



Consumer Interest Alliance Inc.

**Presentation on
Product of Canada
to the
Standing Committee on Agriculture and Agri-Food
at Wellington Building, Parliament Hill, Ottawa, on April 15, 2008,**

The Consumer Interest Alliance Inc. (CIAI) would like to thank the Committee for the opportunity to appear today and make some suggestions regarding the “Product of Canada” label and, in particular, its use on food products.

CIAI is an emerging organization of experienced consumers who are concerned with consumer issues and interests. CIAI is an incorporated, not-for-profit organization that has been established to provide national consumer representation and research. CIAI works through co-operation, discussion and representation with other players in the Canadian economy. Its major areas of interest and activity include Food and Agriculture, Health and Environmental issues as related to Food and Agriculture, National and International Standards, and Financial Services.

CIAI welcomes the overall intent of the new Food and Consumer Safety Action Plan that was announced following the November 2007 Throne Speech. In particular, we encouraged by the intent to provide better safety information for consumers, to build safety into industry supply chains, and to require mandatory product recalls. There are many aspects of the Action Plan on which we have comments, but today we are addressing the need to improve communication with consumers relating to their food choices by making the Product of Canada designation more meaningful and indeed less misleading.

The United Nations “Consumer Bill of Rights” provides the right of access to accurate information that is needed for consumers to make decisions. The proposed

Safety Plan document devotes just one paragraph to the issue of “Product of Canada” and “Made in Canada”. However, CIAI believes that these labels and declarations are a critical basis on which to build and to move towards product claims that enable informed decision making by consumers and are not misleading to them.

The need to provide Canadian consumers with accurate information on the source of their food is increasingly important as events repeatedly draw attention to problems with imported products. The current rules are unclear. CIAI would like to draw the attention of this committee to two issues that require far better consumer communication: These are the “51% rule” and the term “Canada Grade”.

The 51% rule is permitted under the present legislation as can be seen on the Competition Bureau web site (<http://www.competitionbureau.gc.ca/epic/site/cb-bc.nsf/en/01470e.html#Made%20In%20Canada>) and allows manufacturers and food processors to aggregate the values of processing and packaging to calculate that 51% of the value was generated in Canada. They can then state that a product is Canadian even though, for a food product, this may mean that little, if any of the nutritive value was grown in Canada. I would like to take the example provided by Canadian Food Inspection Agency website (at about 2/3 of the way down the page <http://www.inspection.gc.ca/english/fssa/labeti/guide/ch11e.shtml>)

“Olives imported from Spain, in bulk, which are repackaged in Canada in a *new brine* become a "Product of Canada" / "Produit du Canada" (assuming that the 51% rule is satisfied).:

The 51% rule is the policy adopted by the Competition Bureau and, quoting from that same webpage, “*two conditions must be met in order to consider the product as being Canadian:*

- *the product "was created" in Canada, i.e. 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

- *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.”*

There are of course not many olive groves in Canada, and a consumer with reasonable geographical knowledge realises that the “Product of Canada” term is hardly a description that would be understood or believed in either everyday official language.

Other examples are provided that are certainly less clear, even to a well-informed consumer. In reality, these regulations address and drive economic added value, and not food content value. Therefore, the value of processing and packaging in Canada has as much merit under the regulations as the nutritive value of a Canadian grown product and, under this regulation and its “Product of Canada” label, the Canadian food dollar is not about food, but its role as an economic driver for the food processing and packaging industry.

To state our position: CIAI believes that when consumers purchase products that bear the “Canadian” name, they expect to purchase products that are actually grown or raised in Canada. The permitted identification of food products not grow here as “Product of Canada” is misleading to most consumers, who, we believe, are more interested in the source of the ingredients than in the manufacturing and processing. Recent media coverage of fish products, imported from Asia and processed on the East Coast has raised consumer awareness of the fallibility of the 51% rule. (see http://www.ctv.ca/servlet/ArticleNews/story/CTVNews/20071025/WFIVE_chinafood_071027/20071027?hub=WFive)

Such confusing and potentially misleading practices cause the consumer to lose faith in the relevance and accuracy of labels regarding Canadian origin. This lack of trust has unintended negative consequences, such as driving consumers to find other channels through which to find products that they believe are “really Canadian”. Avenues such as farmers markets and direct purchase systems, which may bypass some of Canada’s excellent food safety system. It is also leads to encouraging the promotion of “local” food

by Provincial governments and/or agencies, rather than creating a solid and reliable “Canada” brand, as was the intent of the first Agriculture Policy Framework (APF).

In addition, Canadian consumers are learning about “food miles” and the “100 mile diet”, or is that a Canadian “160 kilometre diet?” Many want to purchase Canadian meat or produce wherever possible. The present labelling practices of products as “Canadian” may well drive consumers to purchase from sources not within the Canadian food safety regulatory system and thus take risks with their health but, even then, without getting the expected “local” product due to the 51% rule. Under the current system, a single ingredient item that doesn’t grow in Canada can be identified as a “Product of Canada” and identified as being produced locally. For example, the “buy local” site provided by the Manitoba provincial government lists coffee as a local product.

CIAI therefore recommends that the 51% rule be allocated to value of the food content within the regulated “cost of production” as defined by the Competition Bureau and also that the percentage be significantly increased. .

We judge that exclusion of packaging from the transformation cost will have two principal benefits: firstly, it will connect the “Product of Canada” designation to the nutritive and food value of the purchase and, secondly, remove inducement to over package products. In order to determine the appropriate percentage, the Government needs to gather research data. One such source would be to determine what consumers understand by the term “Product of Canada” or “Made in Canada” and set appropriate guidelines to reflect this understanding. In addition, the requirements of Canada’s international trade agreements and the practices of its trade partners might provide guidance on “transformation” of products, and values for import purposes.

In developing these requirements, CIAI would support the use of the National Standards System to create a voluntary standard, such as those for “Organic Production”, and then the referencing the standard in legislation. This would not force producers and

processors to identify Canadian product but would ensure that, if they do so, the identification is accurate and not misleading. Such a standard could also be designed to ensure that any more local identification, such as Provincial, would be in the form of reliable consumer information. CIAI is not opposed to the concept of “buying local” but an identification system must make likely that consumers indeed get “local” when the product is identified as such. We support providing good information to consumers on the source of their food but do not support promoting the output of one Province over another; we do not believe would that to be in the best interest of Canada or Canadian consumers.

We would now like to turn to the concept of “Canada Grade” and its potential for being misunderstood by the consumer. The recent concerns with honey, imported from China, then blended into “Canada Grade” honey and marketed as such, has undermined the confidence of many consumers in products they believed to be Canadian. With the improvements in standards, increase in enforcement and focus on consumer information that is being suggested in the food safety section of the “Action Plan”, we would recommend that one of the prime focuses on the communications effort be on explaining to consumers the real meaning of “Canada Grade”.

Recent research performed by our organization had revealed some significant gaps in the ability of the Canadian Food Inspection Agency (CFIA) to enforce the existing regulations that relate to food labelling, food advertising, and food standards. The new “Action Plan” describes better enforcement of food regulations, with more tracking and tracing, administrative penalties, greater transparency, less flexibility for information identified as “CBI” and more power for the regulators. CIAI applauds all these initiatives and urges the committee to work towards a system that has adequate resources to monitor and enforce all the food safety and food labelling and advertising regulations. It is essential that either resources be increased to enable monitoring or enforcement of all new and existing regulations or that creative methods be explored to improve the level of compliance in Canada. We believe that the activities identified in the “Action Plan”, such as increased power of enforcement and fines that reflect the market power and size of the

companies involved in infractions, such as used in the EU, may encourage greater compliance.

Finally, CIAI urges the committee to ensure that whatever is put in place to control use of the “Product of Canada” or “Made in Canada” claim have the power of a regulation, rather than a voluntary guideline, to ensure that it can be enforced and that consumers have recourse to the powers of government when it is misused and abused.

To summarize our recommendations to the Committee:

CIAI recommends regulations be put in place for the use of “Product of Canada” or “Made in Canada” declarations and that these declarations be simple, avoid the need for qualifying statements, and be the same for all consumer products, including food.

CIAI recommends that, for food products, the 51% rule be allocated to value of the food content within the “cost of production” (i.e. that the value of the packaging be excluded) and that the 51% be increased significantly following research that we described earlier.

CIAI supports the use of the National Standards System to create a voluntary standard, such as for Organic Production and the referencing of the standard in legislation.

CIAI recommends that one of the prime focus on the communications effort would be to explain to consumers the real meaning of “Canada Grade”, and that it does not imply “Product of Canada”.

So, in closing, CIAI applauds the enforcement initiatives identified in this new “Action Plan” and urges the committee to work towards a system that has adequate resources to monitor and enforce all the food safety and food labelling regulations, including any changes in those for identifying Canadian products.
