



# Understanding Canada’s food and beverage manufacturing sector has never been so important

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The COVID-19 pandemic has magnified the importance and fragility of Canada’s food supply.

Food and beverage processing is the largest manufacturing sector in the country. It includes over 7,000 companies employing close to 300,000 workers and producing \$118 billion in products every year. Despite the significance of this industry to food security and the national economy, there are virtually no federal resources focused on this important sector. This situation is not new, but COVID-19 has confirmed that it is no longer sustainable

Throughout COVID-19, food and beverage manufacturers have continued to operate so that Canadians can eat. Doing so has required companies to go to extraordinary lengths to keep their workers safe — implementing measures we estimate cost more than \$800 million. This includes costs related to:

- Increasing the use of personal protective equipment such as masks
- Introducing health screening tools like thermal imaging cameras
- Building temporary non-structural barriers such as plexiglass screens
- Slowing down production lines and staggering shifts

Despite these additional costs, food and beverage companies have received almost no support from the federal government. Most food and beverage manufacturers will not qualify for COVID-19 emergency support. Programs like the Canadian Emergency Wage Subsidy are based on revenue losses — for many in our industry, revenues have not fallen but costs have soared.

It is also nearly impossible for food and beverage manufacturers to pass on new costs. Canada’s retail sector is highly concentrated, creating an imbalance of negotiating power that is challenging, particularly for small and mid-sized companies.

And the Prime Minister’s recent announcement of \$77.5 million for an Emergency Processing Fund will not go far to help industry face growing liquidity pressures. The Emergency Processing Fund is a limited cost-sharing program, some of it repayable, focused on a suite of initiatives to increase production capacity. The funding will provide some support but is unlikely to assist with the broad challenges most food and beverage companies are facing. Some companies will simply not be able to rebound.

In April, a group of food and beverage associations, including Food and Beverage Canada – Aliments et boisson Canada, wrote to the Prime Minister and the federal Minister of Agriculture and Agri-Food Canada highlighting concerns around the

cost pressures facing our industry, and recommending amendments to existing support programs to help companies weather COVID-19. Industry has yet to receive a response.

This is not a “short term” problem. COVID-19 has presented a new normal of extraordinary cost pressures and industry restructuring facing Canada’s largest manufacturing sector. In 2018, the federal government’s Agri-Food Economic Strategy Table called on food and beverage processing to increase both domestic production and exports. In the face of COVID-19, these goals will be a challenge to achieve.

It is understood that government can’t pay for everything, but serious consideration must be given to expanding existing emergency support programs, so they are available to food and beverage manufacturers. It is critical that our sector work together to ensure we have the federal leadership and support needed to succeed. 🍎

