NATIONAL CATTLE FEEDERS' ASSOCIATION
ASSOCIATION NATIONALE DES ENGRAISSEURS DE BOVINS

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Federal Competition Bureau Examination of the Food Supply Chain
NCFA Written Submission
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The National Cattle Feeders' Association (NCFA) works to improve the growth, sustainability, and competitiveness of the beef sector in Canada.

NCFA is the voice of Canada's cattle feeders and works to improve the growth, sustainability, and competitiveness of cattle production across Canada. Canada's beef industry contributes $9.7 billion in farm cash receipts annually, contributes $21.8 billion to national GDP annually and accounts for 347,000 jobs, each one of which supports another 3.9 jobs elsewhere in the economy.

Feedlots remain family operations - often involving multiple family members and generations. They are an important part of the fabric for rural Canada and a lynchpin of the Canadian beef sector.

NCFA respectfully submits the following input that will unleash the competitiveness of Canada's agriculture sector while delivering food security and affordability.

PRODUCTION AND PROCESSING

What are the key competition factors – such as barriers to competition – shaping the current and future outlook for processing or production within the food supply chain?

Barrier: ***Trade agreements that open the Canadian market to agriculture and food products from countries with lower standards (i.e., Mercosur)***. The short-term ability to place low-cost, low-quality beef products in Canadian grocery stores has the potential to decimate the competitiveness of Canada's beef production sector and shrink the national herd, resulting in negative consequences for food security and affordability in Canada.

Barrier: ***Uncertainty in the trade relationship with the U.S. impedes growth and investment in Canada.*** The North American cattle industry is deeply integrated, with cattle often crossing the border multiple times during their lives—imported as calves from the U.S., fed in Canada and sent back to the U.S. for processing. The limitations of transporting live animals necessitate integration between the Canadian and U.S. beef sectors. Canadian cattle feeders are more hesitant to grow and expand their operations without the reassurance of a tariff-free U.S. market. A lack of growth in Canadian cattle operations results in a reduced supply of beef and increased costs at the grocery store.

Barrier: ***Lack of a long-term strategic vision for research and knowledge mobilization in*** *Canada*. Research delivers insights into production efficiencies and, therefore, a competitive advantage for Canadian producers and consumers. The recent budget cuts to Agriculture and Agri-Food Canada's research initiatives and facilities directly counter the government's goals of expanding global markets, increasing global competitiveness and delivering affordable food to Canadians. Research = Production Efficiency = Lower Costs for Producers and Consumers.

Barrier: **Lack of intergovernmental cooperation to deliver a 'whole-of-government' approach to removing regulatory barriers in agricultural production and processing.** The conditions for success in Canadian agriculture lie beyond the walls of federal and provincial agriculture departments. Growth in the sector requires removing barriers that fall under the jurisdiction of many other departments. Without this cooperation, the sector can only partially reach its potential to produce food for consumers at the lowest possible cost.

Federally, for example, the sector's path to success involves removing barriers that rest with ESDC/IRCC (labour shortages), the Treasury Board (regulatory reform), Finance Canada (taxation/tariffs), Environment and Climate Change Canada (climate resilience), Labour (work stoppages), Transport Canada (supply chains), Health Canada (PRD, VDD), the Canada Border Services Agency (product movement), the Canadian Food Inspection Agency (regulatory reform) and Global Affairs Canada (global markets).

Barrier: ***High costs of agriculture inputs (including fuel) for production.*** Inflation and farm input costs have skyrocketed, meaning producers must invest significantly more to achieve the same production margins. The impact is felt across the production chain and by consumers. These high production costs also limit the ability of the next generation of farmers to come forward to continue providing food security and affordability.

What regulatory requirements – such as licensing, health and safety rules, municipal zoning or interprovincial barriers – limit entry or increase compliance costs in food production and processing?

Barrier: ***Municipal rules and decisions (driven by public opinion) regarding the expansion of farm operations*** (e.g., biodigesters, environmental rules, road and bridge use, and zoning). CFOs are significant contributors to the rural economy, creating stable jobs, supporting local services, and increasing demand for infrastructure and agricultural services. To encourage investment and economic growth, agricultural producers, particularly feedlots, need assurance that opportunities for growth and expansion exist. Unintended consequences arising from the application of land-use provisions in municipal and intermunicipal development plans have eroded these assurances and opportunities for farm-operation expansion. Currently, municipalities are implementing exclusion zones at the expense of agricultural operations, even when those operations have demonstrated due diligence and met all regulatory requirements. In addition, land-use decisions are threatening both food security and food affordability as municipalities and provinces take agricultural land out of production for housing, energy (i.e., solar panels) or transportation (Alto train).

Barrier: ***Lack of consistent and reliable broadband service in rural areas, which is necessary to harness available production innovations.*** Innovation is coming full speed at the agriculture sector and brings opportunity to produce food more efficiently and affordably. But without the necessary broadband service available on all Canadian farms, the competitive edge innovation can provide is lost.

Barrier: ***Lack of investment in adapting to the volatility that current environmental and climate changes are creating for infrastructure, production and succession*** - as floods, droughts and wildfires become annual occurrences. Farmers continue, as always, to steward the land and water that they rely on for their livelihood. Efforts to address climate shifts must continue but at the same time there must be investments in supporting producers to adapt to the volatilities that the current environmental and climate changes are having on infrastructure, production and succession.

Do you observe high levels of concentration or market power in the food supply chain that impacts businesses in food production or processing? If so – how does it affect a business' ability to compete?

Barrier: ***Need for additional <u>large-scale</u> processing capacity in Canada and support for existing large-scale processing operations that provide an economic case for remaining in Canada.*** This will give Canada increased control over its economic growth, produce jobs, reduce transportation costs/impacts, increase national food security and reduce the reliance on processing done outside of our country.

Barrier: ***Need for accessible foreign labour to work in Canadian processing plants so they can run at full capacity.***

What business practices make it harder for business to compete in the processing and production sectors of the food supply chain?

Barrier: ***Lack of price transparency from processors to producers.*** Greater visibility here could support marketing efforts to identify undervalued cuts and new markets, help supply chain participants understand where leverage exists between sectors as it shifts through the cattle cycle, and support confidence in fed cattle price trends used for livestock price insurance.

Do you observe competition issues in accessing the inputs needed for food production and processing (including labour, capital and technology)? If so, how do they affect a business's ability to compete in food production and processing?

Barrier: ***Need to modernize business risk management tools*** to reflect current and future realities relating to risk, risk thresholds, inflation, farm structure and global competitors. Without bankable business risk management tools, growth and competition are stunted.

Barrier: ***Need to apply an economic lens to government approval systems for innovation,*** allowing Canada to lead—not follow—our global competitors in adopting the economic benefits of new products, services and technology.

Barrier: ***Need for investment in upgrading the skills of the agricultural workforce*** to harness rapidly advancing technology, including AI. This will make operations more efficient and competitive. The skills required to work in agriculture will shift dramatically, and support for skills enhancement is essential. This shift may naturally attract a younger generation of workers.

Barrier: ***Need for a permanent and profound change in the approach to labour shortages in Canadian agriculture*.** Tremendous potential for increased food production is being lost due to the sector's chronic labour shortage. The government must find new solutions to this decades-long challenge through simplified access to temporary foreign workers and the recruitment and retention of Canadian workers (supported by government investment in more services and amenities in rural communities).

Barrier: As both a food security challenge and a food affordability challenge, Canada must look ahead to how the agricultural sector will manage ***water challenges*** **within the next decade—including access rights, resource security, irrigation innovations and geopolitical threats.**

TRANSPORTATION AND DISTRIBUTION

What are the key competition factors – such as barriers to competition – shaping the current and future outlook for distribution and transportation within the food supply chain?

Barrier: ***Lack of long-term strategies for supply chain reliability*** that include addressing work stoppages, infrastructure gaps and regulatory transportation barriers. To be reliable suppliers to national and global clients, agricultural producers need reliable and trusted supply chains that do not threaten markets or animal welfare due to work stoppages. Rail and port services need to be deemed essential—full stop—or Canada cannot compete.

Barrier: ***Gaps in infrastructure funding for rural roads and bridges*** *that take products from farm gate to national corridors remain significant*. While the government continues to invest in the infrastructure of national and international corridors, there is limited federal investment in the roads and bridges that take agriculture products from the farm gate to these national corridors. Rural municipalities that are the homes for agriculture operations simply do not have the tax-base to maintain this critical infrastructure. In fact, some municipalities have moved to charging farmers a 'livestock head tax' to fund this infrastructure and this is simply adding more production costs to our food.

Barrier: ***Uncoordinated transportation regulations across the country and between Canada and the U.S.*** are adding costs and time to the movement of agricultural products and livestock. This includes inconsistent rules on hours of service for drivers, the use of ELDs by livestock transporters and truck weights.

Barrier: ***A chronic shortage of truck drivers*** makes the sector less competitive in the transport of livestock, inputs and food.

Barrier: ***Canada–U.S. border inefficiencies*** are costing time and money (i.e., digitization, reinspection, availability of veterinarians, etc.). For example, live animals are inspected by a regulatory veterinarian at origin and then subjected to secondary inspections at the border or destination, creating systemic duplication. Looking for cross border recognition of veterinary inspections could facilitate trade. Digitalizing this process could help expedite the process.

Which regulatory requirements—such as licensing, fees and charges, health and safety rules, municipal zoning or interprovincial barriers—limit entry or increase compliance costs in food distribution and transportation?

Barrier: ***Outdated regulations on food, water and rest for livestock being transported*** to reflect the most recent research findings. Modernizing these regulations will reduce transportation costs for food animals while adhering to the most up-to-date science on animal welfare.