



COVID-19 Coping and Recovery for the Food and Beverage Manufacturing Industry in Canada

COVID-19 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 workers and the continuity of the food supply in the immediate term. While industry focuses on the urgent situation, it is also recognized that there is a 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.

Phase 1 - Supporting the Industry Through the Coping Phase

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 childcare 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.

The emergency support programs announced by the federal government to help businesses weather the COVID-19 pandemic are appreciated. While these programs will benefit many companies, others will not receive the support needed to maintain their operations.

It is imperative over the coming months that as many food manufacturers as possible qualify for 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 the best chance of ensuring the future sustainability of the food system.

Recommendations for Expanding Current Support Programs

1. Modify the criteria for the Canada Emergency Wage Subsidy for food manufacturers
2. Expand Business Risk Management Programs to include food and beverage manufacturers
3. Expand the Temporary Foreign Worker Subsidy

Phase 2 – Recovery and Long-Term Sustainability

As efforts are focused on managing COVID-19 in the immediate term, it is also imperative that industry plan for the recovery phase to ensure the long-term sustainability of Canada's food system.

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, food demand patterns will likely 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 all stakeholders to better understand the full impact of the COVID-19 crisis on food companies and on the food system.

Federal and provincial governments should work with industry now 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

Stakeholders must also learn from 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.

Stakeholders have an opportunity to learn from this experience and, by examining what unfolded during the pandemic, ensure that a better and stronger food system emerges. Federal and provincial governments should 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 does industry balance 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 Agrifood Economic Strategy Table whose 2018 report was itself focused on the food sector's contributions to the Canadian economy.