



Fresh Thinking for a Competitive Canada

Product of Canada Labelling Regulations

**Presented to the
House of Commons Standing Committee
on Agriculture and Agri-Food
Product of Canada Labelling
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The Canadian Horticultural Council

The Canadian Horticultural Council (CHC) is a voluntary, not-for-profit, national association with a long history of representing the dynamic and diverse sector of Canadian agriculture known as horticulture. The CHC has been committed to promoting the interests of its members since 1922.

The CHC's mission is an unwavering commitment to advance the growth and economic viability of horticulture by encouraging cooperation and understanding to build national consensus on key issues, thereby delivering unified and clear representation to governments and other national and international parties.

Across Canada, the CHC's members are primarily involved in the production, packing and processing of over 120 horticultural crops comprised of fruit and vegetable crops.

Members include provincial and national horticultural commodity organizations representing more than 25,000 producers in Canada, as well as allied and service organizations, provincial governments and individual producers.

Canada's Horticultural Industry

Horticulture is a highly diversified agricultural production, encompassing in excess of 120 species and sub-species of fruits, vegetables and herbs.

The Canadian horticultural sector is one of Canada's largest agri-food industries. For example, Canadians spend more than \$14 billion on fruit and vegetable products in retail food stores, which accounts for 25% of all retail food expenditures. This is before considering expenditures on Canadian wines of at least a half a billion dollars, the more than \$3 billion of horticultural products purchased by Canada's food service sector, consumer expenditures on floricultural and nursery products in many market channels, and the \$3 billion in exports of horticultural products.

Horticulture is one of the larger production sectors, with over \$5 billion in cash receipts and is the major source of cash receipts in British Columbia and Prince Edward Island, and accounts for more than one-half of crop receipts in all provinces outside of the prairies. As in all farm sectors, the horticulture sector has been affected by globalization, strengthening of the Canadian dollar, increasing regulatory costs, and concentration at each end of supply chain.

With consumer expenditures of \$7.8 billion, produce represents 13.7% of food expenditures at food retailers, which is based on 6.9% for fruit and 6.8% for vegetables. In comparison, the average US consumer spent 3.8% of their food dollar at food retail outlets on fresh vegetables and 3.9% on fresh fruits. The total produce expenditures of 7.7% in the United States underscore the higher per capita fresh fruit consumption in Canada.

Processed fruit and vegetable expenditures of \$6.6 billion accounted for the other 11.6% of retail food expenditures in 2004. This includes a range of products; from juices to canned products, to condiments; and to snack products such as fruit snacks and potato chips.

It is important to note that when it comes to fresh fruit and vegetables, \$3 of every \$4 dollars we as Canadians spend are for imported product.

At Issue

A key challenge, and in fact disadvantage, we face is the inability of our consumers to know with certainty they are purchasing and supporting our Canadian grown products. We rely on a number of regulations administered by the Canadian Food Inspection in order to engage in commerce. The regulations governing the definition of "Product of Canada" are over 40 years old, dating back to the early 1970s, and there is a clear need to revisit and amend these regulations.

The Canadian Horticultural Council has identified this need as a priority for some time now. However it was not until the attention brought on by the unfortunate 2007 pet food incident which combined with food safety incidents that we witnessed a heightened and broader awareness of these concerns. These incidents truly served as a call to action and it is indeed now time to review the criteria linked to "Product of Canada" labeling.

Furthermore, last fall CBC Marketplace presented an exposé on Product of Canada. While numerous examples were presented and consumers interviewed perhaps the most revealing was a jar of garlic bearing the name Canada Garlic, labelled Product of Canada which, upon investigation, was found to include no Canadian garlic. While this is permitted under current regulations, the result is confusion for the general public and a disservice to Canadian producers. Consumers have a right to distinguish and support Canadian production, but must be in a position to do so.

The present definition of "Product of Canada" is obsolete and leads to confusion as to the real origin of products identified with this designation. Under current regulations, a product may be labelled "Product of Canada" if 51% of the total cost of producing the product is incurred in Canada. The result is that a multitude of products containing imported raw material may be labelled as "Product of Canada" even though they may be simply processed and sometimes only packaged in Canada.

We believe and ask that the criteria for an item to bear the "Product of Canada" designation be amended such that the significant portion of the content of a product is indeed grown in Canada.

Canadian farmers proudly produce our fruit and vegetable crops using Environmental Farm Plans, On-Farm Food Safety Programs and in accordance with a myriad of other federal, provincial and municipal regulations. They must be recognized and rewarded for this.

Certainly we recognize there are differences when referring to a fresh product, such as an apple, a peach or potatoes. Whether in bulk and bearing a sticker or packaged, one is generally able to readily determine the origin. It can be more of a challenge when it comes to processed products. Lack of clarity, confusion and inconsistency are very much the norm. Furthermore, it is unacceptable for products to only indicate “Packaged for” or “Imported for”.

I must acknowledge that we need, value, and support our processors and have no desire to see them placed at a competitive disadvantage by changes that may come about. In fact, change must provide benefits to them as well, including opportunities to proudly distinguish premium Canadian products. We believe there are means to accomplish this. The value our processors add to the sector, our rural economies and the economy must not be compromised. We value the innovation and diversification they bring to us. We collaborate and work closely with processors wherever possible. Canada needs their investment, expertise and technology. All of this is integral to Canada’s food security both today and even more importantly for the future.

Unfortunately over the past two years, we have witnessed the closure of a number of processing facilities:

Québec:

- Kraft, cucumber plant in Ste-Thérèse (January 2005)
- CanGro (previously Kraft), bean plant in Chambly (December 2006)
- Smucker Foods (Bick’s), cucumber receiving and brining plant in St-Bonaventure (March 2006)

Ontario:

- CanGro, processing facility for peaches, pears St. Davids (April 2008)

These are the most recent. Sadly there have been many others and we fear the company’s plant (CanGro) which cans peas, sweet corn and other vegetables in Exeter (ON), may also close. The CanGro facility in St. Davids was the only remaining North American fruit canning plant east of the Rockies.

Suggested Government Action – Labelling and Advertising Claims

In addition to the above-noted recommendations for change we strongly further recommend a consumer awareness and education initiative focused on identifying Canadian products, the healthy attributes of fruit and vegetables and the importance in linking these foods to overall health. The Government of Canada has developed and implemented a promising Brand Canada campaign and suite of advertising materials. This program should have tremendous application within our borders and be utilized. No doubt we all recall the phenomenal success of the “I am Canadian” beverage campaign a few years ago. Imagine the possibilities if this type of recognition and enthusiasm could be translated to our Canadian-grown agricultural products.

Government action can support this further by allowing for health and wellness benefit statements on product labels and packaging. Such action will increase consumer demand for all fruit and vegetable products, whether fresh, processed. We have an inherent capital in our industry which has the potential to mitigate many of the health and wellness challenges society faces today and well as the very real and ever increasing threats to our health care system. The Horticultural Value Chain Roundtable has developed a number of recommendations, including nutrition program pilots and government procurement programs which should be considered very seriously and implemented. We would appreciate an opportunity to come before you at another time to pursue this in greater detail.

Summary

Again, proposed changes to the labeling regime are not intended to in any way diminish the economic contribution the Canadian processors who process or package products containing imported raw materials. We are of the opinion that these products should be labeled “Prepared in Canada” or “Packaged in Canada”, but not “Product of Canada.”

Consumers need to be provided with appropriate information and thus the knowledge to make choices and we look to you to support change. To respond to consumers’ requests for credible and accurate information on the actual origin of the products they buy and consume, we ask the federal government to implement change with respect to labelling rules concerning the origin and grade of products so that, from now on the following designations mean:

“Product of Canada”	reserved for products for which the raw product has been grown and processed in Canada
“Prepared in Canada” or Packaged in Canada”	reserved to define products for which the raw product comes from outside Canada, but has been prepared or packaged in Canada. These products should also indicate the origin of the raw product.
“Canada Fancy” and other Canada grades	reserved exclusively for products that meet the redefined requirements of “Product of Canada.” For all other products, a “Grade” designation should be applied.

As you continue to study this issue, it is timely to also look at issues related to statements which may, and may not be made relating to the known health benefits inherent in the fruit and vegetable crops we produce.

Change will provide opportunities for the sector. We are proposing solutions and seeking support which can provide a much needed boost to farmers, benefits to all Canadians and which do not call on the treasury.

In closing, let’s not lose sight of the fact that:

- Horticulture is One of Canada’s Largest Agri-Food Industries
- Horticulture Generates a Stronger Canadian Economy
- Horticulture is an Entrepreneurial Advantage for Rural Canada

- Horticulture Delivers on Consumer Demands
- Horticulture Contributes to the Health and Well-Being of Canadians
- Horticulture Presents Tremendous Opportunity for Canadian Growth
- Horticulture Contributes to Canada's Environmental Protection Agenda

APPENDIX

Fact Sheet:

'Product of Canada' Labelling Regulations

Background

- Does 'Product of Canada' mean the contents were actually grown, harvested and processed right here at home? Most likely, not. Under current regulations, the "Product of Canada" label can be used as long as 51% of the production costs are borne in Canada.
- For example, a fruit juice concentrate can be imported into Canada, mixed with water at a Canadian bottling plant, and then stamped with the 'Product of Canada' label.
- Furthermore, the use of Canada No. 1 is a grade designation and not an indication of country of origin. This also is misleading.

Recent Activity

- Consumers are sounding the alarm on misleading labelling as it relates to the 'Product of Canada' designation.
- Concerns have increased following recent health scares related to products imported from China. Today, for example, Canada imports fruit and other agricultural products from China, which can be re-packaged or further processed, and then affixed with a 'Product of Canada' label.
- In June 2007 the Standing Committee on Agriculture and Agri-Food released its report on "Canada's New Agriculture and Agri-food Policy" in which there is an acknowledgement that the present regulations around 'Product of Canada' designation may mislead consumers. The committee recommended that the government immediately review its labelling legislation and regulations with the goal of implementing a minimum 51% domestic agri-food content rule that would provide better protection for the integrity of the 'Product of Canada' designation.

Canadian Horticultural Council Position

- Canada's horticultural producers believe in fairness, both for producers and consumers.
- The Canadian Horticultural Council (CHC) maintains that the "Product of Canada" label should actually reflect what's inside.
- Canada has a reputation for food safety and quality that is second to none in the world. Both Canadian industry and consumers deserve assurances that the government will proactively address the lack of clarity around the 'Product of Canada' designation.
- Consumer demand for local product continues to increase, but they are unable to make knowledgeable food choices under the present 'Product of Canada' designation.
- Canadian horticultural producers are proudly working to compete in this global market, and the present state of the 'Product of Canada' designation gives the advantage to our international competitors not our own Canadian producers.

Ask of the Federal Government

- The CHC, on behalf of horticultural producers across the country, seeks action on the part of the federal government to immediately initiate regulatory changes that would

ensure that only domestically-grown, harvested, and processed food can bear the 'Product of Canada' label.

- The CHC, on behalf of horticultural producers across the country, asks that the government also proactively increase awareness amongst Canadian consumers on the definition of the 'Product of Canada' designation.
- The CHC, on behalf of horticultural producers across the country, further asks that the government to implement a requirement that a product bearing a Canada No. 1 grade designation must be followed or preceded by a statement related to the country of origin.



2 Orange Juices and 1 Apple Juice
Each one is made by the same company

Different labels



“Product of Canada”
“Prepared under license by”



“Prepared in Canada”
Note: no origin



“Product of Canada”
“Prepared by”

“Processed in Canada”



Product of ? – No designation



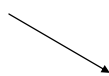
Different companies,
each one selling the same product on the same shelf...



...completely different labels



“Product of Canada”



No designation other than “Prepared for”



Product of Canada?



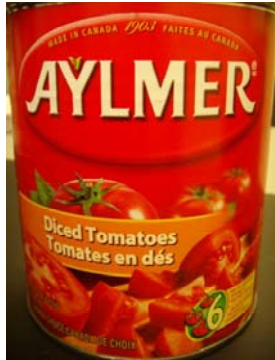
Ingredients include Pineapple

Product of Canada

Product of U.S.A.



“Made in Canada”



“Product of Canada”



No designation other than “Prepared under license”



“Product of Canada”

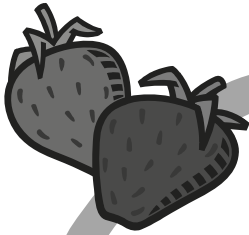




- Prepared by ?
- Processed by ?
- Packaged by ?
- Product of ?

Canada's Horticultural Industry: Did you know?

- ✓ Horticulture is one of Canada's largest agriculture sectors, accounting for 38% of farm cash receipts for all crops produced in Canada.
- ✓ While Ontario, Québec and British Columbia account for 78% of production, commercial horticulture exists in every province.
- ✓ While grain farmers in every province have crop insurance for all of their crops, horticultural producers only have limited coverage.



- ✓ Overall, the production, packing and processing of Canadian horticulture crops generates \$29 billion in economic activity yearly, and contributes \$5.8 billion in tax revenues for all three levels of government.
- ✓ The horticultural sector employs more than 200,000 people, including thousands of foreign workers under the Government of Canada's Seasonal Agricultural Worker Program (SAWP). Under SAWP, farmers are responsible for government-mandated wages and benefits, including travel and airfare. These wages and benefits may represent close to 50% of farmers' cost of production.
- ✓ Horticulture delivers on Canadians' demands for healthy food choices. As reinforced by the new *Canada Food Guide to Healthy Eating*, fruits and vegetables are a key component of a healthy and complete diet.
- ✓ Canadians spend more than \$14 billion a year on fruit and vegetable products. But for every \$3 spent, only \$1 of that is spent on a product actually grown in Canada.
- ✓ A "Product of Canada" is not always what it seems. Under current regulations, the Product of Canada label can be used as long as 51% of the production costs are borne in Canada. This means that a fruit juice concentrate can be imported, mixed with water at a Canadian bottling plant and then stamped with the Product of Canada label.



For more information and ***Fresh Thinking*** on Canada's Horticultural Industry please be sure to visit:

<http://www.hortcouncil.ca>



CHC / CCH

**Canadian Horticultural Council
Conseil canadien de l'horticulture**