

Engagement with Food Industry Stakeholders on Revisions to “Product of Canada” and “Made in Canada” Labelling

- What We Heard Report



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Labelling - What We Heard Report.

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Electronic version available at: www.agr.gc.ca/eng/about-us/public-opinion-research-and-consultations

AAFC No. 12913E

Catalogue No. A22-626/2019E-PDF

ISBN 978-0-660-30961-3

Paru également en français sous le titre

Engagement avec les intervenants de l'industrie alimentaire concernant les révisions apportées à l'étiquetage du
« produit du Canada » et « fabriqué au Canada » - Rapport sur ce que nous avons entendu.

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Contract Award Date: 2019-01-28

Contract Value: \$24,705 (including taxes)

Contract #: 01B68-18-0175

Date of Delivery: May 9, 2019

Table of Contents

Executive Summary.....	i
Introduction	i
Summary Highlights.....	i
<i>Phase 1: Workshop with Key Food Industry Stakeholders</i>	i
<i>Phase 2: Validation Questionnaire</i>	i
Background and Context	1
Key Change Drivers Behind this Review	1
Issues and Challenges	1
Phase 1: Face-to-Face Workshop.....	2
Changes to Existing Guidelines Proposed by Workshop Participants.....	2
1. “Product of Canada” Claims.....	2
2. “Made in Canada” Claims	3
3. Other Domestic Content Claims.....	3
Additional Points Raised by Workshop Participants	4
Phase 2: Validation Questionnaire	4
Survey Findings	4
Conclusion	5

Executive Summary

Introduction

The Government of Canada sought industry feedback to inform decision-making as it considers potential changes to food labelling guidelines for voluntary “Product of Canada” and “Made in Canada” claims. Two phases of industry engagement were held over Winter/Spring 2019. The Intersol Group, an independent Ottawa consulting firm, was retained by Agriculture and Agri-Food Canada (AAFC) to support this initiative. This “What We Heard” report, prepared by the consultants, provides a summary of the engagement process and results.

Summary Highlights

Phase 1: Workshop with Key Food Industry Stakeholders

A workshop was held in Ottawa on February 15, 2019, with representatives of food industry associations and other key food industry stakeholders. The purpose of the workshop was to discuss the issues and limitations of the current labelling guidelines on domestic origin/content claims and solicit industry input on how to address these issues moving forward.

Workshop participants proposed and came to general agreement on potential changes to the guidelines that would enable industry to make greater use of the claims. Highlights of the changes proposed by the workshop participants are included here and described in more detail in the body of this report.

- **“Product of Canada” claims:** The main proposal was to lower the threshold for Canadian content (i.e., labour, processing, and ingredients) from 98% to 85%.
- **“Made in Canada” claims:** The proposal was to eliminate the requirement for the qualifying statement about the origin of the ingredients (“from imported ingredients” or “from domestic and imported ingredients”); and to provide the option of adding a qualifying statement to highlight essential Canadian ingredients (e.g. “Made in Canada with 100% Canadian wheat”).
- **Other domestic content claims:** No changes to other domestic content claims were proposed. Stakeholders indicated that current requirements provide sufficient flexibility for companies to use a label statement that is appropriate for the specific product category and activity.

Phase 2: Validation Questionnaire

Following the workshop with industry stakeholders, AAFC sought to gather additional information from a broader segment of food industry stakeholders to validate the proposed direction. The purpose of this second phase was to gauge awareness of the current claims, and to determine whether, and to what extent, the changes proposed by the workshop participants would increase industry’s use of domestic origin/content claims.

To this end, an online survey was distributed through AAFC’s Value Chain Roundtables as well as to additional trade associations. The survey was launched on March 15, 2019, and closed on April 18, 2019, for a total comment period of 5 weeks. In total, 121 respondents completed the survey, including stakeholders from across Canada representing Canadian manufacturing industry, industry (import and export), industry associations, retailers, and agricultural producers.

Most survey respondents were aware of the existing guidelines and almost two thirds reported that their company uses the claims. Results of the survey suggest that the proposed changes to the voluntary labelling guidelines would result in more products being eligible for “Product of Canada” claims, as well as increased use of the “Product of Canada” and “Made in Canada” claims across all industry sectors and across Canada.

Background and Context

The use of “Product of Canada” and “Made in Canada” food labelling claims is voluntary. However, once a company chooses to make one of these claims, the product to which it is applied must meet the guidelines developed by the Canadian Food Inspection Agency (CFIA).

The existing guidelines came into effect at the beginning of 2009, following consultations with industry and consumers. The current requirements are outlined in the Phase 1: Face-to-Face Workshop section. The guidelines promote compliance with subsection 5(1) of the *Food and Drugs Act* and subsection 6(1) of the *Safe Food for Canadians Act*, which prohibit false and misleading claims. They apply to foods sold at all levels of trade, including bulk sale or wholesale foods for further processing. They also apply to claims made in advertising and by restaurants.

Key Change Drivers Behind this Review

The “Product of Canada” and “Made in Canada” guidelines were developed to provide consumers with the information they need to choose foods produced by Canadian farmers and processors. Multiple stakeholders in the agri-food sector have stated that the restrictive nature of the guidelines is preventing broader use of the claims. This makes it difficult for consumers to identify products with Canadian content.

Industry formally identified the “Product of Canada” criteria as a regulatory irritant through the following mechanisms:

1. The Food Processing Industry Roundtable (FPIRT) (December 2017),
2. The Economic Strategy Table on Agri-Food 2018 (which recommended a review of the guidelines to “respond to consumers increasingly looking to purchase Canadian products and enable greater industry usage of the claims”),
3. The Treasury Board Secretariat Regulatory Review on the Agri-Food and Aquaculture Sector.

This issue was also identified to the Cabinet Committee on Internal Trade as a possible federal action to reduce barriers to internal trade by “clarifying labelling regulations to help food industry produce and market Canadian products”.

Issues and Challenges

Specific challenges expressed by industry stakeholders include:

- There is a growing interest among Canadian consumers to identify and buy food products with Canadian content. However, the current requirements to make “Product of Canada” and “Made in Canada” claims on labels limit industry’s use of these claims in the marketplace.
- The current guidelines do not align with guidelines used in some provinces.¹
- Requirements for making claims on Canadian products exported to other countries are much less strict than making claims on Canadian products sold in Canada.
- Country of origin labels, which will be mandatory for imported foods under the CFIA’s Food Labelling Modernization initiative,², do not require a qualifying statement about the origin of ingredients.

¹ Quebec and Manitoba require 85% provincial content while Ontario requires 80% – 100%, depending on the commodity.

² *Canada Gazette* | consultation on country-of-origin labelling as part of the CFIA’s Food Labelling Modernization Initiative is expected in spring 2019

Phase 1: Face-to-Face Workshop

The first phase of industry engagement consisted of a one-day workshop with representatives of food industry associations and other key food industry stakeholders. The purpose of the workshop was to discuss the issues and limitations of the current labelling guidelines on domestic origin/content claims and solicit industry input on how to address these issues moving forward.

Workshop participants proposed and came to general agreement on potential changes to the guidelines that would enable industry to make greater use of the claims. Workshop participants indicated that the desired outcomes of these changes were to:

- Increase the number of products that are eligible to use the claims,
- Promote Canadian products and recognize investment and economic growth in Canada (labour and manufacturing), and
- Respond to increasing interest from consumers to know where food products come from and/or are made, and help consumers make informed purchasing decisions.

Changes to Existing Guidelines Proposed by Workshop Participants

The changes proposed by workshop participants are described below, along with the rationale for the proposed change.

1. “Product of Canada” Claims

Current Requirements:

- A “Product of Canada” claim can be used if all, or virtually all, of the ingredients, processing, and labour used to make the food product are Canadian (e.g., maple syrup). This means that all the significant ingredients in a food product are Canadian in origin and that foreign ingredients are negligible (less than 2% of the product).

Industry Workshop Outcome:

Recommended Change:

- The “all or virtually all” requirement would change from 98% to 85% and could be re-phrased to reflect this change (e.g., “all or the majority of ingredients” or “all or almost all”).

Rationale:

- Very few products in the marketplace can use the current claim since products made with sweeteners (e.g., sugar), flavours (e.g., coffee, chocolate), or spices sourced outside of Canada are not able to meet the 98% threshold.
- Lowering the threshold would enable more companies to use the claim while ensuring that Canadian labour, manufacturing and ingredients are used.
- This interpretation would align the federal guidelines with existing policies in Quebec and Manitoba, where provincial content claims have driven domestic food production.

2. “Made in Canada” Claims

Current Requirements:

- A “Made in Canada” claim can be used on a food product when the last substantial transformation³ of the product occurred in Canada, even if some ingredients are from other countries.
- This type of claim must be accompanied by a qualifying statement identifying the source of ingredients (domestic and/or imported).

Industry Workshop Outcome:

Recommended Change:

- The requirement to indicate whether imported or domestic ingredients were used would be removed.
- An optional qualifying statement could be added to highlight essential Canadian ingredients (e.g. Made in Canada with 100% Canadian wheat). If the essential ingredient highlighted is less than 100%, then the percentage must be declared.

Rationale:

- The claim would continue to enable companies to promote food products that were made using Canadian labour and manufacturing (i.e. representing an economic investment in Canada).
- Allowing an optional qualifying statement about essential ingredients would provide flexibility for companies that wish to highlight specific Canadian content.
- Industry has stated that the current qualifying statement for domestic and imported ingredients is too long and that highlighting imported ingredients detracts from featuring Canadian content.

3. Other Domestic Content Claims

Current Requirements:

- Statements or claims that describe the Canadian value added may be used without further qualification, provided they are truthful and not misleading for consumers.
- Examples:
 - “Roasted in Canada”
 - “Processed in Canada”
 - “Grown in Canada”
 - “Refined in Canada”
 - “Made with Canadian blueberries”

Industry Workshop Outcome:

- The industry workshop participants did not propose any changes to the guidelines for other domestic content claims. They indicated that the current requirements provide sufficient flexibility for companies to use a label statement that is appropriate for the specific product category and activity.

³ A substantial transformation occurs when a food product undergoes processing which changes its nature and becomes a new product bearing a new name commonly understood by the consumer. For example, the processing of cheese, dough, sauce and other ingredients to create a pizza would be considered a substantial transformation.

Additional Points Raised by Workshop Participants

Stakeholders at the workshop also raised the following points for consideration:

- The government should engage with consumers on the proposed changes to ensure that the claims would continue to provide useful information to Canadians for making purchasing decisions.
- To reduce the risk of consumer confusion:
 - Claims need to be clear and simple;
 - Definition of terms across claims need to be consistent;
 - Public education/communication will be needed so Canadians understand what the new guidelines are, why changes were made and what this means moving forward. This should be a responsibility of both government and industry.

Phase 2: Validation Questionnaire

Following the workshop with industry stakeholders, AAFC sought to gather additional information from a broader segment of food industry stakeholders to validate the direction proposed by workshop participants. To this end, a questionnaire was developed by Intersol consultants in consultation with the AAFC project team. The purpose of the survey was to gauge awareness of the current claims, and to determine whether, and to what extent, the changes proposed by workshop participants would increase industry’s use of domestic origin/content claims.

The online survey was launched on March 15, 2019, and closed on April 18, 2019, for a total comment period of 5 weeks. The survey link was distributed through AAFC’s Value Chain Roundtables as well as to additional trade associations in order to reach a broad group of industry stakeholders.

In total, 121 respondents completed the survey, including stakeholders from across Canada representing Canadian manufacturing industry, industry (import and export), industry associations, retailers, and agricultural producers. There was broad representation from across industry sectors, including grains and oilseeds, sugar and confectionary products, fruits and vegetables, dairy products, meat products, seafood products, bakeries, snack foods, coffee and tea, flavouring syrups and concentrates, seasonings and dressings, soft drinks and alcoholic beverages. Two additional written submissions were also received from industry associations. A full quantitative and qualitative analysis of the data was conducted by the consultant.

Survey Findings

Most survey respondents (73%) were aware of the labelling guidelines for voluntary “Product of Canada” and “Made in Canada” claims for processed food packaging. Almost two thirds of survey respondents (65%) reported that their company currently uses “Product of Canada”, “Made in Canada” or other domestic content statements on its products to denote Canadian manufacturing or ingredients. A key reason given by respondents for not using these claims was that their products do not qualify under the current guidelines.

Results of the survey suggest that the proposed changes to the labelling guidelines would result in an increase in use of the “Product of Canada” and Made in Canada” voluntary claims across all industry sectors.

Specifically:

- For the “Product of Canada” claim, if the existing 98% threshold for ingredients, processing and labour sourced in Canada were lowered to 85%, many more Canadian food products would become eligible to use the claim. Nearly half of respondents (49%) reported that their companies would plan to increase their use of the claim.

Plans for increased use were reported by respondents across all sectors and provinces/territories. Of those who indicated that there would be no change in their use of the “Product of Canada” claim, a key reason given was that their products would not qualify for the claim under the revised guidelines.

- For the “Made in Canada” claim, if the labelling guidelines were revised to reflect the proposed changes, 61% of respondents reported that their companies would plan to increase their use of the claim. This response was reported across all sectors and provinces/territories.

Of those who indicated that there would be no change in their use of the “Made in Canada” claim, the main reason given was that they were not interested in using it, or that it had not been requested by their clients.

Some food industry stakeholders (13) expressed concerns over lowering the “Product of Canada” threshold and eliminating current requirements around the use of “Made in Canada” claims. For example, some respondents felt the changes could be confusing or misleading for consumers, and could lead to consumer mistrust of the claims. Others were concerned that it would allow food processors to include greater proportions of imported foods in their products instead of sourcing these ingredients from within Canada.

In addition, it is worth noting that some of the written comments appear to suggest that some industry stakeholders do not fully understand the current labelling guidelines and/or the proposed changes. This suggests the need for industry education on the labelling guidelines.

Conclusion

Based on this survey of food industry stakeholders, most survey respondents were aware of the “Product of Canada” and “Made in Canada” voluntary labelling guidelines for processed food packaging and many companies already use “Product of Canada”, “Made in Canada” or other domestic content statements on their products to denote Canadian manufacturing or ingredients. It appears that if the changes to the voluntary “Product of Canada” and “Made in Canada” claims proposed by workshop participants were implemented, industry would make greater use of the claims. A few respondents expressed concerns with the proposed changes that should be considered moving forward.