



The Food Supply Council



October 8, 2022

Thank you for the opportunity to participate in the federal government's 2023 pre-budget consultations. The Food Supply Council is a cross-sectoral coalition comprised of leading agriculture and agri-food businesses, associations, research funders, transportation, and logistics companies. Global instability due to the Ukraine conflict, climate change, COVID-19 pandemic, and more, continues to put pressure on food systems and supply chains. Canada has an enormous opportunity to be part of the solution to meeting consumer demand at home and abroad. Whether it's shortages in seed, grains, oilseeds, fertilizer, or beyond, we can play a significant role in keeping our country – and the world – fed. Along the way, the sector continues to demonstrate climate action leadership.

Canada's agriculture and agri-food businesses have been economic powerhouses. With approximately 2.3 million jobs, a \$143 billion (7.4%) contribution to Canada's GDP, and world-leading environmental stewardship, Canadians can feel proud of our agricultural leaders. Today our agriculture sector has the potential to help address both domestic and international challenges, but only if we get things right will the potential be fully realized.

The Food Supply Council makes the following recommendations to the federal government ahead of Budget 2023:

- Identify agriculture and agri-food as a key economic growth sector and take a whole-of-government approach to implementing policies that promote long-term growth for the industry.
- Modernize Canada's regulatory regime by committing to evidence-based, data-driven regulation and applying an economic lens to all regulatory mandates.
- Address transportation bottlenecks and supply chain vulnerabilities by coordinating strategic and sustained investments in critical domestic and trade-enabling infrastructure, and in digital processes to optimize distribution, particularly for rural and remote communities.
- Assume an evidence-based, data-driven approach to environmental sustainability that enables global market access through investments in predictable and preventative



measures, which will assist regions in Canada that are highly susceptible to drastic weather conditions.

- Develop mechanisms, policy, and support to incentivize private-sector R&D investment that will increase short-term resilience and long-term competitiveness.
- Increase investment in Business Risk Management (BRM) and Climate Condition Change Detection programs and work with producers to ensure timely and effective BRM options for farmers.
- Accelerate access to foreign workers and incentivize investments in labour-saving technology to address the growing labour shortage in the agri-food sector



Food Supply Council Pre-Budget Submission 2023

Identify agriculture and agri-food as a key economic growth sector and take a whole-of-government approach to implementing policies that promote long-term growth for the industry.

Canada has the ability to be a global agricultural powerhouse due to large arable land, access to natural resources, innovative growers, and more. Indeed, the Advisory Council on Economic Growth recognized the agriculture and agri-food sector as a strong potential growth area. However, there are challenges that create risks for reaching our economic objectives.

The Food Supply Council recommends the federal government take a holistic approach to policy implementation affecting the Canadian agriculture and agri-food industry. Businesses in the industry need to be included in economic and environmental consultations and programs, rather than being solely under the purview of Agriculture and Agri-food Canada. This will require broader oversight from economic-minded regulators and necessitate all relevant federal departments to work together.

Modernize Canada's regulatory regime by committing to evidence-based, data-driven regulation and applying an economic lens to all regulatory mandates, which will increase productivity while facilitating innovation and protect public health and safety.

The 2018 Economic Strategy Table on Agri-food identified internal regulatory barriers as a hindrance to innovation and competitiveness. At the same time, the report called for an agile regulatory regime that is robust, flexible, and based in evidence. Rather than inhibiting it, government needs to spur innovation while protecting public health and safety. However, Health Canada has recently imposed regulations that tend to be out of step with Canada's broader economic and innovation agenda, particularly in gene editing and supplemented foods.

The Food Supply Council strongly supports regulations driven by data and evidence that prioritize health, safety, and sustainability while incentivizing innovation growth. Both economic and regulatory government departments must work together to coordinate policy design and implementation. Currently, critical regulatory decisions are being made without considering the impact on businesses, which creates costly and inconsistent government policies and undermines Canada's economic recovery.

The Food Supply Council therefore welcomes the government's proposed Competitive Assessment Tool (CAT) as a positive step towards the government's commitment to applying an economic lens to regulators' mandates. The CAT will ensure that regulatory regimes are informed by economic realities and will avoid unintended negative outcomes. It is also a meaningful step to ensure that regulators consider the impact on businesses when developing regulations. The Council calls on the government to make the tool mandatory as part of any regulatory consultation published in the Canada Gazette, and urges consistent application across all departments.



Address transportation bottlenecks and supply chain vulnerabilities by coordinating strategic and sustained investments in critical domestic and trade-enabling infrastructure, and in digital processes to optimize distribution, particularly for rural and remote communities.

While the COVID-19 pandemic has created pressing challenges to Canada's agriculture and agri-food sector, these challenges existed before the pandemic began. As businesses slowly return to "normal," supply chain disruptions, increasing costs of inputs and transportation, and labour shortages have wreaked havoc. Moreover, the ongoing global food shortage due to the ongoing conflict in Ukraine and other geopolitical disruptions has been a reminder to get supply chains right. The federal government can take leadership in mitigating the impacts of these vulnerabilities by coordinating and committing to strategic trade-enabling transportation infrastructure. Long-term investments will enhance resiliency in the face of natural disasters and help move products such as grain, canola, fertilizer, and value-added processed products within Canada and to growing international markets.

On the digital side, the agriculture and agri-food sector has made significant investments in digital solutions to address consumer demand and make supply chains efficient, however unreliable transportation systems and lack of supply chain transparency have created challenges for businesses.

End-to-end digitization of Canada's national transportation network is becoming more important than ever. Government investments in digital infrastructure will permit real-time data sharing in all aspects of the supply chain and increase visibility to prevent reliability issues. Digitization also increases efficiency, reduces costs, and reduces our environmental footprint. The Food Supply Council urges the federal government to coordinate and standardize a national approach to both digitizing and modernizing Canada's transportation network.

Develop mechanisms, policy, and support to incentivize private-sector R&D investment that will increase short-term resilience and long-term competitiveness.

The need for innovative solutions in practices, processes, and new technologies to maintain or increase productivity in the face of climate change impacts labour challenges is well-known to all types of stakeholders in agriculture and agri-food production. Development and application of these innovations in Canada will provide our producers with a competitive edge in production and in market access. Moreover, these innovations provide technology export opportunities in themselves.

Policy updates that target industrial R&D to incentive private-sector investment are sorely needed. At 1.2% GDP annual investment, Canadian multi-nationals lag those in other leading economies. This sets the stage for the future of AgTech to be directed by organizations outside of Canada. This leaves us with lost opportunities for market share and improved access while putting us at the mercy of other jurisdictions to access the future technologies that will become baseline requirements to maintain production competitiveness with other nations.



Moreover, policy changes that will allow public funds to be used to invest in start-up and early-stage companies through third-party organizations in Canada will transform our nation's ability to create and retain AgTech innovations that make it possible to maintain and increase competitiveness in the face of climate change and rapidly changing global markets. By engaging with small to medium enterprises through TPOs, we can retain the speed and flexibility of investment that industry requires but that can't be delivered through slow, administration-heavy federal funding agencies.

Assume an evidence-based, data-driven approach to environmental sustainability that enables global market access through investments in predictable and preventative measures, which will assist regions in Canada that are highly susceptible to drastic weather conditions.

Canada's agriculture and agri-food sector continues to provide innovative and cost-effective solutions to the fight against climate change throughout the entire value chain. Whether through carbon sequestration in prairie soils, the 4R Nutrient Stewardship program in fertilizer, or reduction of food miles through adopting plant and local-based diets, businesses are constantly finding new ways to help reduce greenhouse gas (GHG) emissions.

Canada should be proud of the sector's record and must play a leadership role in advocating, and implementing, science-based regulations that facilitate global trade access. Global alignment of global trading rules throughout the agriculture and agri-food sector is vital to ensuring accessibility and competitiveness. The federal government needs to work with farmers and all businesses in the value chain to design programs, create incentives, and be transparent about the return on investment of emission-reducing practices on the economic success of the sector. This should be done through a holistic approach that goes beyond Agriculture and Agri-food Canada and includes departments such as Environment and Finance, as well as businesses, associations, and farmers. It is only by working collaboratively can the sector increase its productivity and surpass the economic targets set out in the 2018 Economic Strategy Table.

Increase investment in Business Risk Management (BRM) programs and work with producers to ensure timely and effective BRM options for farmers.

Externalities such as increasing cost of inputs, market access issues, and extreme weather events, continue to demonstrate the need for updated and adequately funded BRM programs. Without adequately functioning BRM programs, farmers risk being uncompetitive and reduces their ability to invest in their operations. The Sustainable Canadian Agricultural Partnership announced at the Ministers of Agriculture meeting in July underscores the need for early and consistent engagement with industry to ensure that changes to BRM programs reflect realities needed on the ground. Increased investment in BRM will help achieve the main objective – providing producers with tools to help them manage income and production losses.

Accelerate access to foreign workers and incentivize investments in labour-saving technology to address the growing labour shortage in the agri-food sector.



While COVID-19 has worsened severe labour shortages in the agriculture and agri-food sector, these shortages have existed long before the pandemic began. This chronic issue is due in part to slow processing times of Labour Market Impact Assessments (LMIAs) from Employment and Social Development Canada (ESDC), which can take anywhere between 8 to 12 months to process. As these gaps are rarely filled by Canadian workers, the agriculture stream of the Temporary Foreign Workers (TFW) and Seasonal Agriculture Worker Programs (SAWP) are often the only tools available for businesses to meet labour needs.

The Food Supply Council proposes strengthening the TFW program by dedicating more resources to process employer applications and making the 30 per cent cap for sectors with demonstrated labour shortages, including food manufacturing and food service, into a permanent measure rather than temporary as outlined in the TFWP Workforce Solutions Roadmap. The TFWP could additionally be strengthened by requiring only one LMIA per site and making the LMIA valid for up to two years. Lastly, the TFW program can be a route towards permanent residency for workers.

With the ongoing and chronic labour shortages, agri-food businesses are rethinking their operations and considering less labour-intensive ways of running their businesses. Given this context, investment in automation and robotics is becoming even more critical. There are worrisome trends, however, on the horizon. For example, food manufacturing investment in machinery and equipment has been on a steady long-term decline. These investments are critical because they will not only help address the labour shortage but also support sustainability goals by producing less food waste and using less energy and water. This will better position Canada for the future and help build an economy that can be globally competitive. Industry and government must collaborate to attract investment via targeted support. We encourage the government to extend the Accelerated Capital Cost Allowance (ACCA) to reflect Canada's low manufacturing investment.