



**National Farmers Union
Submission to the House of Commons
Standing Committee on Agriculture and Agri-Food
on “Product of Canada” Food Labelling**

**Ottawa, Ontario
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Introduction

The National Farmers Union (NFU) welcomes this opportunity to address the House of Commons Standing Committee on Agriculture and Agri-Food on the subject of “Product of Canada” food labelling.

The National Farmers Union was founded in 1969 and is the only farm organization in Canada chartered under a special Act of Parliament. The NFU is a Canada-wide, non-partisan, direct-membership organization composed of thousands of family farmers who produce a wide range of commodities. We advocate policies which strengthen farmers’ market power – thereby leading to higher realized net farm incomes. We also promote sustainable agricultural practices, protection of the environment and social justice.

Clarity, breadth and depth needed in food product labelling

While the criteria required for labelling food in Canada is extensive and detailed compared to many other countries, the reality is that Canadian consumers do not always have the information they need to make informed choices about the food they are buying.

In 2003, the Canadian Food Inspection Agency’s (CFIA) “Guide to Food Labelling and Advertising” was published to assist manufacturers and retailers comply with provisions of relevant legislation. These included the *Food and Drugs Act*, the *Food and Drug Regulations*, the *Consumer Packaging and Labelling Act* and the *Consumer Packaging and Labelling Regulations*.

Under Health Canada rules, pre-packaged foods and drinks must bear a Nutrition Facts box listing the calories, as well as 13 ingredients deemed important by health professionals, scientists and consumers. This compulsory nutrition labelling system replaced a voluntary system. According to the Centre for Science in the Public Interest,

only about half the pre-packaged foods in Canada prior to 2003 offered any nutritional information, and the information which was provided was often misleading.¹

However, the current labelling requirements exempt not only restaurant and fast-food meals, they also do not apply to alcohol, fresh fruit and vegetables, raw meat and poultry (unless they're ground), and raw fish and seafood.

But despite the positive advances in labelling requirements for nutritional information, other **important pieces of information are deliberately withheld from consumers**. For example, there is no requirement to specifically label food containing **genetically-modified ingredients**. Similarly, meat, poultry and other food products which have been **subjected to irradiation** are not specifically labelled as such. Nor is there any labelling required for foods which contain ingredients or processes which are the result of **nanotechnology or synthetic biology**. The NFU recommends mandatory labelling for these foods.

In addition to food labels required by regulatory agencies, there are examples of marketing ploys that utilize misleading labels, such as the Heart and Stroke Foundation's "Health Check" symbol. The right to use this label is sold to corporations in exchange for millions of dollars, as a way of raising funds for the foundation's work.²

The ambiguity of the labelling guidelines is partially the result of the ambiguous role of the CFIA. Government regulatory agencies such as the CFIA bear the dual mandate of both protecting the public interest and also promoting food exports.³ Too often, the profit requirements of the corporate sector are accorded greater consideration than the legitimate interests of the public. This is evident in the government policy of "risk management" which weighs the potential benefits of market gain against the odds of risks to the public. This "risk management" policy is used instead of the "precautionary principle" – which states that new technology or processes are not approved until they are proven safe. Unfortunately, government regulatory agencies base their decisions almost exclusively on scientific information supplied by the very companies which develop and market the products under scrutiny.

“Product of Canada” labelling of critical importance

Subsection 5 (1) of the *Food and Drugs Act (FDA)* prohibits the labelling, packaging, treating, processing, selling or advertising of any food (at all levels of trade) in a manner that is false, misleading or deceptive to consumers or is likely to create an erroneous

¹ "Food Labels: The facts about what's in your food", CBC News, May 9, 2007.

www.cbc.ca/news/background/food-supply/index.html

² CBC Marketplace, "Hyping Health", January 23, 2008, www.cbc.ca/marketplace/hyping_health/

³ National Farmers Union Brief to the House of Commons Standing Committee on Agriculture on the subject of Bill C-27, *The Canadian Food Inspection Agency Enforcement Act*, April 5, 2005, Ottawa, Ontario.

message regarding the character, value, quantity, composition, merit or safety of the product.⁴

While nutritional content is a critically important component of food labelling, there are others which are equally important, but which are not given appropriate consideration in the legislation and associated regulations. Safety and “country of origin” of the food products are key concerns for consumers, but unfortunately, current “Product of Canada” labelling requirements fall far short of what is needed to ensure consumers are not deceived or misled by food package labelling.

It is indeed ironic that fruits and vegetables grown and processed in Canada, for sale in Canada, are among the items on store shelves which are potentially hardest to identify as Canadian. This is not “in spite of”, but rather “because of” the current CFIA labelling guidelines.

The CFIA Labelling Guide for Processed Fruits and Vegetables clearly states that “indicating ‘Product of Canada/Produit de Canada’ is **optional** for the purposes of marketing in Canada and export”⁵ with regard to Canadian-grown and processed fruits and vegetables.

Meanwhile, food products which may consist almost entirely of imported ingredients **are required** to carry a “Product of Canada/Produit de Canada’ label if they meet specific guidelines contained in the CFIA labelling guide.

At the National Farmers Union national convention in London, Ontario in November, 2007, the following resolution was adopted:

WHEREAS many foods and feed products labelled as “Product of Canada” do not, in fact, contain ingredients grown in Canada, and

WHEREAS there is mounting concern amongst farmers and consumers about the deceptive nature of the labelling of food products,

THEREFORE BE IT RESOLVED that the NFU undertake a campaign that raises awareness and forces federal and provincial governments to provide clarity and accuracy in food and feed labelling.

During debate on this resolution, it became readily apparent that delegates felt the provisions of the “Labelling Guide for Processed Fruits and Vegetables,” under which the CFIA operates, are clearly inadequate.

Many NFU members are concerned about what they view as large loopholes in Canada’s food product labelling laws which allow imported foods to be repackaged and sold on

⁴ Canadian Food Inspection Agency 2003 Guide to Food Labelling and Advertising, December, 2003.

⁵ Canadian Food Inspection Agency, “Chapter 11 – Labelling Guide for Processed Fruits and Vegetables”, www.inspection.gc.ca/english/fssa/labeti/guide/tab11e.shtml

Canadian store shelves in such a way that consumers are led to believe the food products are grown and manufactured in Canada.

Chapter 11 of the CFIA Labelling Guide for Processed Fruits and Vegetables is a key document in this regard. While the words “Product of Canada” are clearly very important in helping Canadian consumers make an informed purchasing choice, there is a tremendous amount of leeway in how these words may be used on a package label.

When a consumer sees the word, “Canada” on a package label, he or she immediately makes an assumption that the contents or ingredients are grown in this country.

But far from clarifying the use of the word, “Canada,” the CFIA labelling guide actually **encourages** confusion. Section 11.3.2 of the Guide, (Declaration of Grades), states that “products packed in a registered establishment in Canada must indicate grade beginning with ‘CANADA’. Products imported and sold in their **original container** must indicate grade as follows: ‘Fancy Grade’, ‘Choice Grade’ and ‘Standard Grade’. Products imported in bulk, **processed or graded and repackaged in Canada** in a registered establishment must indicate the grade beginning with ‘CANADA’.”

The Guide then gives two examples:

1. “Cherries from France imported in Canada in bulk, repackaged and graded in a registered establishment must be marked ‘CANADA CHOICE/CANADA DE CHOIX’.
2. “Apples are imported from the United States. These apples are processed into apple sauce in a registered establishment. The apple sauce will therefore be labelled ‘CANADA FANCY/CANADA DE FANTAISIE’.”⁶

This regulation is misleading for consumers because the labels, “Canada Choice” or “Canada Fancy” imply that the fruit in the package is grown in Canada, while in reality, as these two examples clearly show, the fruit is imported.

A critical section of the CFIA Labelling Guide deals with “Country of Origin”. The Guide states: **“Country of origin means the last country in which a food product undergoes processing that changes the nature of the food product before it is offered for sale.”** It further states: “When processed fruits and vegetables are imported, the country where the product was packed must be shown clearly and conspicuously on the label, either as a part of the name and address of the foreign operator or as a separate declaration indicating the origin of the product.”

However, the Guide goes on to say that the requirement for a declaration of country of origin is mandatory only for “processed fruit and vegetable products wholly manufactured in a country other than Canada.” This allows importers of fruits and vegetables, or packaged goods, to import foods into Canada and, after repackaging the contents, label them with the appropriate “Canada Choice, Canada Fancy or Canada

⁶ Canadian Food Inspection Agency, “Chapter 11 – Labelling Guide for Processed Fruits and Vegetables”, www.inspection.gc.ca/english/fssa/labeti/guide/tab11e.shtml

Standard” grades. **These labels give the impression the product is grown in Canada,** notwithstanding the supplementary declaration indicating the actual country of origin.

Processed fruits and vegetables which are “prepared in Canada from imported fruits or vegetables” are **not required to indicate the country of origin.** The CFIA Guide states, “indicating the country of origin is **optional.** The processing steps which are carried out in Canada modify the nature of the product (addition, removal, combination of one or more ingredients, physical or chemical processing, canning, freezing, including grinding and mixing).”

Allowing the country of origin label to be optional in these cases is tremendously misleading. In fact, the CFIA Guide itself acknowledges this fact when it states: “A Canadian packer who wishes to declare its product as being of Canadian origin **must be careful to avoid giving misleading information to consumers.**” The honest packer is then directed with a vague reference to the *Competition Act*, the *Consumer Packaging and Labelling Act* and the *Food and Drugs Act* “to provide relevant information.”

The 51% rule

At the heart of the debate on “Product of Canada” labelling is the following criteria:

“According to the Canadian position set out in the policy adopted by the Competition Bureau, two conditions must be met in order to consider the product as being Canadian:

1. The product **“was created”** in Canada, ie – the last substantial transformation was carried out in Canada, thereby resulting in a recognizably new final product, that is a product significantly different in appearance from the individual ingredients; and
2. The total cost of direct Canadian labour and/or additional Canadian ingredients represents **at least 51%** of the cost of production of the new product.

“These two conditions must be met in order to consider the product as being Canadian and, if desired, to be able to be declared as ‘Product of Canada/Produit du Canada’.”⁷

The Guide then goes on to provide examples of products which would qualify, including apples imported from the United States which are processed into apple sauce in Canada; frozen peas from Canada mixed with frozen carrots from Belgium; olives imported from Spain which are repackaged in a new brine, and fresh beans imported from the United States and canned in Canada. **Despite the fact that ingredients in all these packages are imported, they are able to be labelled as “Product of Canada” under the current rules.**

It is difficult to see how the current guidelines will reduce the level of confusion among consumers. If anything, the current rules legitimize labels which are deliberately misleading.

⁷ Canadian Food Inspection Agency, “Chapter 11 – Labelling Guide for Processed Fruits and Vegetables”, www.inspection.gc.ca/english/fssa/labeti/guide/tab11e.shtml

Ironically, as indicated earlier, the CFIA guidelines actually state that foods processed from fruits and vegetables which are grown entirely in Canada do not need to be labelled “Product of Canada”. It is entirely optional under the current rules.

The NFU recommends the House of Commons Agriculture Committee take steps to ensure greater clarity and truth in labelling. **A food product labelled “Product of Canada” should contain only 100% Canadian content.** At a minimum, the percentage of content requirements for Canadian labour and ingredients must be increased substantially in order for food products to qualify for “Product of Canada” designation. Furthermore, the label should state clearly and prominently what that Canadian content percentage is.

Consumer preference for home-grown fruits and vegetables

Because consumers purchase fruits and vegetables largely based on criteria of taste, freshness and safety; they tend to choose fruits and vegetables which are grown and processed closer to home. A market survey conducted in 2007 by the Nielsen Company for the Canadian Organic Growers Association showed that 51.5% of Canadian households bought an organic product within the past year.⁸ Consumers are purchasing increased amounts of organic food, with fruits and vegetables constituting a major share of those purchases.

Health concerns are also uppermost for consumers who choose, when possible, locally-grown or Canadian-grown and processed foods. A survey by Corporate Research Associates Ltd for the Council of Atlantic Premiers in March, 2005 stated that a “significant minority of primary grocery shoppers” believe locally-grown products constitute a healthier choice. However, the study also implied that labelling is a barrier to helping consumers make that choice. “Consumers currently experience a measure of difficulty in identifying locally produced food products,” the study stated.⁹

The attitudes of Canadians in this regard are not unique. A survey of American consumers was conducted in 2003 by a committee of academics under the leadership of the Sociology Department of North Carolina State University.¹⁰

In response to the question: “If the US could buy all its food from other countries cheaper than it can be produced and sold here, should we?”, seventy-four percent (74%) of Americans say “No.” In addition, 80% of the respondents say food grown in their home country is “fresher and safer” than imported food.

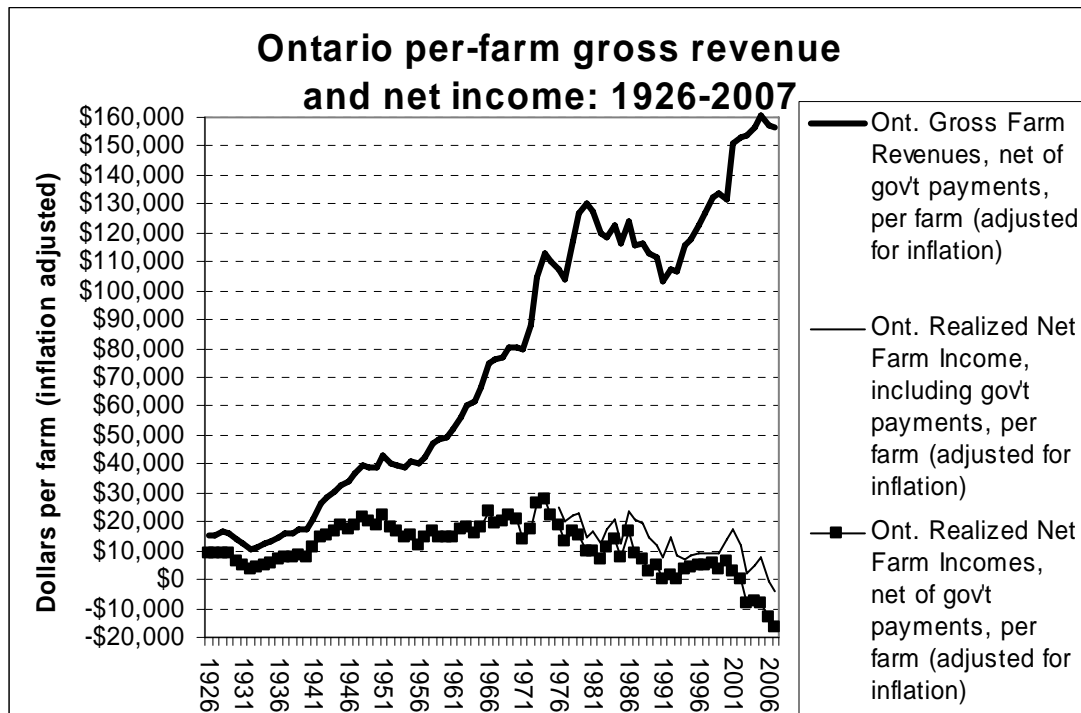
⁸ “Canadian Consumers push up popularity of organic foods, survey finds,” CBC News, May 14, 2007. www.cbc.ca/consumer/story/2007/05/14/organic-food.html

⁹ 2005 Atlantic Canada Food Consumer Study, Corporate Research Associates Inc for the Council of Atlantic Premiers. www.cra.ca

¹⁰ Food from our changing world: The Globalization of Food and How Americans Feel about it”, Ronald C. Wimberley, Professor of Sociology at North Carolina State University, <http://sasw.chass.ncsu.edu/global-food/foodglobal.html>

Impact of increased imports not offset by higher exports

Despite the preference of consumers in all countries to purchase foods from their home nations, government policies are instead fuelling a push toward free trade and expansion of exports. The assumption on the part of governments is that increased market access will be beneficial for Canadian agriculture.

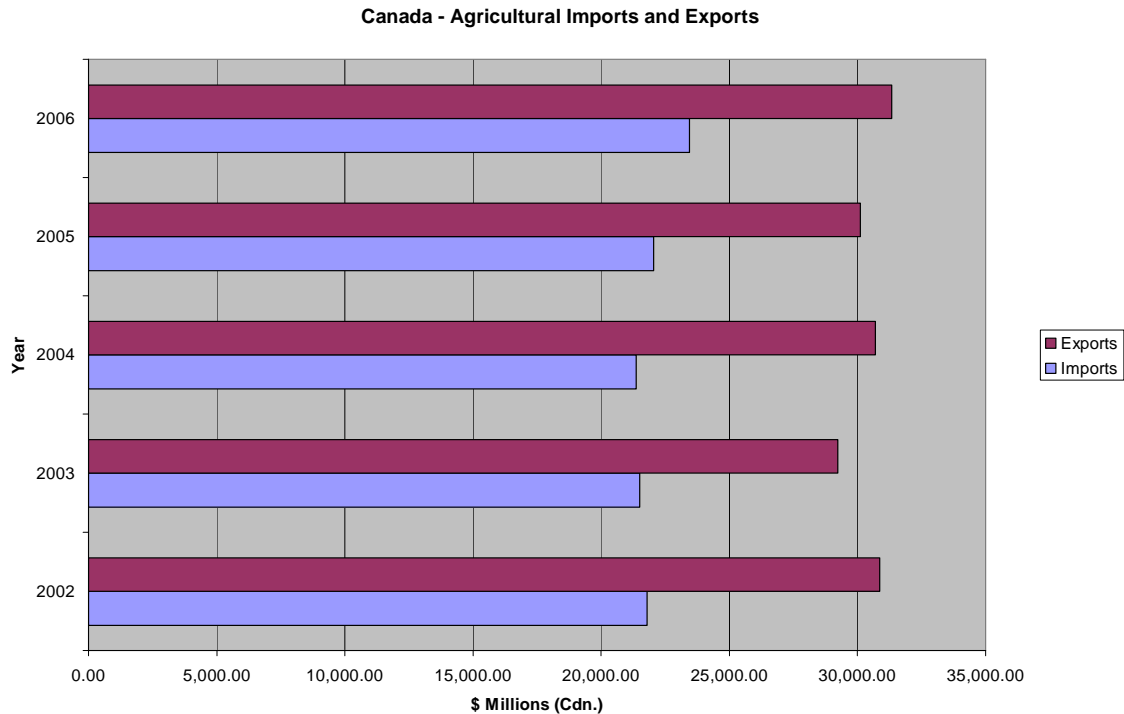


Ontario per-farm gross revenue and net income 1926-2007¹¹

Over the past two decades, however, free trade agreements have not raised farmers' net incomes. In fact, farmers' net returns have fallen as exports have risen. Despite increases in gross revenues resulting from higher production and export levels, this additional wealth has been captured by input suppliers, processors and other agribusiness corporations. Free trade agreements have accelerated the process of corporate concentration in the marketplace, and increased the rate at which Canadian-owned agricultural processing plants are taken over by foreign-owned corporations. While these trade agreements have boosted the volume of agricultural commodity exports from Canada, there has also been a corresponding increase in the level of imports of food products into Canada. Canada is still a net exporter of agricultural and fishing products, but the gap between exports and imports is shrinking.

¹¹ National Farmers Union Research Department graph based on Statistics Canada figures. www.nfu.ca

In 2002, Imports of agricultural and fishing products into Canada totalled \$21,779.9 million. In 2006, that number had grown to \$23,453.5 million – an increase of \$1,673.6 million over five years.¹²



In 2002, Exports of agricultural and fishing products from Canada totalled \$30,872.8 million. In 2006, exports totalled \$31,327.0 million – an increase of just \$454.2 million in the same time period.¹³

While Canada remains a net exporter of agricultural products overall, the difference between exports and imports declined by \$1,219.4 million between 2002 and 2006. If the objective of free trade is to increase exports and reduce imports while retaining existing domestic market share, then the evidence clearly indicates the strategy is not working. Canada’s domestic market for its own agricultural production is being jeopardized at a time when Canadian consumers are clearly looking for home-grown products. Canadian farmers, meanwhile, are losing a lucrative market within their own borders for the sake of unfulfilled promises of improved returns from overseas market access.

Tender fruit processing plant shutdown: an example of the effects of “competitiveness”

¹² Statistics Canada, Imports of goods on a balance-of-payments basis, by product, <http://www40.statcan.ca/101/cst01/gblec05.htm?sdi=agricultural>

¹³ Statistics Canada, Exports of goods on a balance-of-payments basis, by product, <http://www.40.statcan.ca/101/cst01/gblec04.htm?sdi=agricultural>

While Canadian consumers are indicating they prefer Canadian-grown and processed fruits and vegetables, the economic pressures of global trade agreements are resulting in a reduction in Canadian fruit and vegetable processing capacity. Those plants which remain viable are increasingly turning to imported fruits and vegetables to fulfill their requirements.

For example, on January 8, 2008, CanGro Foods announced that it is shutting down its vegetable and fruit processing plants in St. Davids, Ontario and Exeter, Ontario.¹⁴ The plants were scheduled to close their doors for good on March 31, 2008, putting hundreds of workers – many of whom have worked there for decades – out of work. In addition, an estimated 150 farmers who produce \$2.5 million worth of clingstone peaches and \$1.8 million worth of processing pears under contracts for the plants will be left hanging. The closures will have a devastating impact on the local economy because the processing plants were the only remaining fruit canning operations in North America west of the Rocky Mountains. The St. Davids plant has been in operation for over 100 years.

The closure comes less than a year after the plants were sold by Kraft Canada to CanGro Foods. An announcement in early 2006 was made to much fanfare that Kraft Canada had agreed to sell five manufacturing facilities in Ontario and Quebec – including the Exeter and St. Davids plants. CanGro was established specifically for the purposes of the transaction. The parent companies of CanGro, which took ownership of the five plants, was Sun Capital Partners Inc. and EG Capital Group, LLC. Both Sun Capital Partners and EG Capital Group are two private equity firms that specialize in “leveraged buy-outs”¹⁵ of profitable companies.

Yet less than two years after the sale, CanGro declared that the plants, which were industry leaders at the time of the takeover, are now suddenly uncompetitive. A letter sent to producers under contract, dated January 8, 2008, stated: “This letter is to inform you that as a result of adverse economic and competitive pressures within our fruit processing sector, CanGro Fruit Inc. will be either selling the business or ceasing operations at its St. Davids facility prior to the fruit delivery season.”

For the contract growers, the letter was an unexpected, and devastating, shock. One farmer described it as “a kick in the teeth” – pointing out that his investment was significant – both in terms of money and time.¹⁶ He is now left with no market.

Similarly, hundreds of workers – some of whom have worked at the plant for nearly four decades – were not expecting to have the new owners throw them out of work so quickly. But they understood full well the rationale for the company’s decision. “It’s devastating,” said one worker, “There was work here, but it was a price thing. With free trade they are

¹⁴ “CanGro Foods closing; 149 jobs could be lost locally”, Niagara Falls Review, January 8, 2008, <http://www.niagarafallsreview.ca/PrintArticle.aspx?e=947766>

¹⁵ “Kraft Canada sells grocery assets to Sun Capital Partners and EG Capital Group”, news release issued by AltAssets, 03/01/2006. <http://www.altassets.com/news/arc/2006/nz7957.php>

¹⁶ “Plant workers fear future looks bleak”, Niagara Falls Review, January 9, 2008, <http://www.niagarafallsreview.ca/PrintArticle.aspx?e=849379>

able to import their product cheaper from China.” Given the brief interlude of time the plant was owned by CanGro, the sale by Kraft Canada to a group of investment bankers must be viewed in the broader context. The closure of this profitable plant may even have been planned for some time, and undertaken, ironically, because it actually provided competition to the company’s overseas sources of supply.

Conclusion and recommendations

It is of critical importance to both Canadian family farmers and Canadian consumers that clear and truthful labels be applied to food products. This must be the guiding principle in legislation, regulations and guidelines for food labelling.

1. The National Farmers Union recommends that “Product of Canada” labelling be mandatory for fruits and vegetables which are 100% grown and processed in Canada – **and only for fruits and vegetables 100% grown and processed in Canada.**
2. The NFU recommends that if a food product processed or manufactured in Canada is composed of ingredients which are imported, mandatory labels must specify the country of origin of the ingredients, and the percentage of imported ingredients.
3. The NFU recommends that the country of origin be clearly and prominently displayed on food products which are graded “Canada Choice, Canada Fancy or Canada Standard” to avoid confusion.
4. The NFU recommends that mandatory labelling be applied to food products which are genetically-modified, subjected to the process of irradiation, or which are created as a result of processes relying on nanotechnology and/or synthetic biology.

*All of which is respectfully submitted by
The National Farmers Union*