

Improving regulatory processes to support the growth of Agribusiness

Current federal legislation does not allow for meat, poultry, eggs, dairy products, fruits and vegetables to cross provincial/territorial borders, or to be exported out of Canada unless these products are processed in a federally licensed facility. The new *Safe Food for Canadians Act* will expand this to include all foods shipped out of each province/territory. The Canadian government claims that this is required to ensure that Canada fulfills its commitments under current world trade agreements. The *Safe Foods for Canada Action Plan* presents an opportunity to not only improve food safety in Canada but to improve the environment in which food processors in Canada operate within.

Currently, implementation of Canadian Food Inspection Agency (CFIA) regulations and licensing requirements is cost prohibitive to many small to mid-sized processors, and therefore constitute a major barrier to interprovincial/territorial and international trade, particularly for Small and Medium Enterprises (SMEs). Furthermore the processor's share of these costs is excessive when compared to costs incurred by their competitors for similar services in other jurisdictions, notably in the USA. This places Canadian processors at a potential disadvantage to some domestic and foreign competitors.

SMEs advise that current CFIA food safety regulations are outdated and need to be revised to remove unnecessary regulations that lack adequate scientific validation of enhancing food safety outcomes, but constitute significant impediments to sound business interests. CFIA inspection and testing services have inadequate capacity and prevent significant volumes of trade from occurring. There is also a need to minimize duplication of administration costs between provincial/territorial and federal regulators.

Facility construction requirements, along with steep inspection, licensing and testing fees all constitute major obstacles for processors that want to trade interprovincially or internationally. Unified provincial/territorial standards and regulations, with increased accessibility to federal licensing would be of significant financial benefit to small and medium sized processors that want to increase their business through interprovincial/territorial or international trade. Easy to implement, cost-competitive, and uniform food safety standards and regulations, for both interprovincial/territorial and export markets, are required, without compromising food safety standards.

With the current CFIA modernization in progress under the *Safe Food for Canadians Act* (SFCA), it is important to protect the competitive advantage of Canadian businesses by reducing these barriers to trade and business growth opportunities. This is especially important with the impending impact of the *Comprehensive Economic and Trade Agreement* (CETA) that will put Canadian and European processors in direct competition.

Canadian processors trading interprovincially/territorially or internationally operate at a disadvantage to international competitors. For example, the United States Department of Agriculture Food Safety and Inspection Service (USDA FSIS) does not levy licensing and inspection fees on their food processing plants (up to the first 40 hours per week¹.) As a comparison, the Province of Alberta charges \$4 per hour for the first 7.25 hours per day². CFIA inspection stations cost from \$9,855 per year for one red meat station to \$16,218 per year for a poultry station. If an abattoir is processing more than 25 cattle/hogs per hour or 28 birds per minute, they must purchase an additional table. There is also the requirement to pay for inspection fees and various tests for Listeria, Salmonella, and E.Coli.

Before food products are imported into Canada, the CFIA conducts an initial inspection of the processing plant from which these products originated, and then conducts random inspections of the imported products. This same *oversight and outcome-based approach* should be applied to all interprovincial/territorial and international trade.

Interprovincial/territorial trade of agriculture and food products comprises a major portion of the Canadian agri-food business. "From 2000 to 2005, interprovincial exports of agricultural and food products were higher than

¹ United States Department of Agriculture. (2013). *Applying for a Grant: General Information*. Retrieved from http://www.fsis.usda.gov/wps/wcm/connect/01ede099-849e-4ed5-bb9b-f6759b0d5487/Grant_of_Inspection.pdf?MOD=AJPERES on Jan 3, 2014.

² Province of Alberta, *Meat Inspection Act 2009*. Web. 3 Jan 2014. http://www.qp.alberta.ca/1266.cfm?page=2009_116.cfm&leg_type=Regs&isbncln=9780779740383

Canada's agri-food exports to the United States. Interprovincial exports of agri-food products rose by 20% during this period, increasing from \$21 billion to \$25 billion in value. During this period, the value of agri-food exports to the United States was between \$16 billion and \$20 billion.³

While the exact cost of interprovincial/territorial trade barriers caused by differing food regulations is not known, the Canadian Chamber of Commerce estimates that internal barriers to trade cost the Canadian economy up to \$14 billion each year⁴. While much of this loss can be attributed to the limited potential customer base, there is also a 55% overlap of administrative and regulatory service between Canada and Alberta⁵.

Despite numerous efforts to reduce interprovincial/territorial trade barriers such as the *Agreement on Internal Trade* (AIT) and regional trade agreements such as the *New West Partnership Trade Agreement* (NWPTA), the *Atlantic Procurement Agreement* (APA), the *British Columbia – Alberta Trade, Investment, and Labour Mobility Agreement* (TILMA), and the *Agreement on the Opening of Public Procurement for Ontario and Quebec* (AOPPOQ), the problems persist and are an obstacle to the growth and profitability of Canadian businesses.

Recommendation

That the federal government work collaboratively with provincial/territorial and federal inspection agencies to effect positive changes to food safety outcome inspections, enabling processors to compete more efficiently in both domestic and international markets:

1. To support a single industry food-safety outcome that can be implemented with consistency and cost-effectiveness across Canada by the provinces/territories, with each provincial/territorial regulator subject to Canadian Food Inspection Agency oversight.
2. The food safety regulations need to be reviewed for relevancy and modified/broadened if current criteria are unnecessarily restrictive and insensitive to sound business interests.
3. The implementation must be consistent and cost-effective throughout the food distribution chain, without compromising Canada's reputation for high food safety standards.
4. To encourage the Canadian Food Inspection Agency and provincial/territorial agencies to shift away from a rules-based regulatory regime to an outcomes-based food safety discipline.
5. Reassess inspection and regulatory costs and how they are allocated, to enable processors to trade across provincial or national borders, without being at a competitive disadvantage.

³ Aïcha L Coulibaly. "Does the Agreement on Internal Trade Do Enough to Liberalize Canada's Domestic Trade in Agri-food Products." *Library of Parliament*. 26 August 2010. Publication No. 2010-25E

⁴ Canadian Chamber of Commerce. (2013). *Internal Barriers to Trade*. Retrieved from <http://www.chamber.ca/advocacy/top-10-barriers-to-competitiveness/internal-barriers-to-trade/> on Jan 8, 2014.

⁵ Parsons, Graham. 1996. *The Distant Realities of Free Trade in Canada*. Calgary: Canada West Foundation.