

FOOD, HEALTH &
CONSUMER PRODUCTS
OF CANADA



PRODUITS ALIMENTAIRES,
DE SANTÉ ET DE CONSOMMATION
DU CANADA



2023

Budget

Consultations

Submission to Ontario Department of Finance

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Food, Health & Consumer Products of Canada (FHCP) is the largest national industry association representing companies that manufacture and distribute the everyday essential products found in every refrigerator, pantry, kitchen cupboard, and medicine cabinet in Canada. Our sector employs over 96,000 people throughout Ontario.

Business is still not back to normal for our sector, which continues to face unprecedented and ongoing supply chain disruptions, labour shortages and cost pressures. FHCP members have said:¹

- Input costs have increased significantly by 23 per cent since 2021;
- 95 per cent experienced significantly higher cost increases in 2022 and project continued increases well into 2023; and,
- Labour costs for food manufacturing rose by 16 per cent.

FHCP proposes the following recommendations for the 2023 Budget.

RECOMMENDATION 1: Address Chronic Labour Shortages

In Ontario, there will be approximately 25,000 job vacancies by 2025,² and 75% of FHCP member companies report labour capacity shortages.³ The labour shortage impacts the production ability of food manufacturers and product availability and selection on store shelves.

We appreciate the government's efforts to re-skill workers and retain and attract global talent. Looking abroad to fill the domestic gap is crucial. We encourage the government to work with its federal counterpart to support their efforts to streamline the Temporary Foreign Workers Program and increase economic immigration. Further, it is important for the government to invest in social supports for newcomers – including housing, language supports, transit, childcare, and broadband service.

FHCP notes with interest the government's plan to expand foreign credential recognition for physicians. We recommend implementing a similar program specifically for the agri-food sector.

To be competitive, manufacturers must consider less labour-intensive ways to run their operations. Investments in automation and robotics are critical because they help businesses continue operating in Canada and boost productivity. Government can help by sharing this cost burden.

¹ FHCP Member Surveys, Fall 2021, Jan and April 2022

² Food and Beverage Ontario

³ FHCP Member Survey, April 2022.

RECOMMENDATION 2: Implement a Code of Conduct with a Broad Scope

Amid rising inflation and supply chain disruptions, grocery retailers continue to introduce new fines and penalties on their suppliers. FHCP companies have experienced a 25% increase in fines.⁴ These escalating fines contribute to consumer inflation and threaten our sector's competitiveness.

To address this issue, a code of conduct is required and must capture the products available in a typical grocery basket and reflect the Canadian market. A unique characteristic of the Canadian market is the full integration of the pharmacy and grocery channels, an unusual feature worldwide. The five large grocery chains own most retail pharmacies in Canada.

The critical mass of consumer health products – OTCs and some NHPs – can only be sold in retail pharmacies, whether in a grocery store or a stand-alone drugstore, limiting the distribution channels for manufacturers. Moreover, when new and innovative health products come to market (i.e. when prescription drugs (Rx) switch to non-prescription (OTC)), by law, they must only sell them in retail pharmacies. Consequently, consumers shop at pharmacies that provide the full suite of consumer health products.

Since August 2021, FHCP and key supply chain stakeholders have been developing a Code to ensure the retailer-supplier relationship is transparent and fair. In January 2023, an important milestone was achieved with FHCP and industry stakeholders agreeing to the key provisions of a code.

We continue to be concerned with efforts to minimize the scope to include only food products and exclude the everyday health and consumer products in a typical grocery store. Manufacturers of these products, including personal care, household products, OTC medicines, and NHPs, face the same fines as food manufacturers.

Canada requires a Code of Conduct that reflects the integrated nature of our sector and includes a broad scope capturing all essential everyday products.

⁴ FHCP Member Survey, April 2022

RECOMMENDATION 3: Fund innovation initiatives for a circular economy

FHCP continues to work with governments on our shared priority of ensuring plastic never becomes waste. Industry is taking voluntary collaborative efforts to achieve national or global sustainability targets within the Canadian context and continues moving toward producer responsibility for the end-of-life management for packaging in the residential stream.

To support a circular economy and the efficient transition of Ontario's Blue Box program, FHCP recommends strategic investments focused on system-wide infrastructure and innovation, to accelerate the decarbonization of plastics, improve the supply of quality recycled material, catalyze and scale advanced plastics processing technologies, and address the current infrastructure gaps with strategic regional investments in recycling capacity.