

**GOVERNMENT RESPONSE TO THE FIRST REPORT OF THE STANDING COMMITTEE ON  
AGRICULTURE AND AGRI-FOOD, ENTITLED: ROOM TO GROW: STRENGTHENING FOOD  
PROCESSING CAPACITY IN CANADA FOR FOOD SECURITY AND EXPORTS**

The Government of Canada is pleased to respond to the First Report of the Standing Committee on Agriculture and Agri-Food (the Committee) entitled: *Room to Grow: Strengthening Food Processing Capacity in Canada for Food Security and Exports* (the Report).

The Government commends the members of the Committee, and the witnesses who appeared before it, for their insight and commitment toward strengthening the food processing industry, food security, exports, and overall competitiveness. The Government supports the broad, positive approach, and the various constructive ideas put forth by the Committee.

The Government appreciates the comprehensive recommendations developed by the Committee, and is working collaboratively with provincial and territorial governments, stakeholders, and partners to adequately address the challenges highlighted throughout the Report. Details are provided below regarding the Government's Response to the specific recommendations of the Committee in this regard.

The Response is the product of a collaborative effort among implicated federal departments and agencies including: Agriculture and Agri-Food Canada (AAFC); Canada Border Services Agency (CBSA); the Canadian Food Inspection Agency (CFIA); Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC); Canadian Northern Economic Development Agency (CanNor); Employment and Social Development Canada (ESDC); Global Affairs Canada (GAC); Health Canada (HC); Immigration, Refugees and Citizenship Canada (IRCC); Indigenous Services Canada (ISC); Infrastructure Canada; Innovation, Science and Economic Development Canada (ISED); Transport Canada (TC); and, Treasury Board Secretariat (TBS).

The COVID-19 pandemic led to new and significant cost pressures on the food processing industry. Overall the industry fared well and continued to function, however there were numerous disruptions to the Canadian food supply chain. Due to a range of factors, global supply chain issues will continue to impact the industry in the near term.

Russia's invasion of Ukraine has created further pressures on global food security. Canada continues to participate in existing multilateral efforts to address limited production and exports from that region. The Government will continue to support Canadian producers and industry to ensure that Canada is positioned to maximize our production and support global food security.

The Government recognizes that the Report focuses on ensuring that a secure supply of food will be available to Canadians, which is supported by measures to ensure that Canada continues to have a strong food industry. We also recognize that other analysis of food security considers poverty as a major cause. As mentioned in Budget 2019, "one in eight Canadian households currently experience food insecurity, meaning that they are without reliable access to a sufficient quantity of affordable, nutritious, and culturally appropriate food." The *Food Policy for Canada* is aligned with this understanding of the major cause of food insecurity.

## **RECOMMENDATION 1**

**The Committee recommends that the Government of Canada invest in trade infrastructure, such as transportation systems, to improve access to markets and support a modern supply chain.**

The Government supports this recommendation as the Government is currently investing in trade infrastructure to improve access to markets, and support a modern supply chain.

Global supply chains continue to be disrupted by the COVID-19 pandemic, labour shortages, growing impacts of climate change, and recent sanctions against Russia. Ensuring that Canadian supply chains are resilient and fluid is a priority. While Canada continues to demonstrate resilience, efforts are needed to address these complex and evolving challenges facing our

supply chains.

The Minister of Transport, along with several Ministerial colleagues, held a National Supply Chain Summit on January 31, 2022, to bring industry and other supply chain partners together to discuss key challenges, strategies, and next steps to mitigate supply chain pressures and come up with innovative solutions. It also provided an opportunity for participants to hear about the Government's key priorities as it builds back better from COVID-19 and recent natural disasters. Following the Summit, the Government announced that it will be undertaking a series of regional and industry sessions to continue the dialogue. Furthermore, on March 25, 2022, the Minister of Transport announced the creation of a Supply Chain Task Force, which will be co-chaired by Jean Gattuso and Louise Yako. This Task Force will consult broadly with industry, associations and experts to examine the key pressures and make recommendations regarding short and long-term actions to strengthen the efficiency, fluidity and resiliency of transportation infrastructure and reliability of Canada's supply chain.

This collaborative work complements the significant investments and other important measures that the Government has been making to support the efficiency, reliability and resiliency of Canada's transportation infrastructure and supply chains. Some examples include:

- In August 2021, the Minister of Transport announced that the Vancouver Fraser Port Authority would work with partners to design, by March 31, 2022, a new collaborative system to manage marine vessel traffic at the Port of Vancouver, strengthen marine safety, reduce negative social and environmental impacts, and optimize the supply chain flow for this strategic gateway. The VFPA is working with partners to develop a plan for a traffic management system that creates benefits for all.
- The Ports Modernization Review, which is nearing completion – was launched by the Minister of Transport in 2018 and focused on how ports can make progress on five key goals: (1) Supporting the competitiveness of Canada's economy by facilitating the movement of goods; (2) Strengthening relationships with Indigenous peoples and local communities; (3) Promoting environmentally sustainable infrastructure and operations; (4) Enhancing port safety and security; and (5) Optimizing governance and financial management.

Established in 2017 under the trade and transportation theme of the Government of Canada's Investing in Canada Plan, the \$4.2 billion National Trade Corridors Fund (NTCF) – Transport Canada's most significant contribution program – is a competitive, merit-based program which funds transportation infrastructure projects that address bottlenecks to trade, and strengthens the efficiency and resilience of transportation assets critical to Canada's success in both domestic and international trade. As of March 2022, approximately \$2.1 billion in funding has been announced for 102 strategic projects across Canada, which have directly leveraged more than \$4.4 billion in infrastructure investments across every province and territory.

In Western Canada, the NTCF has committed over \$872 million for 43 projects, leveraging total investments in excess of \$2.1 billion, in order to build stronger trade corridors to Pacific markets, expand inland transportation connections, and better enable agricultural and other producers to reach export markets. For example, the NTCF is contributing \$67.6 million to the Vancouver Fraser Port Authority's Burrard Inlet road and rail network projects to improve the capacity and efficiency of service to terminals that export 10 million metric tonnes of Canadian grain each year.

In Eastern Canada, there are 40 projects with over \$627 million in NTCF funding leveraging total investments of more than \$1.4 billion to enhance trade corridors that enable expanding opportunities arising from Canada's trade agreements with Europe and the Asia-Pacific, as well as to capture growing demand from African markets. For instance, the NTCF is investing \$5.5 million in Hamilton-Oshawa Port Authority's Pier 10 Capacity Expansion project to increase storage capacity for food and agricultural products destined for global markets; and is also investing \$18 million in Halifax Stanfield International Airport's cargo park project to enhance export capacity for Atlantic seafood products.

In Northern Canada, the NTCF committed \$636 million in federal funding for 20 projects across the three territories, leveraging total investments of \$858 million, in order to build resilient transportation corridors connecting remote communities, position the region for future trade opportunities, and combat food insecurity. To that end, the NTCF is investing \$12.8 million in First Air's Cargo Warehouse project at the Iqaluit Airport to increase storage capacity for both climate-controlled and refrigerated products, and reduce costly food spoilage due to weather delays, or peak volumes.

Through the NTCF, the Government of Canada continues to invest in projects across the country that will improve the performance of Canada's trade corridors and support modern supply chains. In December 2021, the Minister of Transport launched a call for proposals to Increase the Fluidity of Supply Chains which seeks to address capacity constraints and bottlenecks to goods moving to global markets (including the U.S and Mexico) and along regional and inter-provincial trade corridors. This call for proposals closed on March 31, 2022. To take immediate action to address supply chain challenges, the Minister of Transport also launched a call for proposals to Relieve Supply Chain Congestion at Canadian Ports in January 2022, which closed in February 2022. This call for proposals targeted projects that would immediately relieve congestion at Canada's ports.

## **RECOMMENDATION 2**

**The Committee recommends that the Government of Canada modernize its regulations and implement targeted programs, in collaboration with the provinces and territories, to encourage the development of local processing businesses and regional small-scale abattoirs.**

The Government supports this recommendation in principle. Canada's science-based regulatory system is one of the most rigorous, and well respected in the world. The Government understands there is a need for regulatory modernization that is conducive to economic growth and innovation, while at the same time ensuring the health and safety of Canadians. The Government has undertaken significant regulatory modernization to provide increased flexibility to the food processing sector.

In January 2019, the Government completed and implemented the most significant regulatory modernization to date through the *Safe Food for Canadians Regulations* (SFCR) administered by the CFIA. For the food industry, including local processing businesses and regional small-scale abattoirs that are provincially regulated and who may have an interest in expanding their markets across provincial borders or internationally – therefore requiring a federal licence –, the SFCR has reduced the administrative regulatory burden by consolidating 13 food commodity-based regulations with one single regulation, and replaced prescriptive requirements with more outcome-based ones. In addition, the CFIA worked to provide support to small businesses adjusting to the SFCR's new regulatory framework by providing flexibility on documentation requirements, and creating compliance promotion material. The CFIA works collaboratively with provinces and territories in overseeing the various components of the food safety system, and engages with industry to build awareness of the flexibility of the SFCR afforded to it.

In addition to regulatory reform, the Government also offers a range of targeted programs that support innovation and growth within the agri-food processing sector. For example, under the Canadian Agricultural Partnership, AAFC administers the AgriInnovate Program, which provides Canadian for-profit organizations with up to 50% in repayable contribution funding to commercialize or adopt innovative agri-food technologies and processes. Through this program, the Government has supported 28 projects with over \$101.6 million in funding to support investments in the food processing sector.

In June 2020, \$77.5 million in emergency funding was provided through the AAFC Emergency Processing Fund (EPF) as part of the Government of Canada's action to support businesses, including local and regional processing companies, facing hardship as a result of COVID-19. The program's main objective was to help companies implement changes to safeguard the health and safety of workers and their families due to the impacts of the COVID-19 pandemic. The EPF also aimed to help companies to invest to improve, automate, and modernize facilities needed

to increase Canada's food supply capacity.

The Government has also worked collaboratively with provinces and territories on programs to provide support to abattoirs through the Canadian Agricultural Partnership's cost-shared programming. For example, cost-shared programs in Ontario provide support to abattoirs to make necessary improvements to further develop their operations, including the adoption of new technologies and equipment. In addition, federal, provincial and territorial funding is provided to encourage and support the development of local processing businesses and small-scale operations. For example, cost-shared programming in Quebec provides support to promote the development of agricultural and agri-food entrepreneurs, with support intended for start-up and small-scale businesses. The Northwest Territories also provides support to assist local agri-food processors to expand their operations.

### **RECOMMENDATION 3**

**The Committee recommends that the Government of Canada, in collaboration with provinces and territories and the private sector, identify strategic funding opportunities to address regional processing capacity to strengthen Canada's agri-food supply chain.**

The Government supports this recommendation. Food processing is an important industry in Canada, contributing 1.7% of Gross Domestic Product (GDP) to the Canadian economy and 295,000 jobs and, all of which helps support local economies and create vibrant rural communities across Canada.

Under the AAFC Canadian Agricultural Partnership, there are several cost-shared programs aimed at enhancing regional economic development through the adoption of innovative technologies to accelerate the development of the food processing industry, and their value chains, in order to increase competitiveness, productivity, and profitability. For example, in Ontario, federal, provincial and territorial (FPT) cost-shared funding is available to expand the capacity of meat processors. In Nova Scotia, FPT cost-shared funding is available to build processing capacity and improve domestic food security. In Quebec, FPT cost-shared funding can be provided to support the adoption of innovative technologies, and to help develop food value chains. In addition, FPT cost-shared funding is available in Saskatchewan to help food processors expand operations, adopt new innovative technologies, and to assist them in meeting expectations and requirements in new markets. The Government has also made significant investments in the agri-food processing sector through AAFC's AgriInnovate program. To date, this program has supported 28 projects with over \$101.6 million in funding to support investments in the food processing sector.

More recently, the Canadian Agri-Food Automation and Intelligence Network (CAAIN) Competition launched a competition in response to the Canadian meat industry's need to enhance global competitiveness, accelerate the adoption of emerging technology, mitigate challenges with worker safety and productivity and overcome the impacts of COVID-19 on meat (beef and pork) processing businesses. The goal of this funding call is to support research and development to accelerate the adoption of automation and robotics in Canada's primary meat processing industry. With support from ISED, CAAIN is dedicating \$5 million to this program.

In addition, ISED and its Regional Development Agencies administer programming which have helped to support growth and innovation within the agri-food processing sector. For example, the Western Economic Diversification Agency administers the Women's Entrepreneurship Strategy which has funded three agri-food processing projects to help Manitoban women-led businesses grow, develop, and use, innovative digital technologies and e-commerce tools, and access global markets.

The Government of Canada recognizes the importance of food processors, and is committed to continue to work in collaboration with provincial and territorial governments to support industry-led projects that strengthen the capacity and competitiveness of Canada's agricultural sector.

#### RECOMMENDATION 4

**The Committee recommends that the Government of Canada increase funding to the Local Food Infrastructure Fund and dedicate a specific stream open to a broad group of regional agri-food businesses to promote processing capacity across the country.**

The Government supports this recommendation in principle. The Government recognizes this issue and the need for greater regional processing capacity across the country. Currently, the AAFC led Local Food Infrastructure Fund (LFIF) is focused on improving access to safe, healthy, and culturally-diverse food to promote community development. An analysis of the program will be undertaken to determine future direction and modifications to the program, including linking regional agri-food businesses to promote processing capacity across the country.

In June 2019, the Government of Canada's launched *A Food Policy for Canada* for a healthier and more sustainable food system. The LFIF, a five-year, \$60 million initiative targeted at food security was launched as part of the Food Policy. The objectives of LFIF are to improve access to safe, healthy, and culturally-diverse food while promoting community development; improving health outcomes for Canadians most at risk of food insecurity; and, promoting environmentally sustainable food systems.

The fund provides investments in infrastructure directly related to improving food security and increasing access healthy, nutritious, and local foods within communities. The type of activities supported can range from small-scale infrastructure requests, such as purchasing a refrigerator for a food bank, to more complex requests that strengthen local food systems.

The initial intake under the LFIF took place from August 15, 2019 to November 8, 2019 and was directed to small community-based organizations to improve their infrastructure and purchase equipment directly to improve access to healthy, nutritious and, ideally, local foods within their community. A total of 483 applications were received, with the program approving 362 projects totalling \$6.6 million in AAFC funding. The second intake period under the program took place from June 9, 2020 to February 12, 2021, and, along with smaller scale infrastructure requests noted above, it included more complex, multi-year projects that strengthened local food systems. A total of 488 applications were received, with the program approving 281 projects totalling \$21 million in AAFC funding. The third intake period under the program took place from July 12, 2021 to September 3, 2021 to provide rapid-response grants to help prevent hunger through investments in infrastructure needs. A total of 598 applications were received, with the program approving 178 projects totalling \$8.9 million in AAFC funding.

As part of the *Food Policy for Canada*, CanNor received \$15 million for the Northern Isolated Community Initiatives (NICI) to support projects for local and Indigenous food production systems with an emphasis on innovative and practical solutions to increase food security across the territories.

As of February 22, 2022, CanNor has allocated \$5.4 million to nearly 40 NICI projects. For example, CanNor is providing \$316,000 to the Amaruq Hunters and Trappers Association, which represents all Iqaluit-based Beneficiaries under the Nunavut Agreement, to complete a multi-use building project to provide safe country food processing, and a retail store for distribution to its growing population. As part of NICI, CanNor launched the Northern Food Innovation Challenge. Nine projects from across the territories were selected to enter into Phase 1 of the Challenge, where applicants will be funded up to \$250,000 to develop proof of concept and test their innovative ideas to improve local and Indigenous food systems.

Through the Canadian Agricultural Partnership, AAFC supports regional agri-food businesses. For example, the Agrilnnovate Program provides Canadian agri-food businesses with up to 50% in repayable contribution funding they need to commercialize or adopt innovative agri-food technologies and processes.

## RECOMMENDATION 5

**The Committee recommends that the Government of Canada consider food insecurity a priority, looking more precisely to northern and Indigenous issues, and take the necessary measures to support Canadians in need.**

The Government supports this recommendation. The Government of Canada is committed to working with all stakeholders and partners to address food insecurity through initiatives such as the Food Policy for Canada, and its support for food insecurity in Indigenous and northern communities to help achieve stronger Indigenous food systems. On December 16, 2021, the Minister of Agriculture and Agri-Food received a mandate to prioritize measures to support efficiency and climate-resiliency in the agriculture and food sector to strengthen food security. The Minister of Northern Affairs supported by the Minister of Crown-Indigenous Relations received mandates to improve food security in Inuit Nunangat, including through the Harvesters Support Grant and the Nutrition North Canada program.

### *National School Food Policy*

On December 16, 2021, the Ministers of AAF and Families, Children and Social Development received mandates to develop a National School Food Policy and to work towards a national school nutritious meal program. The policy will be informed by engagement with a range of experts and stakeholders, and will be developed in collaboration with provinces, territories, municipalities, and Indigenous partners.

A National School Food Policy and program would improve the overall health of children as they learn, leading to better futures for them and for Canada. Domestic and international evidence shows that school meal programs can act as social equalizers and be part of a comprehensive approach to equity and support for families. School food programs can help support academic outcomes, reduce health inequities, and support local farmers and food businesses.

As well, a National School Food Policy and program would build on the many actions the Government of Canada has already taken to meet the urgent and increased food needs of people facing food insecurity, which were exacerbated by the COVID-19 pandemic. These investments, outlined in the next section, included making funding available to food banks and local food organizations addressing food insecurity.

### *Food security initiatives during the COVID-19 pandemic*

In 2020, up to \$100 million in emergency funding was provided through the AAFC Emergency Food Security Fund to distribute to Canadian food banks and other local organizations working to address food insecurity to help improve access to food for people, including Indigenous communities, experiencing food insecurity in Canada due to COVID-19. In October 2020, an additional \$100 million was announced to further address food insecurity. Of this \$100 million, AAFC transferred \$30 million to ISC to support projects targeting food security as part of the Indigenous Community Support Fund.

In addition, \$50 million was announced in June 2020 for the Surplus Food Rescue Program to address urgent, high volume, highly perishable surpluses created because of restaurant closures during the pandemic. Indigenous groups were recipients of funds for this food redistribution initiative.

Most recently, in Budget 2021, the Government of Canada announced up to \$140 million in 2021-22 to top up the AAFC Emergency Food Security Fund and LFIF to prevent hunger, strengthen food security in our communities, and provide nutritious food to more Canadians. Since its inception in June 2019, the LFIF has supported 120 projects from Indigenous groups, totaling over \$5.6 million. The Emergency Food Security funding has so far supported more than 5,000 projects across Canada, including over 1,100 directly supporting Indigenous organizations and communities.

### *Indigenous and Northern initiatives*

The Indigenous Science Liaison Office supports departmental researchers in building relationships, engaging, and co-developing research projects with Indigenous partners, which focus on food insecurity. Since 2019, the community of Gjoa Haven, Nunavut, has collaborated with the Arctic Research Foundation, AAFC, the National Research Council and the Canadian Space Agency to conduct plant production and green energy (solar and wind) research to support the development of sustainable food production systems for northern communities.

In November 2018, the Inuit-Crown Partnership Committee (ICPC) directed Senior Inuit and Federal Officials to convene the Inuit-Crown Food Security Working Group. The Working Group provides a whole-of-government approach and advises the ICPC on legislative, program, and policy options for enhancing Inuit food security through a joint work plan to address food insecurity in Inuit Nunangat, including supporting the Inuit Nunangat Food Security Strategy and exploring options for the development of an Inuit Nunangat-wide school food program.

ISC provides funding for a range of programs and services relating to health, income assistance, infrastructure, lands and environment, and economic well-being that help to reduce barriers to food security in northern and Indigenous communities and households. Examples of food security related activities include local food production (including composting and gardening), land-based programming, and nutrition education initiatives that improve food skills, as well as complement Nutrition North Canada's retail subsidy program.

In the context of the pandemic, the Government has provided additional resources to northern and Indigenous communities through the Indigenous Community Support Fund, which helps Indigenous communities and organizations prevent, prepare, and respond to COVID-19. The types of investments that are eligible through the fund include measures to address food insecurity during the pandemic. Since the beginning of the pandemic, the Government has committed approximately \$1.8 billion for the Indigenous Community Support Fund. In 2020-21, ISC directed an additional \$30 million from AAFC's Emergency Food Security Fund towards food security in Indigenous communities through the Indigenous Community Support Fund. Of this, \$8 million was allocated to the four Inuit Land Claim Organizations.

Through Budget 2021, the Government proposed \$22.7 million over five years to support First Nations and Inuit communities as they manage the health impacts of climate change, such as access to country food, impacts of extreme weather events, and mental health impacts of climate change on youth. These funds will be used by ISC's Climate Change and Health Adaptation Program to support community-led projects, including food security initiatives due to the intrinsic link between health, food security, and the environment. Approximately, 50% of projects funded in previous years by the Climate Change and Health Adaptation Program have either directly or indirectly addressed food security.

In April 2020, CIRNAC introduced the Harvesters Support Grant, a new addition to the Nutrition North Canada program, providing \$8 million per year to 108 isolated, northern communities. The grant recognizes the importance of traditions, as well as hunting, harvesting, and food sharing, to the health and well-being of Indigenous people and communities. Grant funding supports a wide range of activities, such hunting and harvesting equipment, food preparation and storage, or traditional knowledge, practices and techniques.

At the same time, the response to the COVID-19 pandemic included a top-up to the Nutrition North Canada retail subsidy resulting in all communities receiving higher subsidy rates for nutritious foods, and pandemic necessities. Budget 2021 included \$163.4 million over three years to both maintain these subsidy rates through the post pandemic adjustment period, and to work with Northerners to expand on the Harvesters Support Grant and to provide additional supports to community-led food security initiatives.

#### *Poverty reduction and food insecurity*

ESDC has played an important role in the past on food insecurity and will continue to support this recommendation through its role with children and families, community support, and poverty reduction.

*Opportunity for All* – Canada’s First Poverty Reduction Strategy recognizes that poverty and food insecurity are intricately linked, and includes food insecurity as an indicator on the Poverty Reduction Strategy’s Dimensions of Poverty Hub under the Dignity pillar. To this effect, the Government of Canada has made significant investments, through targeted social programs and income supplements, to reduce poverty and increase well-being, thereby helping Canadians afford nutritious food.

These investments include the Canada Child Benefit (CCB) which provides substantial income support to families raising children. The CCB provides support to about 3.5 million families in respect of over 6 million children, putting over \$25 billion, tax-free, each year in the hands of Canadian families. For Canadian seniors, the Old Age Security (OAS) program plays a significant role in providing income security. OAS recipients who receive little to no income, other than this pension, are eligible for additional assistance through the Guaranteed Income Supplement. These programs provide cash supports to many Canadians, enabling them to decide how to spend their money, reduce their financial burdens, and improve their access to essentials, including food.

## **RECOMMENDATION 6**

**The Committee recommends that the Government of Canada conduct an external review of its regulations in order to modernize them, streamline approvals and remove barriers to bringing new solutions to market, without compromising food safety, by involving organizations like the Canadian Food Inspection Agency.**

The Government supports this recommendation in principle because effective regulations play an important role in supporting economic growth and innovation, while at the same time ensuring the health and safety of Canadians. Canada’s science-based regulatory system is one of the most rigorous and well respected in the world. However, some stakeholders continue to point to regulatory system challenges associated with complexity, unnecessary administrative burden, and long approval times for new products and technologies. In recent years, the Government of Canada has undertaken a number of initiatives to modernize the Canadian regulatory system and improve its performance for Canadians and businesses.

As part of broader plans to modernize Canada’s regulatory system, the Government launched a series of Regulatory Reviews in 2018 to address regulatory barriers to economic growth, and identify opportunities for regulatory innovation. This included a review focused on the agri-food and aquaculture sector, which was informed by extensive external stakeholder engagement and resulted in the Agri-Food and Aquaculture Roadmap. This Roadmap identifies over thirty different concrete actions including legislative and regulatory changes, improvements to regulatory practices, and novel approaches to support emerging technologies.

As part of the Roadmap, Ministers at AAFC, Fisheries and Oceans Canada, and HC, and the Presidents of the CFIA and the Public Health Agency of Canada committed to a regulatory modernization agenda that prioritizes innovation and economic growth while maintaining the scientific integrity of our regulatory system. It takes a focused and coordinated approach to address regulatory challenges facing the sector. This longer-term agenda requires a collaborative, whole-of-government approach to explore opportunities to bring much needed agility and coherence to the regulatory system. Since 2019, the Government of Canada has made great strides in advancing work on the Roadmap initiatives, and the latest update published in February 2021 is available on the Government of Canada’s website, noting that the implementation of several recommendations continues to be in progress.

In late 2020, as part of the Roadmap commitments that are still in progress, AAFC launched the Agile Regulations Table (ART). The ART is a shared-solution approach with a mandate to bring the sector and government (including regulators) together to discuss regulatory priorities and cross-cutting irritants, and find ways to work collaboratively to improve and modernize Canada’s regulatory system in order to help enhance economic growth and competitiveness.

In 2021, the ART established a strategic plan for collaborative regulatory modernization in the agriculture and agri-food space, encompassing three pillars:

1. Exploring ways to make the regulatory system easier to navigate;
2. Providing analytical capacity to better understand cumulative and economic impacts of regulations across the sector in order to reduce cumulative regulatory burden, unintended consequences and irritants across the supply chain for stakeholders; and
3. Contributing to regulatory experimentation and foresight.

The ART is continuing work to identify regulatory modernization priorities through a variety of collaborative approaches, including: journey mapping to optimize regulatory processes and regulatory experimentation, lessons learned exercises and pilot projects to fill data gaps and inform regulatory modernization.

The Government of Canada continues to seek opportunities to work across federal and provincial departments and with our stakeholders to apply a lens of competitiveness, innovation, and growth to regulatory modernization efforts that will enhance and move beyond the Roadmap commitments. One such example is the Government's undertaking of foresight exercises to ensure food regulations can help accommodate future products, processes, and technologies to allow innovation while maintaining Canada's robust food safety standards.

### **RECOMMENDATION 7**

**The Committee recommends that the Government of Canada, in collaboration with the provinces and territories, seek further harmony between federal and provincial processing standards, so as to reduce barriers to inter-provincial and international trade, and encourage innovation through a focus on outcomes rather than prescriptive measures. Furthermore, the Committee recommends that the federal government make available supports for those processors specifically seeking compliance with international trading standards, where these standards place a significant additional burden beyond provincial measures.**

The Government supports this recommendation in principle. The Government of Canada recognizes that legislative, regulatory and policy differences between jurisdictions can cause challenges for some businesses interested in expanding their markets through domestic and international trade. Both levels of government also recognize that addressing these challenges can improve the competitiveness of Canada's agriculture and agri-food sector by encouraging investment, innovation, and by reducing costs. The Government of Canada works with provinces and territories through the Canadian Free Trade Agreement (CFTA), and other fora, to ensure that laws, regulations, and policies facilitate the domestic trade of agriculture and agri-food products. The CFTA established the Regulatory Reconciliation and Cooperation Table (RCT) to oversee the alignment of federal, provincial and territorial regulatory frameworks to reduce regulatory divergences, facilitate innovation and growth in emerging industries, and streamline approvals to make the administrative process easier for businesses. The RCT has committed to examining food and meat inspection processes as part of their work plan for regulatory reconciliation and cooperation.

With the full coming into force of the *Safe Food for Canadians Act/Regulations (SFCA/SFCR)* in 2019, the outcome-based requirements have provided the industry, including small and medium sized businesses subject to the SFCR, flexibility in selecting innovative, cost effective, and appropriate controls to achieve food safety outcomes. Once licensed under the SFCR, food businesses can take advantage of both domestic and international market opportunities.

In fall 2021, FPT agriculture ministers agreed that market diversification and interprovincial trade solutions should be priorities under the Next Policy Framework. As outlined in the end of meeting statement, ministers are also seeking short-term action in the form of pilot projects to address unique situations in border towns, such as Lloydminster.

To this end, the Canadian Food Inspection Agency, in collaboration with Agriculture and Agri-Food Canada and a number of provinces, are working to develop concrete plans for potential pilots to address specific trade and supply challenges faced by food businesses located in and around provincial or territorial border communities. These will be presented to the FPT agriculture ministers at their annual meeting in July 2022.

In collaboration with the provinces and territories, the CFIA developed a comparability tool where a province or territory can voluntarily self-assess their food safety systems against federal standards.

Under AAFC's Canadian Agricultural Partnership, the federal AgriAssurance Program is a five year \$74 million contribution program aimed at helping industry respond to a wide range of demands for agricultural related standards and assurance systems. The AgriAssurance Program is comprised of two streams: 1) the National Industry Association (NIA) component which funds projects at the national level to help industry develop and adopt systems, standards, and tools to support verifiable claims about their production methods, or quality, and health and safety of their products; and 2) the Small and Medium-sized Enterprises (SMEs) component helps enterprises acquire the necessary certifications (e.g. quality, food safety, animal care, sustainability, etc.), and recognitions required to access, or diversify, into new export markets.

The AgriAssurance SME component supports the following priorities: increasing trade and export diversification; supporting the growth of the agri-food processing sector; and improving the public trust of the industry. The program prioritizes projects that help Canadian SMEs in the agriculture and agri-food sector, as well as the fish and seafood sector, to obtain a third-party certification or recognition for the first time required to meet a specific export opportunity. This contributes to fostering public trust and building consumer confidence in export markets by assisting the industry in adopting assurance systems and supporting tools to make verifiable claims in order to meet export market requirements. In doing so, it directly supports processors seeking compliance with international trading standards, regardless of whether these standards place an additional burden above provincial measures.

Under the cost-shared component of the Canadian Agricultural Partnership programming, up to \$27.9 million in federal-provincial funding is provided for the implementation of systems, standards, infrastructure, and equipment to meet evolving domestic and international consumer, regulatory, and market requirements; adjusting to new regulatory frameworks; and complying with domestic and international trade standards.

## **RECOMMENDATION 8**

**The Committee recommends that the Government of Canada consider implementing internal control measures within the CFIA to ensure uniformity in treatment and a reasonable internal appeal process, avoiding recourse to tribunals.**

The Government supports this recommendation. The CFIA, as part of its internal control measures, routinely conducts inspections at numerous inspection points across Canada, applying outcomes-based regulatory requirements to specify the desired result that a regulation intends to achieve rather than prescribing a specific process or action that must be followed to achieve compliance. Outcomes-based requirements allow regulated parties to choose compliance measures to meet requirements, while providing the flexibility to introduce new technologies, processes, and procedures to achieve these. While inspectors are expected to apply discretion, they are supported by national operational guidance and training that is intended to assure that inspections are conducted with competence, rigour and professionalism. When specialist expertise is required to support an inspection, inspectors can access operational guidance materials and program specialists to clarify the application of regulatory requirements as well as procedures to assess the control measures applied by the regulated party. When considering how to respond to non-compliance or applying enforcement measures, the CFIA examines the possible harm of the non compliance, the compliance history of the regulated party, and whether the non compliance was intentional. As a result, compliance action is aligned to the unique circumstances presented. Stakeholders can register their concerns related to the quality of service, administrative process and regulatory decisions to the CFIA for appropriate follow up.

The CFIA also routinely reviews internal practices/procedures as demonstrated by the CFIA Inspector General's ongoing assessments of inspection activities carried out by CFIA inspection staff. This includes on-site verifications at food establishments to review CFIA inspection activities and to assess compliance against internal operational guidance. When issues are

identified by the Inspector General, internal action plans are developed and addressed by CFIA. With regard to the CFIA's engagement with industry to promote compliance and to ensure stakeholders are current in their understanding of regulatory requirements, the CFIA relies on regular outreach activities at various venues, using communication products and electronic tools. This helps ensure clarity of information while also increasing transparency about inspection activities and the enforcement response to non compliance.

The CFIA is committed to delivering professional regulatory oversight, and promote continuous improvement of its service. In addition to conducting periodic reviews of existing processes and practices, the CFIA regularly engages with stakeholders, including industry associations, to better understand their issues and discuss any challenges they may be experiencing, fostering collaboration to achieving a safe and sustainable food supply chain in Canada.

## **RECOMMENDATION 9**

**The Committee recommends that the Government of Canada revise the slaughtering regulations related to bovine spongiform encephalopathy (BSE), including those respecting specified risk material, so that they do not weaken the competitiveness of the Canadian beef industry.**

The Government acknowledges this recommendation and will continue to work with industry to better understand the challenges associated with bovine spongiform encephalopathy (BSE) control measures, including those respecting Specified Risk Materials.

In May 2021, the World Organisation for Animal Health (OIE) upgraded the risk status of Canadian cattle and beef for BSE from "controlled" to "negligible." This is the most preferred risk status that a country can receive under the OIE code and demonstrates that Canada has a strong, safe, respected beef production and processing system and a robust animal disease control system, which contributes to Canada's economy. The CFIA, with support from provinces and industry, developed a strong application, seeking "negligible" BSE-risk status from the OIE.

It will be important to undertake an analysis to determine if any potential changes would pose risks to human and animal health, or to Canada's ability to maintain its negligible BSE risk status with the OIE, and its international trade reputation.

The Government of Canada will continue its work with the Canadian industry to prioritize outreach to countries requiring negligible BSE-risk status, among other requirements. Canada has informed all relevant trading partners of Canada's improved BSE status and will continue to work with them to expand market access for Canada's live cattle, beef and beef products.

## **RECOMMENDATION 10**

**The Committee recommends that the Government of Canada encourage the development of private-sector led innovation hubs, such as superclusters, to raise agri-food productivity and connect start-ups with established companies and university research centers.**

The Government supports this recommendation. The Government, through ISED and other partner departments, has encouraged the development of private-sector led innovation hubs through the Innovation Superclusters Initiative, which supports five industry-led Superclusters in key sectors of Canadian advantage to build world-leading innovation ecosystems in Canada: Digital Technology, Protein Industries (PIC), Advanced Manufacturing (NGen), Scale AI and Ocean. The Superclusters program is investing up to approximately \$1 billion over five years. The program is on track to meet and exceed its targets, making a national impact and helping Canada build a strong global brand. As of December 31, 2021, more than 415 projects have been approved, thousands of new jobs have been created, and Supercluster membership continues to grow. The unique co-investment between industry and government is fueling results: to date, total investments have totalled over \$1.94 billion, with more than \$1.16 billion invested by industry and other partners, and membership has grown to more than 7,100 members across all five Superclusters.

Protein Industries Canada (PIC) is mobilizing and enhancing Canada's agri-food innovation capacity to substantially increase global market share in high-quality protein and plant-based co-products by co-investing in collaborative projects that advance and transform the food processing sector, create jobs and stimulate local economies. PIC is investing in technology and capacity building projects at every stage of the agri-food value chain, from the field to the lab to the consumer's fork. As of December 31, 2021, PIC has announced 29 projects, with an additional 20 approved, representing a total co-investment of \$476M (\$174M of which is program funding).

Several of the other Superclusters also have dedicated efforts in the agriculture field. The Digital Technology Supercluster has a dedicated Precision Agriculture stream to explore opportunities in regenerative agriculture, and the Next Generation Manufacturing Canada (NGen) is exploring advanced automation in Canada's agri-food sector, particularly to support innovation and the growth of the circular food economy. The Ocean Supercluster has supported the growth of the agri-food industry through funded projects that incorporate science and technology into seafood processing and aquaculture. Finally, the SCALE AI Supercluster is helping farmers to reduce distribution costs and to access new markets, and retailers to better predict supply, by supporting AI projects in the food sector.

The Government of Canada also has made strategic contributions in national agri-food networks through the Strategic Innovation Fund (SIF). In 2018, the Government of Canada announced the launch of a new funding competition for national scale initiatives in automation and digital technology in the agriculture and agri-food sector. Ultimately, two industry-led networks received funding through this initiative. The Canadian Agri-Food Automation and Intelligence Network received \$49.5 million in SIF funding to bring together a network of partners to increase competitiveness, and reduce risk in Canada's agriculture sector, through the development and validation of automation technologies. The Canadian Food Innovators Network received \$30 million to stimulate connections and collaborations across Canada's food processing ecosystem and offer programs and services to accelerate new product development and technology adoption in Canada. This will help businesses scale-up, and build more value-added food and beverage manufacturing in Canada.

The Government of Canada also supports the development of private-sector led innovation through funding under the Canadian Agricultural Partnership of AAFC's AgriScience Program and the AgrilInnovate Program. The AgriScience Program aims to accelerate the pace of innovation by providing funding and support for pre-commercial science activities, and cutting-edge research. The AgrilInnovate Program supports innovation across the value chain and innovation ecosystem, including funding for small and medium sized businesses. The aim of AgrilInnovate is to accelerate the commercialization, adoption, or demonstration of innovative products, technologies, processes, or services that increase agri-sector competitiveness, and sustainability. As reflected in the Guelph Statement, a shared vision for the next agricultural framework, FPT Ministers agreed on five priority areas for the next framework, including continued and targeted investments in science, research and innovation to address key challenges and opportunities.

## **RECOMMENDATION 11**

**The Committee recommends that the Government of Canada make the agri-food sector a priority for attracting foreign direct investment and to conduct research and development in Canada while preserving and promoting domestic ownership of food processing enterprises.**

The Government supports this recommendation. Foreign Direct Investment (FDI) is important to economic growth in the sector. Over half of the food, beverage and tobacco manufacturing sector's total assets in Canada are owned by foreign multinational enterprises. Attracting FDI remains a priority for the Government, and efforts are being enhanced. Following the release of the "Barton Report" of the Advisory Council on Economic Growth, the Invest in Canada agency was formed in 2018 to help coordinate Canada's FDI attraction efforts. This included initiating the development and implementation of an FDI Attraction Strategy (FDIAS) to focus and improve coordination of departmental efforts to attract more and better FDI. Led by Invest in

Canada, the FDIAS was developed in coordination with 16 federal departments and agencies, including GAC, ISED, NRCan, and AAFC. The strategy identifies a number of priority sectors for proactive and coordinated targeting and FDI attraction, including the agri-food sector, and serves to align and guide federal departments and agencies over an initial three-year timeframe in attracting FDI to support Canada's economic growth objectives. The FDIAS is currently being implemented as an evergreen initiative that will be adaptive to and supportive of Government priorities and encourage alignment and collaboration on national economic strategies.

As part of our efforts to strengthen FDI attraction, the Trade Commissioner Service at GAC has welcomed 28 new FDI-focused Trade Commissioners abroad over the past five years, bringing the total to 44. Of these 44, 33 have agri-food as a priority sector in their FDI action plan.

Here at home, Canada continues to encourage domestic investment and ownership in the sector. Introduced in Canada's 2018 federal fall economic statement, the Accelerated Investment Incentive provides an enhanced first year deduction for capital property. Full expensing in the first year for manufacturing and processing machinery and equipment, and specified clean energy equipment was also introduced as part of the 2018 Fall Economic Statement. To further encourage investment, Budget 2021 also proposed to help small and medium-sized businesses by allowing for the immediate expensing of up to \$1.5 million per year in eligible investments on a temporary basis.

Development and adoption of new innovations are vital to growth and competitiveness of the sector. However, Canada's food processing sector invests significantly less than some of its main competitors, for example in the United States and the Netherlands. There are a range of factors that contribute to this, which the Government is responding to. For example: a significant share of larger companies in the sector are foreign-owned and tend to conduct research and development (R&D) in their home country; and, the fragmented Canadian innovation ecosystem in this sector – which has over 100 innovation organizations – hinders coordination between industry and innovators. Through ISED's SIF and Innovation Superclusters Initiative, the Government is making significant contributions in R&D, scale up, and mandate attraction to support innovation and transformation of the agriculture and agri-food sector. For example, Protein Industries Supercluster (PIC), one of the five Innovation Superclusters has rallied members of its ecosystem in a sector-wide international strategy to attract investment. Companies looking to invest in R&D can also apply to the Scientific Research & Experimental Development program, which provides tax incentives to encourage Canadian businesses of all sizes and in all sectors to invest in R&D activities.

Further, National Research Council Canada's Industrial Research Assistance Program offers funding to Canadian entrepreneurs to create innovative businesses. AAFC also encourages research, development, and adoption of new technology through the AgriScience and AgriInnovate programs. Together, these investments will continue to help advance Canada's strategic technological advantages, support clean growth, and enhance the long-term competitiveness of the agriculture and agri-food sector.

## **RECOMMENDATION 12**

**The Committee recommends that the Government of Canada increase and facilitate access to the Temporary Foreign Worker Program, and raise the cap on the proportion of low-wage positions under the Program for food processing industries from the current rate of 10%, taking into account different regional and sectoral needs, and that it do so without limiting access to workers under the Seasonal Agricultural Worker Program (SAWP). The Government should also provide for food processor eligibility to the SAWP for their temporary labour needs.**

The Government of Canada supports in principle this recommendation. The Government recognizes the importance of the agricultural producers and food processors to Canada's food system, as well as the vital role that temporary foreign workers (TFWs) play in this sector.

This vital role is even more evident as labour markets begin to recover from the COVID-19 pandemic and many employers, including those in food processing industries, struggle to fill job

vacancies in the face of labour and skills shortages. This is why the Minister of Employment, Workforce Development and Disability Inclusion has introduced key policy changes as part of the TFW Program Workforce Solutions Road Map announced this Spring.

As of April 4, 2022, the exemption to the cap for low-wage positions in seasonal industries, such as fish and seafood processing, was made a permanent feature of the TFW Program to ensure employers have access to the labour they need to meet seasonal peaks in workload. At the same time, the maximum eligible employment duration of these positions was increased from 180 calendar days to 270 calendar days.

Additionally, the Labour Market Impact Assessment (LMIA) validity period was increased from 9 months to 18 months for a period of one year. The LMIA is a document that an employer needs to obtain before the foreign national can apply for a work permit through the TFW Program. By extending its validity period, employers, including those in food processing, are better able to manage their human resource needs during this pandemic recovery period and bring in foreign workers in a timely manner.

Furthermore, effective April 30, 2022, the cap was increased to 30%, for one year, for seven sectors with demonstrated labour shortages, including food manufacturing. For all other sectors, the cap was increased to 20%.

Finally, the Minister is planning to convene the inaugural TFW Program Ministerial Consultative Forum as early as Summer 2022 to hear directly from stakeholders on how to make the program more responsive to workers, employers and their communities.

With regards to providing food processor eligibility for the SAWP, the Government will continue to work with agricultural producers and food processors to ensure the TFW Program and the SAWP are meeting the needs of Canada's food production value chain. While the above-noted new measures will effectively facilitate increased access to temporary foreign workers for food processors, the Government is open to considering additional measures to ensure the labour needs of these employers are being met.

### **RECOMMENDATION 13**

**The Committee recommends that the Government of Canada evaluate the results of the Agri-Food Pilot program and consider increasing access to it in order to address labour shortages in the agri-food sector.**

The Government supports this recommendation in principle. The Government recognizes the need to provide pathways to permanent residence for TFWs, including in the agricultural and agri-food sectors, and has taken action in recent years to increase these pathways. The three-year Agri-Food Pilot, launched in May 2020, tests an industry-specific approach to help address long-standing labour shortages in the meat processing, mushroom and greenhouse crop production, and livestock raising industries. It provides a new pathway to permanent residence for experienced, non-seasonal workers in specific agricultural occupations and industries.

As per the *Immigration and Refugee Protection Act*, IRCC's pilot programs can support an intake of a maximum of 2,750 applications annually. Including eligible family members (spouses and dependants), the Agri-Food Pilot was designed to support up to 16,500 new permanent residents. The Pilot complements Canada's existing suite of economic immigration programs, including but not limited to the Rural and Northern Immigration Pilot, the Atlantic Immigration Program, and the Provincial Nominee Program. It is unique in its industry-specific approach.

The Government recognizes the difficulties that some temporary foreign workers may encounter in qualifying and applying for permanent residence as a result of the COVID-19 pandemic, including through the Agri-Food Pilot. In response a new Temporary Resident to Permanent Resident pathway was introduced in May 2021 to support the transition of temporary residents with recent Canadian work experience in essential occupations – including agriculture – or those who have recently graduated from a Canadian post-secondary institution.

Through its implementation, the Government of Canada supports the nation's post-COVID economic recovery, and continues to work towards addressing labour shortages in essential sectors. Over 91,000 applications to this pathway were received, with nearly 24,000 individuals granted permanent residence as of December 31, 2021 (including eligible family members). A further 40,000 admissions are planned in 2022, and 32,000 in 2023, as announced in the 2022-24 Immigration Levels Plan.

The Government is committed to evaluating the results of the Agri-Food Pilot. This analysis, coupled with information obtained from the new Temporary Resident to Permanent Resident pathway, is expected to inform the development of future economic immigration programming. IRCC will also work closely with AAFC on examining possible options to extend and enhance this pathway, further to mandate letter commitments.

#### **RECOMMENDATION 14**

**The Committee recommends that the Government of Canada support innovative approaches to skills development and encourage training and reskilling programs to meet the current and future labour requirements of agri-food businesses, and also help to promote and to raise awareness of career opportunities in the agri-food sector with a focus on future generations, while respecting agreements signed with provincial and territorial governments and their jurisdiction.**

The Government supports this recommendation. The Prime Minister's mandate letter committed the Minister of Agriculture and Agri-Food to work with the support of the Minister of Employment, Workforce Development and Disability Inclusion, and in partnership with provinces and territories, employers, unions and workers, to develop a sector-specific Agricultural Labour Strategy to address persistent and chronic labour shortages in farming and food processing in the short and long term.

ESDC makes significant investments in training and skills development that support the agri-food sector. The largest investments are delivered through the Labour Market Development Agreements and Workforce Development Agreements, support a million Canadians a year through provincial and territorial programs, that address the unique training and skills development needs in local labour markets across Canada. Additionally, the new Sectoral Workforce Solutions Program announced in Budget 2021 supports key sectors of the economy, including the agri-food sector, by funding industry-driven solutions such as training and reskilling workers as well as helping employers retain and attract a skilled and diverse workforce. ESDC is also committed to launching a Clean Jobs Training Centre to help workers across sectors upgrade or gain new skills to be on the leading edge of the zero carbon industry.

ESDC also encourages career opportunities for future generations through the Student Work Placement Program, including by supporting post-secondary students in the agri-food sector. The Program helps post-secondary students develop work ready skills through on-the-job work placements, employers to recruit and develop talent and post-secondary institutions to keep pace with change. Through an investment of \$11.2 million in projects carried out by the Canadian Agricultural Human Resource Council and Food Processing Skills Canada, ESDC will support the creation of 1,371 work-integrated learning opportunities for post-secondary students in this sector by 2023-24.

To support innovative approaches to skills development, in 2019, the Government funded the creation of the Future Skills Centre, an independent innovation and applied research centre. The Centre supports projects in the agriculture and ag-tech sectors. For example, since 2021, it has partnered with the Canadian Agricultural Human Resources Council to invest \$1.8 million to develop a national workforce strategy for agriculture and food and manufacturing by engaging with industry stakeholders to identify information and skills gaps and develop new tools based on industry needs and to assist with workforce development strategies.

Budget 2021 also announced an investment in a new Skills for Success program over three years, to help Canadians improve their foundational and transferable skills so that they can

better prepare for, get and keep a job, and adapt and succeed at work. This important investment will provide training opportunities to approximately 90,000 Canadians, with priority funding given to respond to the needs of under-represented groups in the labour market.

In addition to ESDC's programs, AAFC has a number of programs and policies aimed at helping the sector meet current and future labour and skills requirements. For example, AAFC's Youth Employment and Skills Program helps agricultural employers hire youth so they can gain agricultural-specific experience and skills. On May 5, 2021, the Government of Canada announced an investment of up to \$21.4 million for Fiscal Year 2021-22 to enhance the Youth Employment and Skills Program. With this additional funding, the Program will help fill close to 2,000 new positions for youth in the agriculture sector. As well, AAFC's AgriCompetitiveness Program supports national organizations that help farmers and processors develop and share their skills and knowledge to meet current, and future challenges. Under the Canadian Agricultural Partnership's federal, provincial, and territorial cost-shared programming, funding is provided for education, skills development, and awareness campaigns for the agriculture, agri-food, and agri-products sectors and related career opportunities to promote a better understanding of the importance of agriculture development on the economy and society.

To help bolster the domestic labour force and address potential areas of shortages, AAFC launched the "Step up to the Plate – Help Feed Canadians" national job portal in 2020, which is helping to match Canadians with jobs in the agri-food sector. In December 2020, AAFC launched the government-industry Sector Engagement Tables to replace the Value Chain Roundtables. The Skills Development Table is part of this new engagement mechanism and has a mandate to better understand skills requirements, identify potential pathways to acquire skills, and explore new and innovative training options to educate, train, reskill and upskill the workforce. In addition, in July 2020, AAFC launched the Canadian Agricultural Youth Council to ensure the perspective of youth in agriculture is well-understood and directly informs policy, programs, planning and decision-making for the agriculture and agri-food sector. The Council has made increasing the number of youth/new entrants pursuing careers in the sector a key result area, and is providing advice to AAFC and its portfolio partners on strategies to pursue.

## **RECOMMENDATION 15**

**The Committee recommends that the Government of Canada support innovation through programs or financial tools for access to automation-based research and development in the agri-food sector as well as prioritize expansion of Internet access to rural areas where food producers and processors are often located.**

The Government supports this recommendation. The Government provides significant financial support to accelerate research, technology development, and automation in the Canadian agri-food sector. Through ISED's Strategic Innovation Fund, the Government is investing in two innovation networks that will stimulate collaboration among industry, academia, research centres, and technology companies to improve the sector's sustainability, safety, efficiency, and global competitiveness. This includes up to \$49.5 million in funding to the Canadian Agri-Food Automation and Intelligence Network, which is investing in innovation and boosting competitiveness through increased automation and digitization in agriculture. It also includes up to \$30 million to the Canadian Food Innovators Network, which is helping food processors of all sizes make better use of technologies and applied research in order to scale up, develop new products and processes, and sell to new consumers.

The Government recognizes that rural connectivity is essential for work, school, finances, health care, and staying connected. High-speed connectivity is a multi-purpose technology that is essential to driving growth and efficiencies in a number of economic sectors, including agriculture. For instance, robust high-quality broadband connectivity has the potential to enable farmers and food processors to realize the full benefits from automation, and digital technology adoption. This is one of the reasons why the Government is focused on supporting broadband connectivity in rural areas.

In June 2019, the Government released [High-Speed Access for All: Canada's Connectivity Strategy](#). The Strategy represents a historic commitment to make affordable, reliable high-

speed Internet infrastructure available to all Canadians, and to improve mobile access from coast to coast to coast. To support these commitments, the Government launched the Universal Broadband Fund (UBF) in November 2020 to expand connectivity in rural and remote communities in collaboration with provinces, territories, and other partners. The UBF, which will provide \$2.75 billion to support high-speed Internet projects across the country, builds on existing initiatives that continue to be rolled-out. For example, the \$585 million Connect to Innovate program is bringing improved Internet to over 975 communities, and the Canadian Radio-television and Telecommunications Commission has announced several projects under its \$750 million Broadband Fund. Complementary initiatives from Infrastructure Canada, Indigenous Services Canada, and the Canada Infrastructure Bank are also in place to support broadband access in rural and remote communities. Through these various investments, the Government is committed to ensuring that 98% of Canadians have access to high-speed Internet by 2026, and 100 % of Canadians have access by 2030.

To maximize the impacts of these investments, the Government is working with partners to focus efforts where they are needed most, such as by facilitating access to spectrum. For example, the Government includes measures to support spectrum access by small and regional providers in its spectrum auctions, and uses deployment requirements to encourage the expansion of wireless services in rural areas. The Government is also working collaboratively with partners to facilitate access to passive infrastructure, such as poles and other rights-of-way. Collectively, these measures will help to connect underserved Canadians across the country to the Internet and mobile services they need to participate in the digital economy.

#### **RECOMMENDATION 16**

**The Committee recommends that the Government of Canada support the provinces with the implementation of a grocery code of conduct and that it participate in collaboration with the provinces in its development in line with their respective jurisdiction and the Competition Bureau's guidelines.**

The Government supports this recommendation in principle. While concerns raised by food processors and others regarding fees imposed on suppliers by retailers are not a new phenomenon, federal, provincial and territorial (FPT) governments recognized the need for balance in the supplier-retailer relationship at the FPT Agricultural Ministerial in November 2020.

Following the November meeting, a working group on retail fees was established by unanimous agreement. The working group, co-chaired by the Honorable Marie-Claude Bibeau, Minister of Agriculture and Agri-Food, as well as the Honourable André Lamontagne, Quebec's Minister of Agriculture, Fisheries and Food, held over 60 meetings with stakeholders to clarify grocery retail fee practices in consultation with experts and industry members. The Competition Bureau also provided guidance and expertise. In July 2021, key findings of the FPT WG were presented to Ministers and released publicly. FPT Ministers called on industry to develop consensus on a proposal for a code of conduct and an approach to dispute resolution to improve predictability, transparency and fair dealing in supplier-retailer relations. An industry-led process was launched in August 2021 and a third party facilitator was retained to support the discussions. A steering committee comprised of key industry stakeholders was established in September 2021 and written progress updates were provided to FPT Ministers in December 2021 and April 2022. Industry has made significant progress to address this issue and propose concrete solutions. The Government of Canada commends the organizations and companies involved on their work to date, and we will continue to work in collaboration with provinces and territories, and with industry, to pursue solutions that support the health and resilience of Canada's food supply chain and enhance the competitiveness of the sector.

#### **RECOMMENDATION 17**

**The Committee recommends that the Government of Canada encourage Canada's banks and institutional investors to establish funds to provide capital to fast-growing small and medium-sized firms in the agri-food sector, including new entrants to the sector.**

The Government supports this recommendation. Small and medium-sized firms in the agri-food sector face difficulties attracting venture capital and private investment. Access to capital is essential to scale-up operations, and enable company investment in research and development, technology, and intellectual property creation.

The Government of Canada provides access to capital support to the agri-food sector through Farm Credit Canada (FCC), which is Canada's leading agriculture and food lender, with a loan portfolio of more than \$41 billion. The Crown corporation provides flexible, competitively priced financing, management software, information, and knowledge specifically designed for the agriculture and agri-food industries. FCC's venture capital strategy supports agriculture and food entrepreneurs at all stages of the business lifecycle and focuses on establishing new funds that attract other important investors.

ISED's Canada Small Business Financing Program (CSBFP) is a loan loss sharing program that works in collaboration with financial institutions, sharing the risk with lenders to make loans more accessible to small businesses. The CSBFP serves small businesses with gross annual revenues of \$10 million or less in all sectors and includes food processors, foodservice providers and retailers. In the past 10 years, small businesses have received almost 56,000 loans through the program, with a value of over \$10 billion in financing. Loans taken out through the CSBFP can be used to finance the cost of real property, equipment, and leasehold improvements for commercial purposes.

The Business Development Bank of Canada (BDC) offers access to capital for fast-growing firms in the agri-food sector. Venture capital is available through BDC's \$250 million Industrial Innovation Venture Fund. Launched in 2019, this fund invests in companies and entrepreneurs who are accelerating the transformation of core Canadian industries that form the backbone of the national economy, including agriculture and food technologies, resource extraction technologies, and advanced manufacturing. The BDC also offers financing on a commercial, demand-driven, sector-agnostic basis.

ISC's Aboriginal Entrepreneurship Program (AEP) helps Indigenous entrepreneurs access affordable loans through Indigenous financial institutions (Aboriginal Financial Institutions and Métis Capital Corporations) to help them start and grow their businesses. The program also provides non-repayable equity support for Indigenous entrepreneurs to help them meet the requirements for commercial loans. It also provides business support services for First Nations, Inuit, and Métis entrepreneurs, including in the agri-food sector (e.g., help writing a business plan, etc.). In addition to AEP support, from the \$306.8 million COVID-19 Indigenous Business Initiative, \$240 million were available to businesses through interest-free loans and non-repayable contributions, and \$66.8 million was directed to the networks of Indigenous lenders in need of support as a result of the pandemic.

## **RECOMMENDATION 18**

**The Committee recommends that the federal government review equivalency standards and direct the Canadian Food Inspection Agency and the Canada Border Services Agency to increase surveillance on agricultural imports to ensure compliance with equivalency standards negotiated in our trade agreements. Furthermore, the federal government should review the impact of the application of equivalency standards and reciprocity regarding agricultural imports with respect to differentials in subsidy levels and carbon footprints.**

The Government acknowledges this recommendation. Canada follows international rules set by the World Trade Organization (WTO) that support the fair and predictable trade of food. Trade obligations on sanitary and phytosanitary (SPS) measures protect the rights of countries to adopt needed measures to protect human, animal, and/or plant health. These measures must be science-based, transparent, and not create unnecessary barriers to trade. Trade obligations on technical barriers ensure regulations are no more restrictive than deemed necessary to meet legitimate policy objectives. Countries are required to base their measures on international standards but have the right to be more stringent if the risk assessment is scientifically justified or needed to meet a legitimate policy objective.

All food imported in Canada must meet the requirements of the *Food and Drugs Act* and *Food and Drug Regulations*, as well as the *Safe Food for Canadians Act (SFCA)* and the SFCR. The SFCR is consistent with guidelines set by Codex. Food importers must have a licence and maintain food safety plans that demonstrate their imported food meets the same requirements as domestically produced food. The CFIA has various tools to verify that Canadian food importers are meeting their obligations, including the ability to hold shipments at the border, especially if the food importer does not have a valid Safe Food for Canadians licence. The SFCR also provides an outcome-based approach that allows the application of different mechanisms to control food imports based on the level of risk. For example, meat and live or raw molluscan shellfish present a higher level of risk to consumers' health, and must therefore originate from recognized establishments in countries that have had their food safety systems recognized by the CFIA as providing at least the same level of protection as that provided by the SFCA and SFCR. The CFIA can suspend or cancel recognition of those inspection systems or establishments under prescribed circumstances when there is a history of non-compliance, as set out in the SFCR. The CFIA suspended imports from 10 foreign meat establishments during 2021 after identifying repeated incidents of non-compliance with Canadian requirements.

Budget 2019 introduced the Food Policy for Canada providing \$24.4 million over five years to enhance federal capacity to prevent, detect, and deter instances of food fraud. As part of the food fraud initiative CFIA targets importers, domestic processors, as well as retail establishments to conduct risk-based inspection and sampling activities. Recent areas of focus have been on sampling and testing of honey, to detect adulteration with foreign sugars and fish to detect prevalence of species substitution. CFIA's enforcement actions related to honey resulted in preventing approximately 96,000 kg of adulterated honey from entering the Canadian marketplace between 2018 and 2020. CFIA activities related to food fraud can be found on the Agency website.

The CFIA delivers Offshore Programming which contributes to the CFIA's food safety mandate by addressing food safety risks from imported foods at the source. This program has three components, onsite audits, foreign establishment verifications, and technical assistance. In 2020-21, the Offshore Program adjusted its work plan in the wake of travel restrictions while meeting the Program's ultimate objective of verifying that foreign countries exporting food to Canada meet Canadian import requirements. Mitigation activities, such as virtual audits, desk reviews and virtual technical assistance missions were put in place. For example, CFIA most recently conducted three virtual audits of foreign food safety control systems.

Furthermore, the CFIA collaborates with foreign competent authorities to resolve risks that are faced by both importing and exporting countries. For example the CFIA and the USFDA worked together to resolve food safety risks associated with romaine lettuce that was grown in specific regions of the US for distribution both within the US and Canada.

In January 2021, the Government of Canada invested \$162.6 million in the CFIA over the next five years, and \$40 million per year on an ongoing basis, to maintain the integrity of Canada's food safety system, protect the health of plants and animals to safeguard the food supply, and provide ongoing support to Canadian businesses in their export and import activities to overcome pandemic interruptions and global trade volatility. This investment is enhancing CFIA abilities to continue to respond effectively and quickly to import and export activities, perform surveillance and digitize forms and documents. This funding is increasing the CFIA's inspection, surveillance, and oversight programs within Canada to respond to the detection of new food pathogens, invasive species and animal diseases that threaten Canada's agricultural and natural resources. The CFIA conducts multi-faceted analysis and contextualization of information/data, to apply a risk based approach to protect Canadians. Additional tools such as environmental scanning and the CFIA's imported food decision tool supports a proactive approach to further inform risk management decisions. To that end, the CFIA is conducting more inspections of licensed importers' preventive control programs. In addition, the CFIA's digital services are being expanded so that more Canadian exporters and importers can benefit from efficient and automated tools for risk management and inspection. This investment ensures that Canada will have one of the most modern and effective food safety and plant and animal protection systems in the world, further enhancing Canada's reputation as a trusted trading partner.

The CFIA works collaboratively with the CBSA to manage health risks that may be associated with imported food commodities by using additional tools such as import permits, border blitzes, and inspection of cargo and packages arriving in Canada to detect unauthorized imports of plant or animal materials.

The WTO Agreement on Agriculture contains disciplines that limit the use of trade and production-distorting agricultural subsidies. All WTO Members are subject to such limits. Canada monitors subsidies notified by its trading partners at the WTO to ensure they respect their trade obligations.

The Government of Canada is exploring the use of border carbon adjustments (BCAs) as a means to balance Canada's interests to move to a low carbon economy, and Canada's international competitiveness. One of the most common forms of BCAs are import tariffs that are applied to goods from jurisdictions/countries that either do not have carbon pricing (or apply a lower carbon price) to ensure that they face similar carbon costs on an emissions basis to goods supplied by domestic producers. BCAs may be used in conjunction with export rebates that can help preserve international competitiveness when domestically produced goods are exported to markets that do not have or have lower carbon pricing. As BCAs directly affect the commercial interests of trading partners, the Government of Canada is giving careful consideration to how it will use BCAs to meet Canada's interests in moving to a low-carbon economy so that environmental ambition is not compromised while supporting Canada's international competitiveness.

## **CONCLUSION**

The Government extends its gratitude to the Members of the Committee, and the witnesses that appeared before it, for their work to identify ways to address challenges and opportunities facing Canada's food processing industry capacity.

The Committee Report and the federal initiatives detailed in this response highlight the important roles and contributions that governments make in support of the ongoing efforts by the agri-food sector. The Government will continue to work with the provinces and territories, agriculture and agri-food stakeholders, and other partners to support increasing Canada's capacity to process more of the food it produces, strengthening local food supply chains, and capitalizing on export growth potential.