

FOOD, HEALTH &
CONSUMER PRODUCTS
OF CANADA

PRODUITS ALIMENTAIRES,
DE SANTÉ ET DE CONSOMMATION
DU CANADA



2026

Pre-Budget

Consultations

Submission to the Standing Committee on Finance

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RECOMMENDATIONS

- **Recommendation 1:** Secure a Stable and Timely Renewal of CUSMA
- **Recommendation 2:** Act on Red Tape Commitments to Enable Innovation and Speed to Market
- **Recommendation 3:** Strengthen Productivity by Rewarding Investment, Innovation and Scale
- **Recommendation 4:** Invest in Domestic Manufacturing Competitiveness to Advance Food Security and Economic Resilience
- **Recommendation 5:** Accelerate Canada's Circular Economy Through Federal Leadership

For over 60 years, Food, Health & Consumer Products of Canada (FHCP) has been the largest national association representing companies that manufacture and distribute the majority of everyday products found on grocery and drugstore shelves across Canada. Our sector employs more than 350,000 Canadians across nearly 10,000 facilities nationwide, making it Canada's largest manufacturing employer—larger than automotive and aerospace combined. Our members transform close to 40 percent of Canada's agricultural output into value-added products that feed Canadians and supply global markets.

Our sector is a major engine of economic growth. With the right policy environment, it can meaningfully support the government's economic agenda—driving innovation and competitiveness, advancing a circular economy, and helping address the affordability crisis.

For consumers, food affordability depends not only on retail competition, but also on the cost of manufacturing, packaging, transportation, regulatory compliance, and getting products to shelves reliably. Policies that reduce unnecessary costs, improve supply chain resilience, and support domestic production can help limit pressure on prices while preserving the choice, quality, safety, and availability Canadians expect.

Recommendation 1: Secure a Stable and Timely Renewal of CUSMA

FHCP members rely on integrated North American supply chains for inputs, packaging, and finished products. Instability in the Canada-United States trade relationship—through tariffs, counter-tariffs, or uncertainty around CUSMA's future—raises costs, undermines investment certainty, and risks the supply of essential goods. Canada should approach the next phase of CUSMA focused on economic security, supply continuity, and long-term competitiveness.

As formal discussions begin, Canada must avoid baseline tariffs or regulatory concessions on food, health, or consumer products that could appease our trading partners at the expense of domestic competitiveness and Canadian households who bear the brunt of tariffs across the supply chain. Canada must also refrain from reimposing counter tariffs on all essential food, health, and consumer products, and their critical inputs, including packaging.

Positioning "Fortress North America" food security as a guiding principle for CUSMA renewal would ensure that essential food, including agricultural products not available domestically, and health products continue to move efficiently across borders. It must also ensure that aluminum tariffs do not disrupt access to U.S. can-sheet aluminum, which has no Canadian-made equivalent and is essential for food and beverage manufacturing.

Recommendation 2: Act on Red Tape Commitments to Enable Innovation and Speed to Market

For many years, FHCP, industry associations, business groups, and economic think tanks, have called on government to take decisive action on regulatory modernization. We welcome recent efforts by the Treasury Board Secretariat to identify regulatory irritants and improve

transparency through its red tape reporting. These reports are an important step and must now translate into concrete reforms.

Overlapping and duplicative requirements across jurisdictions and federal departments increase costs, slow investment, and make it more difficult for manufacturers to scale or for new entrants to access the Canadian market. The [CSPC 2025 Overarching Synthesis Report](#) reinforces this, identifying fragmented, slow, and risk-averse regulatory systems as key barriers to innovation and competitiveness.

While Canada's regulatory system must continue to protect health, safety, and the environment, it must also better support innovation, growth, and affordability. In food manufacturing, where margins are tight and even modest delays, added complexity, and international misalignments—such as Health Canada's flour fortification requirements—can affect competitiveness, investment decisions, limit import and export opportunities, and leave consumers with fewer choices and higher prices.

As the federal government advances its red tape agenda, the following measures would help manufacturers innovate, scale, and bring products to market quickly:

- **Reduce red tape for non-prescription drugs (NPDs) and natural health products (NHPs):** Advance Health Canada's regulatory modernization of NPDs and NHPs to reduce burden on industry and government while maintaining consumer safety and access to self-care products. Proposed reforms would simplify approval requirements, adopt more flexible and risk-based safety monitoring, and modernize labelling requirements. Together, these changes would strengthen Canada's competitiveness as a regulatory environment for self-care options.
- **Advance harmonization to support consumer health innovation:** Prioritize regulatory harmonization by recognizing trusted foreign regulatory decisions and aligning federal and provincial frameworks for place of sale of NPDs. Federal recognition of the National Association of Pharmacy Regulatory Authorities' Drug Schedules would reduce conflicts, clarify place-of-sale rules, support innovation, and help ensure consistent product access across Canada.
- **Mandate regulators to consider economic growth:** Require federal regulators, including Health Canada and Environment and Climate Change Canada, to systematically consider economic growth and cumulative regulatory burden in decision-making. A model like the UK Growth Duty, which requires regulators to assess the economic impact of their decisions, would help ensure regulations support growth, balance costs and benefits, and provide greater certainty for long-term investment.
- **Modernize novel food and food additive regulations:** Adopt a risk-based, streamlined pre-market approval system for novel foods and additives that leverages

trusted international decisions. This would reduce duplication, speed access to safe innovations, and support trade.

- **Support Canada's plant-based sector with modernized labelling and claims frameworks:** Update labelling, fortification, and protein claim rules for plant-based products to reflect consumer preferences and align with international standards. This would enable the use of common terms, support competitiveness, and facilitate global market access.

Together, these reforms would accelerate the commercialization of new products, improve Canada's regulatory performance relative to the United States and the European Union, and support growth across high-value agri-food, consumer-packaged goods, and consumer health sectors.

Recommendation 3: Strengthen Productivity by Rewarding Investment, Innovation, and Scale

Canada's enduring productivity challenge is driven by weak business investment, lower spending on machinery and equipment, lagging commercialization, and policies that fail to support innovative firms in scaling. For manufacturers, the result is lower output, weaker competitiveness, and fewer incentives to invest in Canada.

Research from the [C.D. Howe Institute](#) and the [Fraser Institute](#) shows that manufacturing investment per worker in the United States is two to three times higher than in Canada. That gap reflects rising costs, regulatory burden, and uncertainty that discourages investment and innovation, resulting in weaker productivity growth and fewer high-value jobs.

To strengthen Canadian manufacturing, the federal government should make more effective use of the tax and innovation system to encourage firms to invest, commercialize, and scale through the following actions:

- **Reduce the general corporate income tax rate from 15 to 13 per cent:** This would improve after-tax returns on investment and strengthen the business case for manufacturers to invest in plant, equipment, automation, and expansion in Canada.
- **Modernize the Scientific Research and Experimental Development (SR&ED) program:** Expand eligibility for emerging agri-food and technology sectors, including advanced food-processing technologies; make the program more accessible through improved refundability and timelines; introduce a patent box for Canadian intellectual property; and rebalance incentive rates to better support scale-up firms while reducing barriers for SMEs.
- **Reform business tax incentives to better support growth:** Modernize small business tax measures, extend immediate expensing to all agricultural buildings, and make the Budget 2025 Accelerated Investment Incentive permanent, including 100 per cent first-

year depreciation for agricultural and agri-food equipment and machinery. These measures would improve productivity and encourage capital investments across the sector.

Recommendation 4: Invest in Domestic Manufacturing Competitiveness to Advance Food Security and Economic Resilience

Canada has strong agricultural production and a diverse consumer products and consumer health sector, but too much value-added manufacturing and processing takes place outside Canada. As a result, Canada often exports raw or intermediate goods while importing higher-value finished products, limiting domestic economic gains and increasing exposure to supply chain disruptions. At a time of geopolitical uncertainty and rising cost pressures for manufacturers and consumers, the government should prioritize measures that strengthen domestic manufacturing capacity, improve food security, and build greater economic resilience.

- **Strengthen domestic food processing capacity:** Implement the Domestic Food Processing Fund, a Liberal election platform commitment, and expand it to \$2 billion over five years, with a focus on modernizing infrastructure, expanding food and beverage manufacturing, and ensuring that growth in processing capacity is aligned with increased primary production. This should include targeted support for small and medium-sized processors facing unique financial pressures.
- **Build supply chain resilience:** Prioritize investments in rail, port, rural road, and cold-chain infrastructure, and work with provincial and territorial governments, where appropriate, to reduce regulatory barriers. The federal government should also recognize end-to-end digitization of Canada's transportation network as a strategic priority, as improved real-time data sharing would enhance reliability, increase efficiency, lower costs, and reduce emissions.
- **Make agriculture infrastructure a national economic priority:** Given the agriculture sector's critical contribution to Canada's GDP¹, national projects should be prioritized when they have a direct and demonstrable impact on agriculture and agri-food, ensuring that investments maximize economic and food security outcomes. Infrastructure funding programs such as ISED's Strategic Response Fund should be re-tooled to better support more mid-scale and regionally significant agriculture and agri-food infrastructure projects over large-scale transformative infrastructure and innovation projects.
- **Address labour shortages:** For many FHCP members, labour needs remain acute. The federal government should maintain the agricultural streams of the Temporary Foreign Worker Program to support farmers and food and beverage manufacturers in rural

¹ Canada's agriculture and agri-food sector generated \$150 billion in GDP in 2024, about 7% of Canada's total GDP according to Agriculture Canada.

areas, while also creating stronger pathways to permanent residency for experienced temporary foreign workers in year-round occupations. This should include reintroducing the Agri-Food Pilot on a permanent basis. FHCP also supports the Canadian Manufacturer & Exporters' recommendation for a 50 per cent employer-led training tax credit to offset employee training costs—a gap not addressed by current training supports.

Recommendation 5: Accelerate Canada's Circular Economy Through Federal Leadership

FHCP members are committed to sustainability, with significant investments in innovation, redesign, and recovery systems to reduce plastic and packaging waste. As the first national trade association to endorse the Ellen MacArthur Foundation, a co-founder of the Canada Plastics Pact, and a leader in Extended Producer Responsibility (EPR) policy, FHCP is helping advance a circular economy in Canada.

A circular economy could generate significant economic and environmental benefits for Canada, including 42,000 new jobs by 2030², a \$56 billion market opportunity³, and annual emissions reductions of 1.6 million tonnes⁴. However, current policy is increasing costs and slowing progress, while unnecessary regulatory burden limits companies' ability to invest, grow, and compete.

Federal measures such as the Federal Plastics Registry (FPR) are overly complex and inconsistent, while provincial EPR systems create inefficiencies and limit national coordination. Combined with market volatility, unfair global pricing, and outdated recycling infrastructure, these barriers are constraining progress toward a stronger circular economy, weakening Canada's competitiveness and environmental performance.

To accelerate Canada's circular economy, federal leadership is needed to reduce administrative burden on companies and support both the expansion and modernization of recycling systems at a national scale through the following actions:

- **Postpone expanded FPR requirements until Phase 1 is assessed and refined:** Phase 1 saw limited participation due to overly complex requirements, and future phases will be even more challenging, particularly for industrial, commercial, and institutional data that is often unavailable or inaccessible. New requirements should be delayed until Phase 1 is validated, data systems are improved, and reporting is better aligned with provincial EPR programs.
- **Use the Canadian Council of Ministers of the Environment (CCME) to improve EPR alignment across Canada:** Updating the 2009 Canada-wide Action Plan for Extended

² Circular Economy Month, "[Social and Economic Benefits of Circular Economy](#)", 2026.

³ Foresight Canada, "[Rethinking Waste: Canada's \\$6.1T Circular Economy Potential](#)", 2026.

⁴ Foresight Canada, "[Rethinking Waste: Canada's \\$6.1T Circular Economy Potential](#)", 2026.

Producer Responsibility would reduce administrative burden, improve consistency across provincial and territorial programs, and support more coordinated national system design and reporting.

- **Expand federal financing tools to support recycling infrastructure:** Broadening the mandates of the Canada Infrastructure Bank and Canada Growth Fund to include recycling infrastructure would help close critical gaps in domestic processing capacity, improve market stability, and support both related policies and the use of recycled content.