

FOOD, HEALTH &
CONSUMER PRODUCTS
OF CANADA

PRODUITS ALIMENTAIRES,
DE SANTÉ ET DE CONSOMMATION
DU CANADA



2024

Pre-Budget

Consultations

RECOMMENDATIONS

- **Recommendation 1:** Implement a Code of Conduct with an Inclusive Scope
- **Recommendation 2:** Advance a Circular Economy
- **Recommendation 3:** Strengthen Manufacturing Competitiveness and Support Innovation: (a) Address chronic labour shortages; (b) Incentivize manufacturing investments, and; (c) Build supply chain resiliency
- **Recommendation 4:** Prioritize the Self-Care Framework

For over 60 years, Food, Health & Consumer Products of Canada (FHCP) has been the largest national industry association representing companies that manufacture and distribute the vast majority of everyday products found in every Canadian household.

Our industry is the top employer in manufacturing in Canada with over 350,000 people in nearly 10,000 facilities in every region. Our members transform Canada's agricultural riches into value-added finished goods that feed families at home and worldwide. They make safe over-the-counter medications and natural health products that empower Canadians to practice self-care, relieving pressure on the healthcare system. Consumers have trusted FHCP members' brands for more than a century.

FHCP submits the following recommendations.

Recommendation 1: Implement a Code of Conduct with an Inclusive Scope

Canada's grocery industry is concentrated with five retailers controlling more than 80 per cent of grocery and drug store sales. Grocery giants have used this power imbalance to unilaterally impose fees and raise costs on farmers and manufacturers. This contributes to consumer inflation and food insecurity, and threatens our sector's competitiveness. Since August 2021, FHCP has been working with key stakeholders to develop a Grocery Code of Conduct.

When similar dynamics in the United Kingdom threatened its food supply, the government implemented a legislated Grocery Supply Code of Practice. The inclusive scope of the UK's Code includes food and everyday products, including personal care products, household cleaners, over-the-counter medicines (OTCs), and natural health products (NHP) available in a typical grocery store.

A Code must capture all products available in a typical grocery basket and reflect our market, where the five large grocery chains own most retail pharmacies in Canada. Given this full integration of pharmacy and grocery channels, it is critical that a Code includes an inclusive scope of products that Canadians depend on every day.

The urgent need for a Code is supported by Parliamentarians, government, and agriculture ministers across Canada. Recent reports from June by the Standing Committee of Agriculture and Agri-Food and the Competition Bureau both recommend a Grocery Code for Canada.

During their annual meeting in July 2023, we were pleased that federal, provincial and territorial agriculture ministers called for the participation of all key players in the industry. The ministers remain open to discussing how they can support the Code, including short-term financial support to establish an office providing training, education, and dispute resolution. This funding will be instrumental for the Code's implementation.

After a broad consultation in May, the Code was finalized. The industry-led collaborative work continues on governance and enforcement, with implementation planned by the end of the year. FHCP supports a Code that is mandatory, enforceable, and applies to all impacted products.

Recommendation 2: Advance a Circular Economy in Canada

Sustainability is a key priority for FHCP. As the first trade association in Canada to endorse the Ellen MacArthur Foundation, a co-founder of the Canada Plastics Pact and leaders in policy development for extended producer responsibility (EPR) programs, FHCP is committed to achieving a circular economy for plastics. FHCP is actively engaged in discussions with Environment and Climate Change Canada (ECCC) regarding consideration of plastic packaging

including mandatory minimum thresholds of recycled content and labelling for recyclability and compostability.

We urge ECCC to ensure all federal plastics measures are appropriately: **scoped** to build on but not conflict with the provinces and territories; **sequenced** to ensure appropriate implementation timeframes and order of measures, and; **supported** with strategic investments and partnerships.

Recycled content standards are integral to building a circular economy and complementary to EPR. Effective and efficient policy must have ambitious but achievable targets and timeframes that reflect operational realities, including recycling capacity, and are aligned with our international trading partners.

FHCP has significant concerns with the labelling proposal, including implementation timing, criteria, impact on provincial EPR obligations and environmental outcomes. The proposal presents significant risk of unintended consequences. FHCP has presented recommendations to strengthen these proposals.

We believe the proposed labelling policy would significantly inhibit companies' ability to comply with EPR obligations. Producers will not be able to recycle the packaging that consumers throw in the garbage based on unrealistic criteria for labelling a package recyclable, and we urge the government to ensure that any labelling rules be implemented no less than five years from the date of final publication in Canada Gazette II.

FHCP recommends the Government establish a \$100 million recycling infrastructure fund and work with Circular Materials and Eco Entreprises Quebec to identify strategic initiatives, including building needed recycling capacity, and investments in advanced recycling in Canada to support federal priorities. Recycling infrastructure should be a strategic priority for partner funding organizations like the Canada Infrastructure Bank and government programs focused on net-zero investments.

Recommendation 3: Strengthen Manufacturing Competitiveness and Support Innovation

a) Address chronic labour shortages

There are over 45,000 job vacancies in food manufacturing, and the employer cost of vacancies in our industry could total up to \$3.1 billion annually if not addressed.¹

¹ Food Processing Skills Canada, Crossroad to Greatness – Key Insights & Labour Market Research About Canada's Food and Beverage Processing Industry, April 2021

In a recent member survey by the Canadian Manufacturers and Exporters (CME), 48 per cent reported that increasing Temporary Foreign Workers (TFW) and immigrants will help ease labour shortages.²

We support the increased TFW cap of 30 per cent for sectors including food manufacturing and ask to make this permanent. We echo the call for establishing a pathway to permanent residency for agri-food workers and support the government's ambitious immigration targets.

Developing skills is critical and we support CME's recommendation to help fund employer-led training through a 50 per cent tax credit that offsets half the costs of employee training.³

Given many newcomers cannot practice their profession because of unrecognized credentials, we recommend expanding the Foreign Credential Recognition Program specifically for the agri-food sector.

We encourage the government to continue to invest in affordable housing, language supports, public transit and broadband service, particularly in small communities. These investments enable newcomers to live close to jobs and participate fully in the economy.

b) Incentivize manufacturing investments

With chronic labour shortages, manufacturers are considering less labour-intensive ways to run their operations. Investments in automation boost productivity and help businesses continue operating in Canada.

The government must act quickly to keep – and attract – investment. American Industrial Policy is paying off as the U.S. is experiencing a factory-building boom, fueled by generous incentives including the Inflation Reduction Act.

American private manufacturing construction has more than doubled over the past 12 months, surging 104.6 per cent on a year-over-year basis in April 2023.⁴ Manufacturing construction spending in Canada is rebounding from pandemic lows, but is less impressive at only 37.3 per cent compared to a year ago.

According to CME's *2023 Technology Adoption Survey*, top barriers to technology adoption include: difficulty integrating advanced technologies; high purchase costs; lack of skilled workers needed to operate new technologies, and; a lack of government financial or tax incentives. Canadian manufacturers favour one policy response above the rest: 61 per cent

² Canadian Exporters and Manufacturers Member Survey, March 2022.

³ Canadian Manufacturers and Exporters, CME 2023 Technology Adoption Survey, May 2023

⁴ U.S. Census Bureau, April 2023.

said they are looking for governments to provide more direct funding and/or tax credits to help lower costs.

To rebuild Canada's industrial capacity, we support CME's recommendation to introduce a national 10 per cent investment tax credit for investments in new buildings, machinery and equipment that is matched by all provinces.

Uncertainty exists regarding the rollout of already-announced business supports. We encourage the government to shape these programs from a North American manufacturing lens, and to dedicate funding to Canada's strategic and essential sectors, with particular emphasis on food, consumer and health products manufacturing. We also urge an expeditious rollout before we lose more investments to the U.S.

c) Build supply chain resiliency

The supply chain needs to run smoothly to ensure that manufacturers can produce and deliver essential products to Canadians.

FHCP urges the government to implement the recommendations in the National Supply Chain Task Force's final report. We participated in the consultation process and were pleased to see most of our key recommendations reflected in the report. We support Bill C-33 as an important first step implementing the report's recommendations.

In particular, we urge action on digitization and strategic investments in transportation infrastructure. We support creating a Supply Chain Office and establishing it in a central agency such as the Privy Council Office.

End-to-End Digitization of our national transportation network is critical. Investments in digital infrastructure will provide supply chain stakeholders with real-time data sharing and increased reliability. This will increase efficiencies, decrease costs and reduce environmental footprint.

Investments in our transportation infrastructure are needed to modernize and build alternative routes to prevent disruptions caused by weather incidents. Support for relay centres allowing truck drivers to change over after a short haul and head back to their home base every day will help alleviate the trucking shortage.

Recommendation 4: Prioritize the Self-Care Framework

As a longstanding champion, FHCP continues to advocate a national self-care strategy as an effective, no-to-low-cost complement to investments in the public healthcare system. The

healthcare system's longstanding vulnerability has never been more apparent and is alarming to Canadians.

One out of every seven common colds in Canada results in a doctor appointment. If that number could be reduced to one out of every eight colds by supporting self-care, this would eliminate over three million unnecessary doctor visits annually and free up sufficient physician resources to allow an additional 500,000 Canadians to access a family doctor⁵. A 2017 study by the Conference Board of Canada⁶ found that switch of a single class heartburn medications from prescription to over-the-counter (OTC) status could generate over \$700 million in annual savings from reduced doctor visits and drug costs, and increased labour productivity.

In recognition of self-care's benefits, Health Canada launched consultations on a Self-Care Framework in 2016. The proposal recognized that the outdated approach of regulating OTCs through regulations intended for higher-risk prescription drugs made little sense. It instead proposed a consistent, risk-based framework for OTCs, natural health products (NHPs) and those cosmetics such as sunscreens that make health claims, recognizing that all these consumer health products sit side by side on store shelves.

After nearly eight years of consultations, we are no closer to this goal. Instead, new labelling requirements will cost OTC and NHP manufacturers approximately \$500 million to implement from 2018-2028, chronic submission and site licensing backlogs have impeded product launches, outdated OTC regulations continue to stifle innovation, and Canada is falling farther behind on self-care when we need it most. These challenges directly contributed to the recent, unprecedented shortages of OTC children's pain relievers and cough and cold medicines.

Despite this incomplete work, Health Canada is now proposing to fast-track the introduction of cost recovery for this broken NHP program. The proposal would more than double the costs of the program and add another \$70-80 million in annual costs to industry. This is completely unacceptable, will drive companies and products out of Canada, and add additional costs to our healthcare system.

We are concerned that the government is advancing cost recovery without a detailed plan to fix the regulatory framework. Cost recovery and the Self-Care Framework must be developed and implemented together.

⁵ Kristin R. Willemsen, Gerry Harrington, "From Patient to Resource: The Role of Self-Care in Patient-Centered Care of Minor Ailments," *Self Care* 3, no. 3 (2012): 43-55.

⁶ Isabelle Gagnon-Arpin, *Value of Consumer Health Products: The Impact of Switching Prescription Medications to Over-the-Counter* (Ottawa: The Conference Board of Canada, 2017).