



April 24, 2020

The Right Honourable Justin Trudeau
Prime Minister of Canada

The Honourable Chrystia Freeland
Deputy Prime Minister of Canada

The Honourable Marie-Claude Bibeau
Minister of Agriculture and Agri-food

The Honourable Bernadette Jordan
Minister of Fisheries, Oceans and the Canadian Coast Guard

Dear Prime Minister, Deputy Prime Minister and Ministers:

We are writing on behalf of Canada's food and beverage sector.

COVID19 has placed unthinkable pressure on all aspects of the country's economic and social infrastructure.

As Canadians, we are fortunate that as the country battles the COVID 19 health care and economic crisis, critical industries like food manufacturing continue to operate, ensuring Canadians have access to essential products.

Canada's food manufacturers are, however, under tremendous strain today as they navigate the rapidly evolving challenges brought on by COVID 19. Manufacturers are, first and foremost, focused on ensuring the health of our workers and the continuity of the food supply in the immediate term. While we focus on the urgent situation, we also recognize the need to start planning for the recovery phase of this crisis. Ensuring the longer-term stability of Canada's food system is as important as managing food supply during these early months of the pandemic.

Below we have laid out our recommendations for how to support industry continuity through two key phases of COVID 19:

- Phase 1: Coping - The period of time concurrent with the present outbreak of the pandemic and related social distancing/emergency measures.
- Phase 2: Recovery - During this period, food and beverage manufacturers will experience a relative calming as the first phase of the health care crisis subsides and as the impact of the economic crisis becomes clearer, providing the opportunity to evaluate the impact of the crisis and the longer-term sustainability of food manufacturers and the food system.

PHASE 1: COPING

Food and beverage manufacturers are facing incredible immediate challenges as they manage the health of their workers and meet the imperative of maintaining Canada's food supply in a continuously and rapidly evolving environment. As the first active phase of the pandemic continues, many food companies will face significant pressures to contract or close their operations due either to liquidity issues, the inability to manage health care considerations or increased worker absenteeism.

In the context of this evolving situation, it is too early to fully understand the risk of company closures. With the pandemic having taken hold in mid-March, most companies will not have even one full calendar month of financial information to review. However some companies are anecdotally reporting the following:

- Revenue declines due to the significant reduction of foodservice sales. Restaurants Canada estimates that 53 percent of restaurants have temporarily closed and that one in 10 restaurants have permanently closed as a result of COVID 19. This has significantly

impacted food and beverage processors with a heavier focus on the food service sector.

- Rising costs related to COVID 19, including: increased absenteeism/labour shortages, hourly wage premiums; enhanced use of personal protective equipment (PPE) and health screening tools; scheduling changes – including staggered shifts and decreased line speeds – to achieve more physical distancing; increased spacing of workers reducing production capacity (and increasing per unit costs); temporary non-structural modifications within plants to protect workers where physical distancing is not possible; increased employee benefits such as child-care subsidies and securing expert consulting services. In the animal protein sector, there is also significant concern regarding the potential need and cost to cull animals should plant closures or slow-downs lead to a reduction in processing capacity. In some food sectors, particularly those under supply management, processors are particularly limited in managing the costs of inputs.

Industry recognizes and appreciates the emergency support programs announced by the federal government to help businesses weather the COVID 19 pandemic. While these programs will benefit many companies, others will not receive the support needed to maintain their operations.

Our immediate-term objective for the coming months is to ensure as many food manufacturers as possible qualify for the COVID 19 financial support programs. If food manufacturers close, there is no guarantee they will reopen when the health and economic crises stabilize. Supporting companies in this immediate term allows us the best chance of ensuring the future sustainability of the food system.

With that, we are making the following recommendations for expanding current support programs to capture more food manufacturers. We understand some of these recommendations may overlap. It is not our intent to create opportunities for duplicate support but, rather, to provide different options to address the urgent and unique circumstances facing our different sectors and regions.

1. Modify the Criteria for the Canada Emergency Wage Subsidy (CEWS) for Food Manufacturers

The CEWS covers 75 percent of an employee's wages – up to \$847 per week – for employers of any size that have suffered a drop in gross revenues of at least 15 percent in March, and 30 percent in April and May. As currently structured, the CEWS will leave some food manufacturers without support because revenue declines will not meet the 15/30 percent threshold and/or rising COVID 19-related costs are not captured by the eligibility criteria. We recommend revising the CEWS criteria for critical infrastructure companies to:

- Provide a sliding scale of support for food manufacturers experiencing revenue reduction of between 15 and 30 percent; and
- Provide an option for food manufacturers to apply for the CEWS based on reductions in net income, thereby capturing those companies impacted by the COVID 19-related costs noted above.

There is also a need to expand the definition of eligible employee under the CEWS to ensure the program is applicable across the food industry. Given historic labour shortages and industry structure, many food companies rely on non-traditional employment models including retaining workers through temporary agencies, contract workers and, in the fish and seafood sector, compensation based on a percentage of the amount of catch rather than a standard salary. It is critical that these workers are also captured by the CEWS to ensure it has the reach and impact intended.

2. Expand Business Risk Management Programs to Include Food and Beverage Manufacturers

Agriculture and Agri-food Canada (AAFC) offers a suite of Business Risk Management (BRM) programs for Canada's agriculture sector to help it weather economic hardship. Currently, these programs are exclusively available to primary producers and do not recognize need across the food system. AAFC currently offers no programs to support the critical food manufacturing sector.

Government intervention to control the spread of COVID 19 has led to unprecedented market disruption and significantly lower selling prices in many sectors. We recommend that, in response, AAFC immediately implement a net income stabilization program to address financial losses experienced by food processors caused by COVID 19. This program should be inspired by the Agri-Stability program offered to the farming community where compensation is provided once the decline in net income surpasses a specific threshold. This would be a temporary food processors net income stabilisation program with the objective of keeping processing plants open and a steady supply of food available to consumers.

For those processors that may not qualify under an Agri-Stability type program, we recommend that an Agri-Recovery framework be available to respond to the extraordinary costs incurred as a result of the Covid 19 outbreak. These costs would include:

- Purchase of PPE and health screening tools;
- Increased unit costs due to reduced productivity;
- Hourly wage premiums and employee bonuses/incentives;
- Increased employee benefits;
- Temporary non-structural modifications within plants to protect workers; and
- Required expert consulting services.

Similar arrangements are also required for the fish and seafood sector which falls outside AAFC's jurisdiction and programs. This could include, for example, modifying the Atlantic Fisheries Fund and similar funds to provide national assistance to facilitate (1) structural modifications to fishing vessels and seafood processing plants resulting from COVID 19, and (2) adaptation of process/packing lines that are currently geared to provide food service packs to produce other pack options. This could be achieved by providing a 75% conditionally repayable loan for all sizes of companies. Given the time it takes to process such applications, consideration should be given to expediting the processing of applications, making eligible costs retroactive to the date of application, and providing cash advances. As well, since not all provinces can contribute their portion at this time, consideration should be given to suspending that requirement and providing national assistance using the federal portion.

3. Expanding the Temporary Foreign Worker Subsidy

The federal government has announced it will provide \$1,500 for each temporary foreign worker entering Canada to off-set the wage costs associated with the required 14-day quarantine period.

This subsidy is not, however, available to Canadian food workers required to quarantine as a result of travel restrictions or contracting or being exposed to COVID 19. The federal government could consider providing an equivalent subsidy of \$1,500 for each critical infrastructure worker required to quarantine for 14-days as a result of contracting or being exposed to COVID 19.

In the fish and seafood sector, fishing vessel crews may also be required to isolate for 14 days upon returning to port in Canada. This is, for example, the case for operators in Nunavut. There, the territorial Government has mandated a 14-day isolation requirement before entering Nunavut, requiring fishing crews to isolate outside of the territory before returning. Companies should be eligible for compensation in these cases.

We strongly encourage the federal government to examine these options and to implement, on an expedited basis, additional measures to support the continued sustainability of the foods system.

PHASE 2: RECOVERY AND LONG-TERM SUSTAINABILITY

As we focus our efforts on managing COVID 19 in the immediate term, it is also imperative that we start to plan for the recovery phase of this crisis so we can ensure the long-term sustainability of Canada's food system.

We strongly recommend that industry and government prepare for the recovery phase by undertaking the following:

1. Begin Building a Plan for Industry Recovery

At some point, perhaps this fall, the food system will experience a relative calming as the health care crisis comes under control.

In this recovery phase, we believe food demand patterns will begin to stabilize as food service sales increase, input supplies will become more available and the risk of the virus to food workers will greatly reduce. At this point, food manufacturers will be better positioned to retroactively examine the impact of the crisis and to evaluate their future economic viability. This will allow us to better understand the full impact of the COVID 19 crisis on food companies and on the food system.

It is not too soon to prepare for recovery.

We strongly encourage the federal and provincial governments to work with industry and begin developing a plan for the recovery of the food sector. This work should be undertaken by a newly formed federal-provincial-industry Working Group tasked with:

- Evaluating the state of the food system in the aftermath of the first wave of the pandemic.
- Identifying key issues and considerations facing the food system during the recovery phase – including health considerations, the overlay of regulatory obligations, supply chain issues, etc.
- Determining what measures (e.g. social distancing, barriers, PPE) industry will need to manage, and how, in the new world of COVID 19.
- Creating recommendations on how to manage on-going potential disruptions to the food supply.
- Developing a consistent framework for evaluating the impact of COVID 19. This would ensure a consistent program of data collection and analysis across industry and governments and allow for a coordinated and shared approach to evaluating the impact of COVID 19 on the food supply chain.

2. Undertake an Arms-Length Review of How the Food System Managed in COVID-19

We must also learn from our recent experiences to strengthen the food system in the long-term. In supporting Canada's food system, the main focus of federal and most provincial governments has historically been primary agriculture. This situation is not new, but COVID 19 has confirmed that it is no longer sustainable.

Canada's food system is a complex set of industries that includes primary production (to include agriculture, aquaculture, and wild-capture), equipment manufacturing, packaging, food manufacturing, distribution, retail and others. Ensuring Canadians, and indeed global customers, have the food they need requires that all parts of this system work, and that they work together. The early weeks of this crisis have revealed the critical need to enhance understanding of how the entire food system functions.


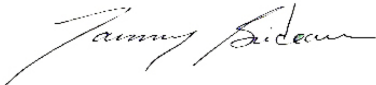
As industry, we see an opportunity to learn from this experience and, by examining what unfolded during the pandemic, ensure that a better and stronger food system emerges. We encourage federal and provincial governments to begin this work with an arms-length review of how the food system managed in COVID 19. This review should examine questions such as:



- What public resources – including regulatory, policy and program – are currently focused on the food system (and on which parts) and where are there gaps?
- How should governments structure their resources to ensure there is appropriate and adequate leadership, as well as policy and program capacity to support the entire food system?
- How do federal and provincial governments, and different government departments, coordinate their policy analysis and resources?
- How do governments and industry work together as partners to further economic and food security goals?
- How do we balance our enhanced food security objectives with Canada's role and opportunities as a food exporter?

This review should incorporate feedback from industry. It should also build on the work of the Agri-food Economic Strategy Table whose 2018 report was itself focused on the food sector's contributions to the Canadian economy.

We appreciate the opportunity to share our views with you. Industry has played a significant leadership role in ensuring the continuity of Canada's food supply during COVID 19. We hope to partner our leadership and knowledge with yours to ensure a strong and resilient food system for all Canadians.

Regards,

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Tammy Brideau, Executive Director Food & Beverage Atlantic	

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