associations, agricultural and other commodity associations (including both perishable and non-perishable products), importers and exporters, as well as associated labour unions.
 - The Supply Chain Commissioner and the Joint Industry-Government Task Force should also be empowered to work with international partners, particularly our partners in *CUSMA*, to find solutions to challenges of common concern and to avoid creating unintended barriers to trade.
- **The work of the Supply Chain Commissioner and Task Force should provide the starting place for longer-term, ongoing collaboration between government departments and stakeholders to identify, assess and respond to supply chain issues in the future.**
 - The Government of Canada should work proactively with port authorities and other stakeholders to put in place a formalized process to allow the movement of essential goods, such as food and medical supplies, through Canada’s ports in the event of future emergency events or disruptions.

FURTHER INPUT ON SUMMIT DISCUSSION QUESTIONS

QUESTION 1: What do you see as the most critical challenges or barriers facing Canada’s supply chain efficiency and resiliency that warrant priority action to improve Canada’s economic recovery?

Our members are facing “death by a thousand cuts”, as a result of the layering of multiple, interconnected supply chain challenges. This is why a whole-of-government approach is so important to be able to address them.

- **Crippling port congestion:**
 - Important to reiterate that for our highly perishable products, long delays at port can result in loss of product, sales and ultimately food waste (and Canada is in key import period).
 - Delays and congestion at ports were initially focused on the west coast, but are now being reported across the country.
- **Delays and exploding costs in container and freight shipping:**
 - Depending on the destination, container costs have increased from \$10,000 to \$25,000.
 - Ocean shipping companies pulled in estimated profits of \$150 billion in 2021, a nine-fold annual jump (Source: Bloomberg).

- Freight truck shipping costs have also increased 50-80%, both cross border and domestically (ex. California to Calgary up from USD\$5,000-6,000 to USD\$8,000-\$10,000, Vancouver to Toronto up from CAD\$5,500-\$6,500 to CAD\$9,000-\$11,000).
 - One member noted their freight costs from May-December 2021 were up almost \$600,000 over the previous year.
- **Continuing labour shortages across the supply chain:**
 - Even prior to the Omicron wave of the pandemic, a survey of our membership in fall 2021 found labour shortages reported by 92% of growers, 75% of wholesalers, and 100% of retailers.
 - Based on our most recent input from members, some companies are experiencing 10% to 25% absenteeism; however, some segments are seeing absenteeism due to COVID as low as 3%.
 - There has long been concern about a shortage in truck drivers, with 18,000 vacancies estimated in Canada last fall. In a recent survey of our members, 47% of respondents reported a 20-60% impact to their business, particularly in cross-border shipments.
- **Growing input costs and shortages**
 - It is important to note that these impacts are not only being felt now, but also threaten future growing seasons.
 - Fertilizer costs up by 50% over the past year. There are concerns that China's recent announcement of restricted energy consumption in key phosphate production regions will lead to shortages headed into the 2022 growing season.
 - The Canadian greenhouse sector has reported delays of more than 8 months in receiving critical building materials.
- **Ripple effects of inconsistent product delivery**
 - When a significant delay in receiving perishable product is followed by receiving a large amount at once, a string of new issues and costs arise, including arranging distribution and sourcing additional labour required to re-grade and re-package salvageable product to recover sales and avoid waste.
 - The high perishability of fresh fruits and vegetables means that delays and inconsistent delivery result in food spoilage, loss and waste.
 - Due to the "on-time" delivery system prevalent in fresh produce, many aspects of our supply chain are designed to penalize late or lengthy deliveries (ex. fees for missed appointments, detention and demurrage, etc.). This further inundates the supply chain with additional costs.

QUESTION 2: How can we better leverage investments in transportation infrastructure for improved performance outcomes and supply chain resiliency – especially in light of changing climate and economic shocks?

Wherever possible, government departments and port authorities should expedite the inspection and clearance of essential and especially perishable commodities.

- **IMMEDIATE/SHORT TERM**

- Identify and facilitate mechanisms to move containers inland to aid in the clearing of ports and the triaging of container movements, such as through the temporary use of unused lots in the vicinity of marine terminals and the building of inland container storage yards.
 - The pilot initiative at the Port of Oakland, announced by U.S. Secretaries Vilsack and Buttigieg on January 31st, offers an example of such efforts to ease port congestion.
- Recognize the interconnected nature of the supply chain in planning initiatives intended to ease port congestion. For example, expansion of port operation hours is only effective to the degree to which the rest of the supply chain, such as warehouse operations, carriers and customer receivers, can follow suit.
- Support the critical role of agriculture inspections in port operations. Government food and agriculture inspection agencies should have a “plan B” in place to address situations such as staffing shortfalls or other resource or logistical constraints. Where possible, the agencies should coordinate on a provincial or local level to ensure that sector-specific nuances, including need for cold storage, are taken into consideration.
- Identify measures to smooth the flow of truck shipments, including addressing jurisdictional disharmony between truck weight limits and temporarily extending the Hours of Service for carriers hauling agricultural goods and/or packaging supplies or other agricultural inputs

- **MEDIUM/LONG TERM**

- In the medium-longer term, expansion of Secure Corridor/Fast Lane infrastructure across the country as well as investments in Large-Scale Imaging (LSI) infrastructure, such as that being planned for Tsawwassen, can help to streamline the movement of product across the border.
 - The Budget 2021 funding of \$1.9B over 4 years for the National Trade Corridor and recent government announcements are a start; the government must ensure that sufficient, ongoing capital investment is made available to support infrastructure improvements.
 - In addition, the Government should ensure that some of the announced funding for projects to improve the fluidity of supply chains is dedicated to projects supporting agri-food supply chains, including the enhancement of cold chain infrastructure.

- Long-term, revitalize port infrastructure and strengthen government oversight into the maintenance of port service standards to streamline operations for the future.
 - Ensure that government efforts related to international container shipping account for the need for access to refrigerated containers to transport essential goods such as fresh produce.
- Work across departments to expand Trusted Trader programs to further streamline the movement of essential and perishable products across the border.
 - The parameters of existing programs have posed a barrier to produce industry participation. The *Safe Food for Canadians* licensing system as well as the MyCFIA portal pose potential tools to leverage to streamline border clearance processes for industry members who have a demonstrated history of compliance.

QUESTION 3: Where are our best opportunities for new collaboration, innovation and leveraging digital solutions to optimize existing infrastructure, increase capacity and improve system performance?

The Government of Canada’s digitalization efforts should use a cross-government lens and prioritize interoperability to reduce burden for industry, particularly considering the needs of small- and medium-sized businesses.

- Lead multilateral investigation and enforcement efforts to ensure fair and ethical business practices by international shipping companies. Collaboration with our trading partners is critical to ensure that these efforts do not create an economic incentive for companies to redirect their business to other countries.
 - The Government of Canada should leverage all available tools under the *Competition Act* and *Canada Transportation Act* to ensure shipping lines and the broader transportation system are performing at a level that supports supply chain resiliency.
- Increase data gathering and transparency of information related to cargo movement through port terminals to support business operations and logistics planning, as well as improvements to port infrastructure and operations.
 - The blockchain pilot currently underway at the Port of Vancouver offers one example.
- The development of online import and/or export portal (such as MyCFIA) has enormous potential to streamline processes for both industry and government. However, in order to maximize the potential benefits and minimize any burden to industry, the Government of Canada should take a whole-of-government approach to ensure consistency, integration and interoperability across and between the government systems wherever possible.
 - For example, integrating proof of vaccination functionality into Fast Lane infrastructure would smooth the way for drivers at the border.

- Recognizing the highly integrated nature of the North American market, wherever possible, the Government of Canada should also align its efforts with our CUSMA partners, particularly the United States.
- The lack of digital infrastructure remains a major roadblock to innovation for many in the fresh produce industry, and renders many businesses in rural, remote and Indigenous communities unable to reap the full benefits of digitalization. The Government should prioritize the swift deployment of funding to support the rapid expansion of high-speed internet infrastructure and cell phone service coverage to all parts of the country.