



**Canadian
Manufacturers &
Exporters**

**Manufacturiers et
Exportateurs du
Canada**

**Senate Standing Committee on Agriculture and Forestry
Thursday, April 19, 2018
9:00am – 10:00am
Room 2, Victoria Building, 140 Wellington Street, Ottawa, Ontario**

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Good Morning. Thank you for inviting me to speak on behalf of Canada's 90,000 manufacturers and exporters and our association's 2,500 direct members to discuss how the value-added food sector can be more competitive in global markets.

Manufacturing is the single largest business sector in Canada. The manufacturing industry's contribution is critical for the wealth generation that sustains the standard of living of every Canadian. The industry accounts for 11% of Canada's total economic output, while employing over 1.7 million Canadians directly in good high paying jobs.

Value-added food processing is one of Canada's largest and most important manufacturing sub-sectors reaching a record total output of \$103 billion in 2017. The sector makes up 15% of all manufacturing activity in the country and employs more than 227,000 Canadians.

The value-added food industry is not only an important economic sector, but one which CME thinks has tremendous untapped potential.

In 2016 I had the opportunity to consult with roughly 1,200 manufacturing executives about the future of the sector and opportunities for growth. This initiative was dubbed Industrie 2030 and our goal is to double manufacturing output and value-added exports by 2030. To achieve this we examined a range of policy issues that would impact investment, R&D, growth and scale up of all manufacturers across the country. We also looked at specific sectors, those sectors with untapped potential that can and must be harnessed to meet our objectives. Canada's agri-food manufacturing sector was one of those sectors that stood out above almost all others for potential.

The reason is simple really. Canada for generations has been an agri-food powerhouse. We started out as a country supplying fish and other natural resources. We became the bread basket of the Empire. We even turned into the largest suppliers of alcohol to a prohibition era United States. And today, Canadian companies have built global brands supplying everything from French fries to meat products to pulses.

But so much more can and should be done. We believe Canada is only scratching the surface of what is possible for two critical reasons.

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First, the sector has historically underinvested in technology and productivity and has the potential for greater growth if we can drive greater investment. Today, food processing is one of Canada's fastest-growing manufacturing sub-sectors. In the last five years, the value-added food processing sector has grown by 21% – twice as fast as the entire manufacturing sector. This growth happened despite machinery and equipment spending in the food processing sector peaking in 2014, and declining ever since, much like the rest of the manufacturing industry. We need to reverse this investment slide.

Furthermore, the sector today is at capacity with little room for addition growth. In manufacturing terms, max capacity of a facility is roughly 80% – with the excess time needed for repairs, maintenance, and product changes. Today, Canada's value-added food sector is running at over 88% capacity, which directly limits and constrains growth. Simply put, without new investment in capacity, there is no room for growth, and this holds back Canada's potential.

The second issue is more focused on the domestic nature of the business and opportunities for growth internationally. Unlike many other sectors in manufacturing, food manufacturers tend to produce and sell to a domestic consumer base, and there are much greater markets globally where Canada can succeed and expand. While value-added food exports have roughly doubled in value over the last decade, there is much more room for growth. By comparison, Canada's auto sector accounts for roughly 15% of all manufacturing output and 22% of all value-added exports, while the agri-food sector also accounts for about 15% of all output but only 9% of value-added exports. So the sector is roughly the same size and scale of Canada's auto sector, but exports less than 40% of their total.

Canada is known internationally as a source of high quality and safe food products and we should and must capitalize on this reputation to expand global sales and growth at home. This is especially true at a time when emerging markets are rapidly growing their middle classes and are looking for exactly the products Canadian companies can offer to global customers.

These twin challenges can be significant opportunities for Canada and our food manufacturing sector. But to capitalize on them, we need government to act and support that growth. Specifically, we think there are 3 core areas for government to focus its attention:

1. Create a competitive business environment that reduces the cost of doing business and encourage growth and production through tax and regulatory reform to ensure efforts and actions are in line with comparative jurisdictions.
2. Introduce globally-competitive investment support programs to assist companies with plant expansion, technology adoption, and product innovation and commercialization, including an expanded Accelerated Capital Cost Allowance program to support investment.
3. Support international expansion by creating export readiness programs for SME's; the introduction of a private sector-controlled export concierge program to link SMEs into government services; introducing an export tax credit for companies who are actively growing exports; developing a "Made in Canada" promotion campaign for use at home and abroad; and focusing free trade agreements and related support programs on agri-food exports.

While these policy supports are critical to drive growth in Canada's food manufacturing sector and meet our Industrie 2030 objective of doubling manufacturing output, we believe more can and should be achieved. More strategically, we believe that Canada has the potential to be a food manufacturing super-power. One that is driven by innovation at home and can provide world class products to customers all over the world. We have the resources and capabilities that almost all other countries can only dream of. We should be aiming for this goal and we hope the work of this Committee will help set us down this path.

Thank you. I look forward to your questions.