



Canadian Fresh Produce Industry Recovery from the COVID-19 Pandemic



Contents

Executive Summary.....	2
Introduction	5
Phase 1: Coping and Stabilization – Current and Short-Term Industry Needs and Priorities	6
Key Considerations for Phase 1.....	6
Phase 1 Recommendations	9
Employment Incentives	9
Temporary Foreign Worker Protocols	10
Business Risk Management and Financial Protection	11
Operational Changes and Personal Protective Equipment (PPE)	11
Targeted Regulatory Flexibility	12
Strengthening Canada’s Food Security and Reducing Food Waste	12
Phase 2: Economic Recovery and Market Re-Engagement – Priorities for Long-Term Recovery	13
Key Considerations for Phase 2.....	13
Phase 2 Recommendations	15
Innovation and Infrastructure	15
Business Risk Management (BRM).....	16
Evaluating the Impacts of the Pandemic and Planning for Future Events	17
Promoting a Strong, Sustainable Canadian Food System	17
Conclusion	19



Executive Summary

The COVID-19 global pandemic has created unprecedented public health, economic, and logistical challenges for communities and supply chains around the world. The Canadian fresh fruit and vegetable industry has been no exception. From the farm gate to the dinner plate, our sector has continued to work daily to find solutions to mitigate the impact of the outbreak on Canadians and ensure Canadian families will continue to have access to our safe, healthy and nutritious products for their tables throughout this crisis and afterwards.

The following recommendations frame core areas required to support our industry's economic recovery:

Phase 1

Recommendation #1: The Canada Emergency Response Benefit (CERB) should be adjusted to allow more Canadians to collect the CERB while also working in the produce supply chain, by increasing the allowable income limit or by providing a targeted exemption to the income limit for workers in our industry.

Recommendation #2: Current and future student benefits related to COVID-19 should be adjusted to encourage more students to collect the benefit while also working. The Government should also work with the provinces and territories to explore mechanisms to tie benefits to tuition grants in order to further incentivize students to work.

Recommendation #3: In recognition of the ongoing economic hardship facing Canadian industry, the Canada Emergency Wage Subsidy (CEWS) should be continued until the Public Health Agency of Canada has declared that the COVID-19 pandemic has ended, and should be adjusted to potentially target especially hard-hit sectors, such as foodservice, within the produce supply chain.

Recommendation #4: The revenue decline requirement for the Canada Emergency Wage Subsidy (CEWS) should be expanded to allow companies and organizations to apply retroactively for the CEWS based on an assessment of a full-year's financial impacts, to better reflect the revenue flow impacts for many in the diverse produce supply chain and recognize later income cycles.

Recommendation #5: Local public health and isolation protocols related to temporary foreign workers should be developed in collaboration with industry to consider feasibility, workability and to ensure their effectiveness. Long-term planning for future events should include collaboration between all levels of government and industry to develop protocols based on common risk-based models that can be harmonized across jurisdictions to the greatest degree possible.

Recommendation #6: In both the short and longer term, the Government of Canada should work to improve service standards and processing times for applications under the Seasonal Agricultural Worker Program and the Agricultural Stream of the Temporary Foreign Worker Program, including by working with source countries and implementing measures to further streamline the collection of biometrics and visa and work permit application processes.

Recommendation #7: The Government of Canada should implement a Farm Quarantine Support Measure to mitigate the financial impact to a farm operation when workers must quarantine due to COVID-19 infection.

Recommendation #8: The Government of Canada should work with the provinces and territories to ensure universal employment benefit coverage for temporary foreign workers across all jurisdictions so that they are guaranteed to be paid in an outbreak or quarantine situation, and communicate the availability of this coverage to employers.

Recommendation #9: In the short-term, the Government of Canada should provide additional support for growers to address the extraordinary impacts of the COVID-19 pandemic by increasing the AgriStability trigger level to 90% of one's reference margin with an 85% compensation rate for the 2020-21 program year, as recommended by the Canadian Horticultural Council.

Recommendation #10: The Government of Canada should create a limited statutory deemed trust, similar to the U.S. *Perishable Agricultural Commodities Act*, to protect produce sellers during bankruptcy in Canada, and restore preferential access to the U.S. dispute resolution mechanism for fresh fruit and vegetables.

Recommendation #11: The Government of Canada should implement a PPE tax credit to support industry in procuring the equipment they need to keep workers and the public safe.

Recommendation #12: The Government of Canada should extend customs duty relief for PPE beyond the end of 2020, and should recognize the significant PPE costs incurred by industry at the outset of the pandemic by making customs duty relief retroactive prior to its announcement on May 6th, 2020.

Recommendation #13: The Canada Emergency Wage Subsidy (CEWS) should be adjusted to support essential businesses, such as those in the fresh produce supply chain, that have been impacted by a significant rise in operational costs due to COVID-19 by providing an option to apply for the CEWS based on reductions in net income.

Recommendation #14: The Government of Canada should provide further flexibility for packaging requirements to temporarily allow Nutrition Facts Tables from other countries (especially the U.S.), and to allow English-only mandatory labelling information in provinces other than Quebec, in order to facilitate the continued flow of fresh produce to retail until the Public Health Agency of Canada has declared the pandemic has ended.

Recommendation #15: The Government should enhance the funding available under the Surplus Food Rescue Program and leverage the expertise of the Canadian fresh fruit and vegetable industry to build an effective food purchasing and distribution program and ensure that food gets to those who need it.

Phase 2

Recommendation #16: The Government should provide sufficient, dedicated funding to support the rapid expansion of high-speed internet infrastructure and cell phone service coverage to ensure that all Canadians and Canadian businesses have access to the digital infrastructure they need.

Recommendation #17: The Government of Canada should provide sufficient, dedicated funding to invest in rural infrastructure, including roads, energy, and service infrastructure, such as waste management.

Recommendation #18: In the long-term, the Government should make meaningful improvements to its BRM programming by amending the AgriStability program to raise the coverage level to 85% of one's reference margin and the compensation rate to 85 cents on the dollar of loss beyond this trigger, and by removing the reference margin limit, as it introduces significant program complexity, unduly limits support for many producers, and creates significant inequities in program support. The Government should also review the AgriInvest program to ensure it better reflects modern agriculture.

Recommendation #19: The Government should implement a new margin stabilization program inspired by the AgriStability model to address financial losses due to COVID-19 experienced by agricultural food processors, as defined by Agriculture and Agri-Food Canada under the Emergency Processing Fund.

Recommendation #20: The Government should work with provincial partners and industry to develop a timeline and framework to effectively evaluate the impact of COVID-19 on the food system, and undertake an arms-length review of how the food system managed during the pandemic.

Recommendation #21: The Government should form an Industry-Government Working Group to make recommendations on industry recovery.

Recommendation #22: The Government should provide ongoing financial support to achieve the targets of the Food Policy for Canada to promote long-term social, environmental and economic sustainability of the Canadian food system and increase Canadians' consumption of safe and nutritious food.

Recommendation #23: To effectively reduce the use of unnecessary and problematic plastics, the Government should work closely with industry to find solutions that are evidence-based, and include a combination of education, innovation, and effective recycling collection within communities across Canada, while also considering the food safety and food security implications of reducing the use of plastics for fresh produce.

Recommendation #24: The Government of Canada should commit funds and resources to support the reduction of food waste across the supply chain, including and building upon the work of the previously announced Food Waste Reduction Challenge.

Introduction

The COVID-19 global pandemic has created unprecedented public health, economic, and logistical challenges for communities and supply chains around the world. The Canadian fresh fruit and vegetable industry has been no exception. From the farm gate to the dinner plate, our sector has continued to work daily to find solutions to mitigate the impact of the outbreak on Canadians and ensure Canadian families will continue to have access to our safe, healthy and nutritious products for their tables throughout this crisis and afterwards.

The success of the agriculture and agri-food sector will be critical to Canada's economic recovery from the COVID-19 pandemic. The fresh fruit and vegetable industry is a major contributor to job creation and Canada's GDP and will continue in this role as we move forward. Our sector supports 249,000 jobs in the Canadian economy throughout a complex value chain. The produce supply chain is also globally integrated, relying on both domestic and international networks. Due to the inability to grow many highly demanded and consumed products within our Canadian climate, approximately \$4 out of every \$5 spent on fresh produce in Canada is spent on imported products. At the same time, more than \$2 billion of fresh Canadian produce is exported annually, representing approximately half of our production. In short, our essential supply chain includes a wide range of players, all of whom play a role in securing the Canadian food supply now and in the post-COVID world.

The impact to businesses in the fresh produce sector is not only happening today, but will continue for many months. The complexity and seasonality of our industry mean that both large- and small-scale operations throughout the supply chain must have access to programs and tools to help them cope and stabilize in the short-term, and to support economic recovery and market re-engagement in the long term.

CPMA recognizes and commends the speed at which the Government of Canada operated at the onset of the pandemic in Canada to create macro level programs to support industry; many of these programs have provided welcome support to segments of our supply chain. Moving forward, it will be important to provide a more focused approach to reduce unintended consequences and impacts to business, which include increased debt, challenges accessing domestic labour, and more. It is also critical that the Government take a proactive approach to evaluate the impact of COVID-19 and the management of Canada's food system during the pandemic, to support industry's long-term sustainability and growth,

and to ensure the security of our food system moving forward and plan for future events.



This document outlines key considerations for our industry's economic recovery and our recommendations for how government can support the continued viability of the fresh produce industry, both through the short term, coping period of the COVID-19 pandemic, and into long-term, economic recovery.

Phase 1: Coping and Stabilization – Current and Short-Term Industry Needs and Priorities

For the purpose of this document, CPMA defines Phase 1 as the period of time from the present COVID-19 pandemic environment and the period related to social distancing and emergency measures. We anticipate this Phase could last through fall 2020.

Key Considerations for Phase 1

Retail

Since the beginning of the pandemic, the fresh produce industry has witnessed massive shifts within our markets, and there have been winners and losers. With Canadians staying at home and buying patterns shifting during the pandemic, at the end of April we saw retail sales up 8% for vegetables and 5% for fruit. This rise was driven by staples like potatoes and onions, and recent numbers have been levelling off. While sales are positive, consumers are spending less time “browsing” grocery stores for unique items and the sales for shorter shelf-life products and specialty items still remain lower than the volumes pre-pandemic.

Foodservice

While the CPMA members within our national retail category have navigated COVID effectively, there are many other companies within the supply chain that will not be so fortunate. Foodservice represents 30% of our supply chain value, and the catastrophic impact to this sector and those who supply it will be felt for years to come. While meal delivery, curbside pick-up, and the gradual reopening of restaurants have lifted restaurant foodservice produce, it will be a long recovery, as physical distancing and consumer fear will play a role in how restaurants reopen.

Produce sales often rely on volume due to small profit margins. When restaurants reopen, the physical space cannot typically be changed, meaning that capacity will be smaller to accommodate new social distancing requirements, resulting in lower sales numbers. For many establishments, the physical space available will therefore be a major factor in the economic decision on whether to reopen, with potential impacts on the supply chain.

Debt and accounts payable are also factors that may influence some businesses in choosing not to reopen. Those that closed at the start of the pandemic and still retain high accounts payable are now making decisions relative to their financial capacity to reopen and pay those bills, and to potentially incur further debt, before they are able to procure the products they need to restart their businesses. At the same time, many of our members, particularly those involved in processing within the produce supply chain, are also being dramatically impacted due to rising costs of inputs, access to labour and operational changes.

Supply Chain Impacts

In a post-COVID world, business continuity will be challenging as we transition. Given the complexity of the produce supply chain and the highly perishable nature of our products, any slowing of the movement of these essential goods could have serious impacts on the well-being of Canadians and our economy. During this time, it is crucial that the Government ensure that the supply chain is supported from farm gate to dinner plate, as there is no guarantee that businesses forced to close during the initial shock of the pandemic will be able to reopen once the health crisis stabilizes and the economy moves into recovery. It is therefore essential that programs created or adjusted to support the produce industry provide the necessary flexibility, adaptability, and longevity to minimize losses to our diverse sector.

Canada's Business Risk Management programs are critically important to growers in the fresh produce supply chain. For many growers, we know that the challenges posed by COVID-19 will have a major negative impact on the 2020 harvest. It is essential that Canadian growers are able to make necessary business decisions with the knowledge that the government is behind them.

Unfortunately, the COVID business environment has and will, over the next two years, drive businesses into bankruptcy and our sector has no protection. In addition to a lack of domestic protections, Canadian produce sellers are now at even more risk when selling to our major trading partner, the United States. As financial impacts are realized along the produce supply chain, we anticipate company failures in Canada and are already seeing such cases in the U.S. market. At one time, our Canadian grower/shippers would have had preferential treatment in the U.S. under the *Perishable Agricultural Commodities Act (PACA)*, which would have provided much needed access to prompt payment tools in the case of a buyer bankruptcy. In the U.S., companies also have protection from insolvent buyers.

In Canada, we have never had a similar protective capacity. Canada's fruit and vegetable sellers have no financial protection from losses resulting from insolvent buyers. When a company fails, there is no security within the bankruptcy. The *Bankruptcy and Insolvency Act* simply does not provide a workable mechanism to protect sellers when buyers of produce become insolvent. Due to the highly perishable nature of fresh produce, sellers cannot recover product from incomplete sales as enabled under the *Act*. Complimentary legislation in the form of a limited statutory deemed trust is needed to ensure that Canadian fruit and vegetable sellers are given priority access to help offset losses associated with product that has been delivered, but for which payment has not been received.

Labour

A major area of impact to the produce supply chain which influences food production is labour. International workers are a critical part of the agri-food workforce in Canada. Early in the pandemic, access to temporary foreign workers was the single most significant threat to food production, food security and the integrity of the food supply chain in Canada. While some of our industry's key labour concerns have been addressed, logistical and financial challenges remain and there is a need to revisit the protocols for the workers in Canada. Particularly in looking ahead to harvest, CPMA remains concerned about the significantly reduced number of workers who have been able to come to Canada and about what that diminished capacity will mean for domestic production, particularly for those operations that experience outbreaks of COVID-19 infections.

In addition to foreign workers, the produce supply chain relies on domestic labour. Currently, our members have expressed concerns that there are more disincentives for unemployed Canadians to work than incentives. For example, the Canada Emergency Response Benefit (CERB) has created unintended consequences in the short term for many packers, distributors, wholesalers and small retailers who are facing higher levels of absenteeism and greater challenges to hire at a time when Canadians are relying on them to provide the food they need. Government initiatives such as the enhancement of the Youth Employment and Skills Program (YESP) to support new positions for youth in the agriculture industry are welcome, but the current funding offered by government is simply not enough to fill the labour gap our industry is facing.

At the same time, programs like the Canada Emergency Wage Subsidy (CEWS), which have allowed those firms who have qualified to remain open and maintain staffing during the initial pandemic market shifts, have not been available to all segments of our essential industry. In particular, many grower businesses only begin to generate revenue at the time of harvest, with many revenues for the current season's crop realized into the following year. This made the initial structure of the CEWS requirement to document a decline of at least 30% of revenue unworkable for many growers.

From growers, to packers, shippers, processors, wholesalers and retailers, the fresh fruit and vegetable industry has incurred unprecedented costs to develop COVID-related business plans and new procedures to address the spread of COVID-19, ensure business continuity across the supply chain, mitigate the impact of COVID-19 on their business and community, and prepare for an eventual return to work. As part of these efforts, many CPMA members have begun, and will need to continue, to address employee concerns



by implementing physical/social distancing measures and ensuring access to Personal Protective Equipment (PPE). Access to PPE is recognized as necessary to foster staff morale, keep absenteeism low, and keep the supply chain open, but it has also led to an increase in operating costs that cannot sustainably be absorbed by the industry as it moves into the economic recovery period.

System and Process Changes

Fresh produce companies that pack, process or repack produce and require new protective measures for their workforce to remain operational are already at significant disadvantage compared to other sectors, as they are operating with margins of only 3 to 5 percent. The Government's announcement of \$77 million set aside for the processing industry will not truly support the scope of impact across all processing groups.

Proactive, targeted regulatory flexibility would also serve to facilitate the smooth movement of goods during the coping and stabilization period. Recognizing the government's efforts to provide some

flexibility in the enforcement of non-food safety labelling requirements, more is needed. Further flexibility for packaging requirements to temporarily allow Nutrition Facts Tables from other countries (especially the U.S.), and to allow English-only mandatory labelling information in provinces other than Quebec, would help to ensure that grocery stores can continue to provide Canadians with safe and healthy food.

Similarly, while CPMA members across the fresh produce supply chain have been working diligently towards compliance with the new *Safe Foods for Canadians Regulations (SFCR)* traceability requirements for lot code on consumer prepackaged items, there is growing concern about the ability to comply with these regulatory changes in the short term due to significantly diminished financial capacity and packaging availability as result of the COVID-19 pandemic.

Food Rescue

Finally, CPMA notes the need for the federal government to focus on an effective food recovery program for at-risk Canadians and marginalized communities. Funding to food banks and the government's launch of the Surplus Food Rescue Program are positive first steps, but more funding and a strategic approach to food purchasing and distribution to communities are needed. The fresh fruit and vegetable industry has a great deal of expertise in this area and can act as a valuable resource for government in these considerations.

Phase 1 Recommendations

Employment Incentives

In order to ensure the short-term stabilization and long-term economic recovery of the fresh produce industry, government benefit programs should be adjusted to support unemployed Canadians and students, without creating an unintended disincentive to work. Targeting employment incentives to particularly hard-hit sectors, such as foodservice, within the produce supply chain will help to alleviate the economic stress many companies are forecasting under the new, post-COVID normal.

Recommendation #1: The Canada Emergency Response Benefit (CERB) should be adjusted to allow more Canadians to collect the CERB while also working in the produce supply chain, by increasing the allowable income limit or by providing a targeted exemption to the income limit for workers in our industry.

Recommendation #2: Current and future student benefits related to COVID-19 should be adjusted to encourage more students to collect the benefit while also working. The Government should also work with the provinces and territories to explore mechanisms to tie benefits to tuition grants to further incentivize students to work.

Recommendation #3: In recognition of the ongoing economic hardship facing Canadian industry, the Canada Emergency Wage Subsidy (CEWS) should be continued until the Public Health Agency of Canada has declared that the COVID-19 pandemic has ended, and should be adjusted to potentially target especially hard-hit sectors, such as foodservice, within the produce supply chain.

Recommendation #4: The revenue decline requirement for the Canada Emergency Wage Subsidy (CEWS) should be expanded to allow companies and organizations to apply retroactively for the CEWS based on an assessment of a full-year's financial impacts, to better reflect the revenue flow impacts for many in the diverse produce supply chain and recognize later income cycles.



Temporary Foreign Worker Protocols

The fresh fruit and vegetable industry relies upon thousands of workers coming into Canada as part of the Temporary Foreign Worker Program (TFWP) and the Seasonal Agricultural Worker Program (SAWP) in order to plant, cultivate, process, harvest and pack our products. Even prior to the COVID-19 pandemic, the labour gap in horticulture was becoming a crisis, expected to increase to 46,500 jobs by 2025. Looking ahead, the significant labour gap due to the reduced

number of workers able to come to Canada during the pandemic will undoubtedly create further economic hardship at harvest time.

We are very appreciative of the government's flexibility and collaboration with industry in granting exemptions to international travel restrictions for temporary foreign workers, and in providing some financial support to employers of foreign workers to help cover the costs of the two-week isolation protocol. However, the high costs incurred by employers of foreign workers to follow public health protocols are not covered by the funding available – and the wide variability and lack of harmonization of these protocols across local jurisdictions has added further complexity, confusion and cost.

Additionally, outbreaks of COVID-19 can very quickly shut down growing operations, with the perishability and seasonality of fresh produce leading to devastating financial consequences. The Government of Canada should put supports in place to mitigate the financial impact to a growing or packing operation when workers must quarantine, similar to compensation given to livestock producers under the *Reportable Diseases Regulations*. At the same time, the federal government should work with its provincial and territorial partners to ensure universal employment benefit coverage for all temporary foreign workers.

Recommendation #5: Local public health and isolation protocols related to temporary foreign workers should be developed in collaboration with industry to consider feasibility, workability and to ensure their effectiveness. Long-term planning for future events should include collaboration between all levels of government and industry to develop protocols based on common risk-based models that can be harmonized across jurisdictions to the greatest degree possible.

Recommendation #6: In both the short and longer term, the Government of Canada should work to improve service standards and processing times for applications under the Seasonal Agricultural Worker Program and the Agricultural Stream of the Temporary Foreign Worker Program, including by working

with source countries and implementing measures to further streamline the collection of biometrics and visa and work permit application processes.

Recommendation #7: The Government of Canada should implement a Farm Quarantine Support Measure to mitigate the financial impact to a farm operation when workers must quarantine due to COVID-19 infection.

Recommendation #8: The Government of Canada should work with the provinces and territories to ensure universal employment benefit coverage for temporary foreign workers across all jurisdictions so that they are guaranteed to be paid in an outbreak or quarantine situation, and communicate the availability of this coverage to employers.

Business Risk Management and Financial Protection

Particularly in the context of the devastating economic hardship many growers face as a result of the COVID-19 pandemic, AAFC must also work with industry to ensure BRM programs, particularly AgriStability and crop insurance options, are effective now and in the long-term. The Canadian Horticultural Council (CHC) and others have requested that the AgriStability trigger be increased to 90% for the 2020-21 Program Year, and that the program cover 85% of losses below this trigger.

The Canadian produce industry has been requesting the implementation of a financial protection tool for produce sellers for many years. The issue identified by government was the inability to demonstrate harm. A limited statutory deemed trust would not only provide financial protection for produce sellers in Canada, but would also provide a means for reinstatement of our preferential treatment under the U.S. PACA. Without a limited statutory deemed trust, we will potentially see more companies dragged into economic hardship. At a time when food security is second only to health care in terms of priorities for all Canadians, it is crucial that the government provides all possible safeguards for the food supply chain, including a deemed trust mechanism in Canada.

Recommendation #9: In the short-term, the Government of Canada should provide additional support for growers to address the extraordinary impacts of the COVID-19 pandemic by increasing the AgriStability trigger level to 90% of one's reference margin with an 85% compensation rate for the 2020-21 program year, as recommended by the Canadian Horticultural Council.

Recommendation #10: The Government of Canada should create a limited statutory deemed trust, similar to the U.S. *Perishable Agricultural Commodities Act*, to protect produce sellers during bankruptcy in Canada, and restore preferential access to the U.S. dispute resolution mechanism for fresh fruit and vegetables.

Operational Changes and Personal Protective Equipment (PPE)

The added cost of purchasing PPE and other health screening tools and equipment cannot sustainably be absorbed by industry and is difficult to pass on to Canadians without increasing the cost of fresh produce, thereby creating food security concerns. While the government announcements of funding through the Agri-food Workplace Protection Program and the Emergency Processing Fund were

encouraging, these measures will not be able to address the full scope of the economic challenge facing our sector.

Recommendation #11: The Government of Canada should implement a PPE tax credit to support industry in procuring the equipment they need to keep workers and the public safe.

Recommendation #12: The Government of Canada should extend customs duty relief for PPE beyond the end of 2020, and should recognize the significant PPE costs incurred by industry at the outset of the pandemic by making customs duty relief retroactive prior to its announcement on May 6th, 2020.

Recommendation #13: The Canada Emergency Wage Subsidy (CEWS) should be adjusted to support essential businesses, such as those in the fresh produce supply chain, that have been impacted by a significant rise in operational costs due to COVID-19 by providing an option to apply for the CEWS based on reductions in net income.

Targeted Regulatory Flexibility

Recognizing the Government's efforts to provide some flexibility in the enforcement of non-food safety labelling requirements, additional measures are needed to ensure that the smooth flow of essential products continues.

Recommendation #14: The Government of Canada should provide further flexibility for packaging requirements to temporarily allow Nutrition Facts Tables from other countries (especially the U.S.), and to allow English-only mandatory labelling information in provinces other than Quebec, in order to facilitate the continued flow of fresh produce to retail until the Public Health Agency of Canada has declared the pandemic has ended.

Strengthening Canada's Food Security and Reducing Food Waste

In order to mitigate the social, economic and health impacts of the COVID-19 pandemic on Canadian families, the federal government should focus on an effective food recovery program for at-risk Canadians and marginalized communities.

The fresh fruit and vegetable industry donates millions of pounds of produce to charities and food banks each year, and the logistical considerations alone are important factors in the success of these donations. While we are aware that discussions are occurring at the national and regional levels, a strategic approach to food purchasing and distribution to communities is needed.

Recommendation #15: The Government should enhance the funding available under the Surplus Food Rescue Program and leverage the expertise of the Canadian fresh fruit and vegetable industry to build an effective food purchasing and distribution program and ensure that food gets to those who need it.

Phase 2: Economic Recovery and Market Re-Engagement – Priorities for Long-Term Recovery

For the purposes of this document, CPMA defines Phase 2 as the period during which the initial health care crisis subsides and the impact of the economic crisis becomes clearer. We expect Phase 2 could last for 12 to 18 months, before a vaccine for COVID-19 becomes widely available, covering a full growing and import cycle.

Provincial governments will continue to implement reopening plans which will be influenced by public health and spread of the virus. The variable nature of change at provincial levels will mean various levels of restrictions and reopening strategies which will make for challenges planning and distribution specifically for foodservice.

During this period, we anticipate that the fruit and vegetable supply chain will experience a relative calming and stability, with small growth in foodservice through curbside pick-up and delivery, as well as on-premise service. This will provide the opportunity to evaluate the impact of the crisis and the longer-term sustainability of the Canadian fresh produce industry and the broader food system.

Key Considerations for Phase 2

As Canada evolves from Phase 1 to Phase 2, it is imperative that both the Government and the fresh produce industry begin to prepare for longer-term economic recovery now. Genuine economic recovery must include a commitment to developing a deeper understanding of the impact of the COVID-19 pandemic at all levels of the food sector, and the preparation of guidance or best practices to prepare for another event of its magnitude or a second wave of COVID.



Phase 2 will also develop in line with domestic production, which will include planting and harvesting. Farmers have adjusted planting where possible in reaction to limited labour and unsure market conditions. This does not indicate a potential food security issue, but should be considered when planning throughout this phase. Overall, global markets are still fluctuating with production issues and logistics challenges.

CPMA will continue to play a strategic role in development of the economic recovery plan for our sector. The fresh produce sector was on the front lines of the pandemic in terms of our role as an essential service. Our members have experienced the pandemic outside the safety of shelter-at-home guidance and have dealt first-hand with all the supply chain issues that have occurred. Our industry is therefore an excellent source of information for government and should be relied up on as an expert voice, both for the COVID-19 pandemic and in future events.

The full scope of the impact of COVID-19 on the fresh produce industry will likely not be known for months to come, but planning for recovery must include looking at how the business environment may change permanently. For example, we know that social distancing in bunkhouses might mean larger bunkhouses for foreign workers in the future, pack lines could permanently change, retail and foodservice operations may need to adapt. Certainly, at the store and restaurant level we are already hearing that layouts, delivery of food, and other practices could change permanently.

The need for PPE and other health screening tools and equipment will likely continue for many months to come. Over the course of the pandemic, staff safety and mental health has been a key priority for the supply chain. Ensuring staff feel safe coming to work is vital. Although the fresh produce industry has largely been able to purchase the equipment they need, many issues were noted such as a shortage of supplies and long lead times to order. Hand sanitizers, gloves and N95 Masks have also been difficult to acquire. Particularly in looking ahead to preparation for and management of future events, the procurement of PPE and other equipment should be a priority consideration in government planning.

Long-term impacts on labour law and practices will also be important considerations. For those deemed essential services, like the produce supply chain, the wage impact of COVID-19 may well have implications into the future. Similarly, protocols for having staff remove themselves from the workplace if they are getting sick could shape labour availability moving forward.

There has been a marked shift to online purchasing. Depending on how consumer behaviour shifts to e-commerce and “click and collect” options continue to develop post-COVID, some small restaurants and other store front businesses may remain online, reducing their lease costs and other overhead they carried prior to the pandemic; this may include not fully rehiring the labour force they once managed.

The growth of e-commerce could also have significant implications for growers and suppliers across the country, making access to broadband internet and cell phone coverage even more important. A lack of digital infrastructure remains a major roadblock to innovation for many Canadians and Canadian businesses, including in the fresh produce industry, which must be addressed by Government in order to support these businesses in adapting to the new, post-COVID normal and ensure the long-term viability of the sector.

The Government’s suite of Business Risk Management tools are vital to the long-term viability of Canada’s agriculture sector. Even before the COVID-19 pandemic, there was wide recognition that these tools were not working as intended for many producers. Changes made in 2013 to the reference margin limits and the limitation of what expenses can be deemed eligible under the AgriStability program mean it is difficult for even a very devastating scenario to trigger a payment, rendering the program ineffective for most growers. Additional support through AgriStability, as recommended by the Canadian Horticultural Council and others in the AgGrowth Coalition, is essential.

The unprecedented market disruptions resulting from the pandemic have led to lower selling prices in many sectors across the produce supply chain. In order to keep processing plants open and a steady supply of fresh products available to consumers, a new margin stabilization program to address financial losses experienced by food processors due to COVID-19 should also be considered.

This pandemic has clearly demonstrated Canada’s reliance on global trade and our need to bolster our food security. To ensure the ongoing viability of the food system, we need a strong domestic and global

strategy. Market access is vital for the Canadian produce sector. International trade agreements, phytosanitary rules and cooperation between governments must continue and be harmonized.

To successfully access key markets, the supply chain linkages of transportation, border access and ports of entry and exit must all be maintained, and regulations such as Hours of Service should be harmonized with the United States, our largest trading partner. Rising transportation costs and reduced access to shipping vessels and air cargo are issues of concern that will be important considerations for recovery planning.

In the United States, marine ports experienced challenges in processing containers carrying essential goods, as containers carrying non-essential goods piled up with nowhere to go due to business closures. This type of situation not only delays the movement of essential goods, but also creates a shortage of available containers for future shipments. While Canada's ports have not faced these delays to date, there are cases where the movement of essential goods must be made a priority in the event of a labour issue or other delay. We strongly urge the government to plan and enact proactive measures to ensure that delays at the ports do not negatively impact trade and that the movement of essential goods is prioritized. The high perishability of fresh produce makes this type of forward thinking particularly important to securing continued access to these essential goods and could become critical if we experience another wave of COVID-19 or another similar event.

The multinational nature of the fresh produce supply chain means that a failure in one area has consequences along the entire chain. As we move through this COVID-19 pandemic and into recovery, it is imperative that the Government of Canada take a proactive approach to putting measures in place to ensure that the smooth flow of essential products continues, including fresh fruit and vegetables. Particularly given the recognized positive effect of produce consumption on overall health, proactive efforts are needed to ensure that Canadians will be able to fill half their plates with fruits and vegetables during the recovery period and in the event of a future public health crisis or other catastrophic event.

The fresh fruit and vegetable sector supports the Food Policy for Canada's commitment to promoting long-term social, cultural, environmental and economic sustainability as we strive to meet the government's target of \$75 billion in agri-food exports by 2025, while also increasing Canadians' consumption of fruits and vegetables and ensuring a healthy environment, now and into the future. The Canadian produce industry has taken a leadership role on a number of key issues related to environmental sustainability, including the reducing the use of problematic plastics and addressing food loss and waste. The COVID-19 pandemic has provided important lessons that can and should shape these efforts moving forward.

Phase 2 Recommendations

Innovation and Infrastructure

The lack of digital infrastructure remains a major roadblock to innovation for many growers and other businesses in the fresh produce industry. In June 2019, the House Standing Committee on Industry, Science and Technology report on rural wireless digital infrastructure recommended that mobile services be treated as essential to both the safety of the public and participation in the modern economy, and that the federal government improve the availability and reliability of digital infrastructure in rural Canada.



Particularly in light of the significant market shifts resulting from the COVID-19 pandemic, the Government should renew its commitment to ensuring access to high-speed internet and cell phone service coverage for all Canadians and take determined action to move forward on this goal. At the same time, it is essential that rural communities across Canada see investments in critical infrastructure – including roads, energy and service

infrastructure, such as waste management – to support their economic development now and into the future.

Recommendation #16: The Government should provide sufficient, dedicated funding to support the rapid expansion of high-speed internet infrastructure and cell phone service coverage to ensure that all Canadians and Canadian businesses have access to the digital infrastructure they need.

Recommendation #17: The Government of Canada should provide sufficient, dedicated funding to invest in rural infrastructure, including roads, energy, and service infrastructure, such as waste management.

Business Risk Management (BRM)

Business Risk Management tools are essential to the viability of Canada's agriculture sector. Agriculture and Agri-food Canada (AAFC) must have adequate funding for its continued review of current BRM programs, and to make program adjustments based on demonstrated need, not simply adjust within tight funding envelopes.

Recognizing that the market disruption impacts of the pandemic have had impacts across the supply chain, margin stabilization programs should also address financial losses experienced by food processors so that processing plants and packing operations can stay open and continue to provide fresh products to Canadians.

Recommendation #18: In the long-term, the Government should make meaningful improvements to its BRM programming by amending the AgriStability program to raise the coverage level to 85% of one's reference margin and the compensation rate to 85 cents on the dollar of loss beyond this trigger, and by removing the reference margin limit, as it introduces significant program complexity, unduly limits support for many producers, and creates significant inequities in program support. The Government should also review the AgriInvest program to ensure it better reflects modern agriculture.

Recommendation #19: The Government should implement a new margin stabilization program inspired by the AgriStability model to address financial losses due to COVID-19 experienced by agricultural food processors, as defined by Agriculture and Agri-Food Canada under the Emergency Processing Fund.

Evaluating the Impacts of the Pandemic and Planning for Future Events

CPMA and our members have been deeply appreciative of the high level of engagement and collaboration the federal government has shown in working with industry during these challenging times. The continuation of this strong working relationship in the months ahead will be critical to the success of Canada's economic recovery and preparation for future events. The fresh produce industry is committed to working with government to help find solutions to mitigate the impact of the outbreak on Canadians and to ensure that Canadian families will be able to continue to put our safe, healthy and nutritious products on their tables throughout this crisis and afterwards.

Over the course of the COVID-19 pandemic, different levels of government, government departments and external groups have undertaken industry surveys to evaluate a variety of factors impacting industry, including absenteeism, PPE needs, financial pressures and other matters. The gathering of this data is undoubtedly important to developing a deeper understanding of the pandemic's impact and effectively planning for future events; it is also critical that its collection be coordinated and appropriately timed in order to facilitate thorough stakeholder participation and avoid imposing additional strain on industry.

It is also important to note that the complexities and unique considerations of the fresh produce sector, related to the nature and perishability of our product as well as time-sensitivity across the supply chain, can often mean that a one-size-fits-all approach will be ineffective, inefficient and impose undue burden on industry. Drawing on the expertise of our sector to develop protocols to evaluate the impact of the COVID-19 pandemic and to make recommendations related to our industry's economic recovery is essential for effective planning.

Recommendation #20: The Government should work with provincial partners and industry to develop a timeline and framework to effectively evaluate the impact of COVID-19 on the food system, and undertake an arms-length review of how the food system managed during the pandemic.

Recommendation #21: The Government should form an Industry-Government Working Group to make recommendations on industry recovery.



Promoting a Strong, Sustainable Canadian Food System

In June 2019, Minister Bibeau announced the creation of a Canadian Food Policy Advisory Council as part of the new Food Policy for Canada. Particularly in light of the lessons of the COVID-19 pandemic, the Canadian Food Policy Advisory Council has the potential to be a unique forum to break down government silos and bring multiple government departments to the table to discuss pressing issues facing the food system in

Canada – from challenges to growth and competitiveness, to climate change, health and food security. A

whole-of-government approach to food, backed by proper funding, is vital to the success of the Food Policy.

The fresh fruit and vegetable sector supports the Food Policy for Canada's commitment to promoting long-term social, cultural, environmental and economic sustainability as we strive to meet the government's target of \$75 billion in agri-food exports by 2025, while also increasing Canadians' consumption of fruits and vegetables and ensuring a healthy environment, now and into the future.

We recognize and applaud the Government's previous efforts to reduce the use of problematic plastics and to address the economic, social and environmental costs of food waste in Canada. These efforts should continue and be integrated into planning for the produce industry's long-term economic recovery, informed and shaped by the experience and lessons learned from the COVID-19 pandemic.

Recommendation #22: The Government should provide ongoing financial support to achieve the targets of the Food Policy for Canada to promote long-term social, environmental and economic sustainability of the Canadian food system and increase Canadians' consumption of safe and nutritious food.

Recommendation #23: To effectively reduce the use of unnecessary and problematic plastics, the Government should work closely with industry to find solutions that are evidence-based, and include a combination of education, innovation, and effective recycling collection within communities across Canada, while also considering the food safety and food security implications of reducing the use of plastics for fresh produce.

Recommendation #24: The Government of Canada should commit funds and resources to support the reduction of food waste across the supply chain, including and building upon the work of the previously announced Food Waste Reduction Challenge.

Conclusion

From the farm gate to the dinner plate, the fruit and vegetable industry is a major contributor to Canada's GDP and job creation from coast to coast. We are also proud to provide Canadians and families around the world with safe, nutritious food products that offer tremendous health benefits.

The economic and market impacts of the COVID-19 pandemic on the fresh produce industry have been substantial and will continue to be so for many months to come. The business challenges our sector has faced to date have demonstrated that we can pivot to meet adversity, but this will not always be the case moving forward.

Costs incurred by the fresh fruit and vegetable industry will continue to be significant, and as Canada moves forward on our economic recovery, Canadians should be prepared to pay more for food, as the sector simply cannot absorb any more costs. The Government of Canada has a role to play in ensuring that efforts to promote healthy eating and the wellbeing of Canadians are not hindered by higher food costs and lower levels of disposable income as a result of COVID-19.

As we stated at the outset of this document, the success of the agriculture and agri-food sector, including the fresh fruit and vegetable industry, will be critical to Canada's economic recovery from the COVID-19 pandemic. Our industry has taken a significant leadership role during this crisis and has important contributions to make in supporting recovery in both the short- and long-term.





Property of the Canadian Produce Marketing Association

162 Cleopatra Drive | Ottawa, ON K2G 5X2 | Tel: (+1) 613-226-4187

www.cpma.ca