

FACT SHEET

SMARTER REGULATIONS OF FOODS IN CANADA

The ability to introduce innovative products drives the growth of the food industry in Canada. Canada's current regulatory environment has not kept pace with the burgeoning demands for innovation in the marketplace.

The food industry needs a regulatory environment that will create opportunity both economically for manufacturers, as well as for consumers who are looking to food for disease prevention and as an alternative health therapy.

Some of the regulatory challenges the Canadian food industry faces include:

1) Approval times routinely take three to five years because of a cumbersome system for regulatory change. Some approvals never happen at all.

- The window of opportunity for product innovation is six months to two years.
- Competitors in other markets, such as U.S. and Europe, are able to bring products to market faster.
- As a result, Canadian companies lag behind in critical areas such as R&D, productivity, and job growth.

2) Small regulatory differences between Canada and our largest trading partner prevent Canadian-based companies from competing for North American product mandates. Some examples include:

- Popcorn flavoured with cheddar cheese has 53% cheese in the flavouring in the U.S. versus 49% in Canada.
- Breakfast cereals in the U.S. are fortified with vitamins and minerals at slightly higher levels than in Canada.
- Personal care products containing SPF are treated as a consumer product in the U.S., but as a drug in Canada requiring increased inspection and quarantine.
- Foods can be labelled as trans fat free if they contain less than 0.2 grams of trans fat in Canada versus less than 0.5 grams in the U.S.

3) Lack of capacity and responsiveness within Health Canada means that proactive policies, such as food fortification and health claims, take years to be addressed.

- For example, the food industry has been waiting for discretionary fortification regulations for almost a decade. The cost of delay amounts to approximately \$4 billion over 10 years in lost opportunity for the beverage industry alone.
- Food fortification is currently very restrictive. In Canada, fortified juice is only allowed on the market as a drug or through regulatory exemption.
- Regulations also restrict industry's ability to communicate information to Canadians about the health benefits of food products. Consumers in the U.S. have access to 15 health claims, while Canadians have access to five. Health claims in Canada were introduced 10 years after the U.S. approved its first claim.

4) Regulation is a very significant determinant of economic performance and competitiveness. The food industry's key economic indicators show some troubling trends.

- Investment in the food sector lags behind manufacturing as a whole.

- Capital intensity is lagging at \$54K of capital stock for every food industry employee versus \$85K for employees in manufacturing as a whole.
- Labour productivity is also down.
- Profit margins stand at 2%, the lowest since 1997. In 2005, the Conference Board of Canada is projecting that the industry will ring in a 30% decline in profits.

(Source: Conference Board of Canada, Winter 2006 Food Industry Report)

The federal government's Smart Regulation initiative is a very promising start in the right direction.

The objective of this initiative is to modernize Canada's regulatory framework to respond to today's needs. There is now a new draft directive that can serve as a guide for federal departments to develop regulations.

The directive spells out some important points from a food industry perspective:

- lifecycle management and performance measurement of regulation to help promote effectiveness and drive continuous improvement, including mandated reviews of regulations to ensure they are still meeting intended objectives and whether those objectives are still valid from a public policy perspective;
- the need to reduce the complexity of the regulatory system and improve policy coherence among departments and Canadian jurisdictions;
- acceptance of the need to adopt international standards or guidelines when they meet Canadian policy objectives;
- a commitment to put in place processes to effectively implement regulatory programs—including timelines for decision-making and clear guidelines for meeting the requirements of the regulator for approvals;
- emphasis on the need for decision-making to be informed by the best available knowledge—including the use of international science;
- encouragement to seek independent reviews of risk assessments and consideration of using independent scientific advisory boards for review in order to enhance the capacity of Health Canada so it is not wholly dependent on scarce internal resources; and
- requirement to assess multiple options, both regulatory and non-regulatory, to arrive at the appropriate mix of instruments.

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The Food & Consumer Products of Canada (FCPC) is the largest industry association representing Canadian-operated food and consumer product companies that make and market retailer and national brands sold through retail and foodservice outlets. In 2004, the industry employed 350,000 Canadians across the country, making it the largest employer in the Canadian manufacturing sector, and generated \$22.5 billion annually in GDP (12.4% of the Manufacturing Gross Domestic Product). On an annual basis, the industry donates an estimated \$33 million to charitable causes and over 5 million bags of groceries to food banks in Canada. The industry has a record of embracing world-class regulatory standards and is governed by 442 federal and provincial pieces of legislation, as well as thousands of regulations and self-imposed standards.

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