

FOOD, HEALTH &
CONSUMER PRODUCTS
OF CANADA

FHCP



Priorities for healthy homes, healthy communities, and a healthy Canada

Food, Health & Consumer Products of Canada - September 2020



FHCP is at the heart of healthy homes, healthy communities, and a healthy Canada

Canadians have diverse opinions, backgrounds, and lives, but when it comes to the products we rely on every day, we have so much in common. From morning routines to school bake sales to sick days at home to family gatherings, we find ourselves reaching for the trusted brands and dependable products that are fixtures in our daily lives. These are the products Food, Health & Consumer Products of Canada (FHCP) members are proud to make.

FHCP members feed and care for Canada. We turn Canada's crops and farm goods into the finished products that fill every grocery and drug store shelf across Canada. We help Canadians decrease time spent waiting in doctors' offices, help support our healthcare system, connect our urban and rural communities, and so much more.

We also fuel Canada's economy, contributing more than \$38 billion to Canada's GDP every year. FHCP represents the nation's largest manufacturing workforce, employing more than 350,000 Canadians and operating in every province. We provide good jobs for Canadians; lucrative, reliable markets for Canadian farmers; and a secure supply of food, health, and consumer products that keep our country resilient and self-reliant.

As the COVID-19 pandemic revealed, Canada's resilience and self-reliance depend on both strong domestic manufacturing and global supply chains for essential products. Food, health, and consumer product

manufacturing have a unique capacity to power Canada's pandemic response and post-COVID recovery. Strengthening our sector will ensure Canadians can continue to find the products they need at prices they can afford, as well as power much-needed investment, innovation, jobs, and growth.

We cannot achieve this ambitious vision of a stronger, more resilient Canada without the support of government as a proactive, engaged partner committed to the future of this vital sector.

Together, we must establish a Canadian manufacturing and self-care strategies that:

- Invest in Canadian workers' safety, health, and job training
- Modernize regulations and empower Canadians
- Attract investment and strengthen "Made in Canada" manufacturing
- Adopt a Fairness and Accountability in Retail (FAIR) Practice Code
- Ensure free movement of ingredients, products, and people

Food, Health & Consumer Products Canada (FHCP) brings the voices and expertise of Canada's leading food, health, and consumer product manufacturers together under one roof, all committed to doing our part for healthy homes, healthy communities, and a healthy Canada.

Industry snapshot

Food, health, and consumer products drive Canada's economy

Top manufacturing employer in Canada

- 350,000 Canadians employed in the industry - more than make cars and planes, combined.



#1 employer
in rural Canada



Nearly 10,000 establishments
across every province



\$ 11+ billion
wages

\$ 39.9+ billion
value added to GDP

\$ 37.5+ billion
exports

... but face major obstacles to growth and job creation

- 140,000 regulations at federal level alone - putting a particular burden on small businesses
- Patchwork of regulations creates unfair outcomes. For example: More than 2000 "natural health" products are sold online that aren't approved for sale in Canadian stores
- Labour and skills gaps leave more than 10,000 job vacancies unfilled
- Costs to get products on shelves increased by more than 20% from since 2012, while staying flat in the United States
- Canada exports half its agricultural output, losing out on opportunities to add value and create jobs at home
- Canada is as much as 10 years behind Australia, the EU, and the United States when it comes to innovation in consumer healthcare
- Just 5 companies control 80% of grocery and drug sales: Unfair retail practices leave consumers with fewer, less innovative, more expensive product choices

Leading executives say Canada must urgently course-correct to attract investment and growth

"We face unprecedented government intervention"

"We have significant labour shortages"

"Canada is not a favourable environment for innovation"



Only 25% of food and consumer product manufacturers intend to expand production in Canada in the next 3 years

- Nearly 50% are looking to invest elsewhere
- Low confidence in returns on investment makes Canadian companies more than twice as likely to abandon proposed new products compared to companies in Australia, the EU, and the U.S.



Healthy homes

Health is more important than ever and starts at home, with the habits, activities, and products that support each person's unique physical, mental, and social wellbeing. FHCP members' products and practices support:

Health & nutrition literacy

To support Canadians in making informed choices, FHCP launched the innovative digital SmartLabel™ to give consumers instant access to more information than could ever fit on a printed label, including information about nutrition, allergens, and more. Canada should also adopt modern, digital labels for over-the-counter medicines and natural health products.

Balanced eating patterns

FHCP members are committed to ensuring Canadians can choose high quality, safe, nutritious, delicious, affordable food that meets their unique needs. The food Canadians choose can spark simple joys, call up memories, help build strong bodies, and bring convenience or comfort when we just need a break.

Good hygiene

FHCP members make cleaning and disinfecting products Canadians rely on as the first line of defence against many common illnesses and which play a key role in everyday healthy lives as well as when responding to crises like the COVID-19 pandemic.

Over-the-counter solutions

Safe, effective over-the-counter medicines and natural health products empower Canadians to address manageable ailments at home. This practice of self-care reduces delays and costs of managing common ailments, while freeing up doctors and Canada's health-care system to focus on more complex needs.



Healthy communities

Secure livelihoods, effective healthcare, and strong social connections are some of the most important building blocks for healthy communities.

FHCP member companies are engaged, active members of thousands of communities in every province, where the 350,000 members of the nation's largest workforce live and work. Food, health, and consumer products manufacturing facilities across the country support hundreds of thousands of families and help local economies thrive. Those local economies have the most to gain if our sector is supported to reach our potential to create at least 65,000 new jobs by 2025.

As the largest employer in rural Canada, food manufacturing plays a particularly vital role in connecting rural and remote Canadians to stable markets at home and through exports overseas, supporting the livelihoods of Canada's farmers. Food and beverage companies buy 40% of what Canadian farmers grow and turn it into the products on grocery store shelves.

When regulations are modernized and reflect the needs of Canadians, FHCP members respond with innovation and growth. In the decade following the introduction of modern regulations for natural health products in 2004, growth in that sector accelerated and exports more than doubled to over \$1.5 billion, during a period when overall non-petroleum exports had only increased 5%. Some sectors of our membership, however, have not seen their regulations modernized in more than half a century.

Our commitment to our communities extends far beyond the bottom line, particularly in times of crisis. For example, our member companies continue to donate hundreds of millions of dollars in food, personal protective equipment, health products and supplies, and cash grants to support the communities hit hardest by the COVID-19 pandemic, with more than \$40 million committed to food banks across North America.



Healthy Canada



We only have one planet, and we know our products must play a critical role in preserving natural resources and protecting our environment.

FHCP is advancing concrete commitments to good environmental stewardship, because it's good for the planet, good for business, and we know it's what Canadians expect. From offices to the factory floor and beyond, we are taking innovative steps to save water, use less energy, combat food waste, keep packaging waste out of the environment, and choose the right materials for the right purposes.

FHCP members continue to advance significant, multifaceted commitments to the environment, for example by:

- Making packaging reusable, recyclable, or compostable. In June 2019, FHCP (then FCPC) endorsed the Ellen MacArthur Foundation's vision for a New Plastics Economy, moving Canada toward a future of zero plastic waste.
- FHCP members founded and continue to fund a nation-wide network of pharmacy take-back programs to support safe and environmentally-sound disposal of unused medicines.
- FHCP members work with governments across Canada to ensure recyclable packaging waste is effectively collected and recycled. Many FHCP members have committed to making all packaging recyclable, compostable, or reusable by 2025.
- Implementing energy conservation measures in office operations, and taking steps to reduce emissions in logistics, transportation, and shipping.



FHCP priorities for a stronger future

Hundreds of thousands of Canadians depend on our industry for their livelihoods, and many more depend on the food, health, and consumer products we make as fixtures of their everyday lives. To build the most prosperous and healthiest Canada, government and industry must work together to establish strategies that strengthen our domestic manufacturing and supply chains and support the health of Canadians.

Invest in workers' safety, health, and job training

More people work in food, health, and consumer product manufacturing in Canada than work making airplanes and automobiles combined. To continue supporting livelihoods and adding new jobs, the sector requires Canada to work to address critical labour and skills gaps.

We need to create incentives for Canadians to work in the sector, which entered the pandemic with 10,000 unfilled job vacancies. Government and industry must work together to help match vacancies with unemployed workers in need of new opportunities and train the next generation of leaders in our sector.

Throughout the pandemic, companies have prioritized the safety of their workers while at the same time increasing production of essential products. Food, health, and consumer product companies invested millions to keep workers safe, and these costs continue to grow. The government must continue to help offset the extraordinary new costs of pandemic response and prevention measures, like physical adaptations and personal protective equipment to keep workers safe from COVID-19 infections.

Modernize regulations and empower Canadians

We are proud that Canada has some of the safest, most globally-respected food, health, and consumer product regulatory systems in the world. FHCP strongly supports regulatory systems based on science and evidence that prioritize health, safety, and sustainability.

Unfortunately, Canada's regulatory process too often excludes important evidence and information about the most effective initiatives, is not fully transparent, fails to incorporate industry's significant and unique expertise, and does not account for both intended and unintended consequences.

Canada needs to update its regulations, and regulatory processes to maximize real-world protections for Canadians while incentivizing innovation and growth. As the government itself noted in 2018, all regulators should have economic mandates. The regulatory process must also take into account the role of global online marketplaces, which have grown dramatically during the pandemic.

FHCP members' products play a direct role in the daily lives and health of Canadians. We bring expertise and commitment to the table that can help ensure regulations prioritize health, safety, and choice for Canadians, while enabling innovation and job creation.

With 140,000 regulations at the federal level alone, Canada's red tape unnecessarily makes it harder and more expensive to bring products to market, keep our healthcare system running smoothly, and more. Modern, effective regulatory systems should focus on the most effective ways to keep Canadians safe while ensuring they have access to products that meet their diverse needs.

At the same time, Canada must address the Internet-sized enforcement loophole that allows online sales of entirely unregulated consumer health products that are not necessarily subject to the same high standards as those sold in brick-and-mortar Canadian grocery

and drug stores. Whereas, for example, popular cold medicines are hidden behind the counter in Canadian pharmacies, they are widely available online in large quantities, reducing access to effective products, while allowing illegal online markets to fuel potential misuse.

Modern, effective regulations are also key to protecting our environment, for example by addressing packaging and waste management. Government and industry must work together to develop effective solutions that improve recycling, incentivize innovative packaging solutions, and keep plastic waste out of waterways and landfills, where it doesn't belong.

Attract investment and strengthen “Made in Canada” manufacturing

In order to ensure that Canadians continue to have access to essential products on store shelves, we will need to work together on a whole-of-government economic recovery plan that focuses on bolstering domestic manufacturing and attracting new investments in Canada. With such a significant economic footprint in Canada, it will be critical our industry plays a central role in rebuilding Canada's economy.

In the months ahead, it will be harder than ever to attract – and keep – investment in Canada as other countries attempt to repatriate manufacturing and become more self-reliant. We are already seeing growing pressure for companies in Canada to leave and take their jobs with them. We can't let this happen. Canada needs to step up and build a robust manufacturing sector that provides incentives for companies to stay and create jobs for Canadians.

When companies take manufacturing and innovation elsewhere, or stop investing in their Canadian operations, Canada loses opportunities for job creation, investment, and growth. Facilities and communities miss out on infrastructure improvements and modernization. Already, about 80 percent of new branded products on Canadian store shelves were developed overseas, and consumers may find companies simply decide not to bring their innovations in products, packages, and treatments to Canada. And as the COVID-19 crisis revealed, domestic manufacturing and strong supply chains are critical to assure the availability of products Canadians rely on in their everyday lives and especially in times of crisis.

Outdated and inefficient technology and equipment also hamper efforts to invest in environmental sustainability. Canada must incentivize green investments that help us compete and are good for the environment.

FAIR for Canada: Fairness and Accountability in Retail Practice Code

Five large grocery retailers control more than 80 percent of Canada's grocery stores, giving them tremendous influence over consumers' access to products. The resulting power imbalance has long allowed large grocery retailers to arbitrarily shift their costs and risks disproportionately onto food, health, and consumer goods suppliers, along with farmers. These unfair practices contribute to high costs of doing business in Canada – for example the costs to get and keep products on grocery store shelves increased more than 20 percent since 2012, while remaining flat in the United States. They also continue to contribute to economic uncertainty that, for suppliers, undermines the case for investing in Canada.

When the COVID-19 crisis put Canada's food supply under extreme stress, one silver lining was a renewed and welcome common purpose as farmers, processors, and grocery retailers joined forces to keep supply chains operating smoothly and equitably. For a time, some of the most damaging and unfair pre-pandemic retailer practices were set aside.

Unfortunately, some major retailers returned quickly to aggressive moves that put suppliers in impossible positions. Despite suppliers' continued challenges managing the ongoing impacts of the pandemic and preparing to feed and care for Canadians through potential future waves of infection, multiple large retailers moved to institute arbitrary new fees to fund their own expansion plans. These recent examples only add to a long-standing pattern that is pushing our food, health, and consumer product supply chains to a breaking point and putting Canadian jobs at risk.

When similar market dynamics threatened its supply chains, the United Kingdom adopted a successful Groceries Supply Code of Practice, which can provide a blueprint for Canada's Fairness and Accountability in Retail (FAIR) Practice Code. Federal and provincial authorities must urgently implement codes of practice that address the negative impacts of unfair practices in our highly concentrated grocery retail market that leave Canadian consumers with fewer, less innovative, and more expensive products at check-out.



Ensure free movement of ingredients, products, and people

Keeping essential products on store shelves across Canada depends on the free flow of ingredients, packaging, products, people, and supplies (e.g. personal protective equipment) across our borders. The economies of Canada and the United States are highly integrated to ensure sustainable and efficient production and provide predictable and fair market access.

Our members export their products to the United States and rely on imported U.S. ingredients, products and packaging. Any added costs or disruptions, such as tariffs, would significantly jeopardize our ability to provide Canadians with their essential products.

It is vital that government make every effort to minimize disruptions to these supply chains, particularly in times of crisis.

Currently, Canada is the fifth largest agricultural exporter in the world. One in two jobs in crop production

and one in four jobs in food manufacturing depend on exports, which is one reason Canada has a goal to increase agri-food exports to \$75 billion by 2025. Canada exports more than \$35.8 billion of value-added food products annually, but that could grow even more and create more jobs if we strengthen our capacity to process the food that Canadian farmers grow right here at home.

Canada's exports of natural health products grew rapidly after the development of modern regulations for these products in 2004, more than doubling in the decade that followed. The health of this sector and its ability to meet the needs of Canadians is heavily reliant on global supply chains for raw ingredients and finished products, as Canada is a major exporter and importer of both. Continued leadership on liberalized trade policy by the Government of Canada can support this growth, as can regulatory collaboration and cooperation with our major trading partners.