

## **Revision of the new Competition Bureau guidelines for use of the “Product of Canada” and “Made in Canada” claims for manufactured and food products**

The Canadian Chamber has supported the government’s initiative to update the voluntary federal (Competition Bureau) guidelines governing the use of the “Made in Canada” and “Product of Canada” labels. The updated guidelines will allow Canadian consumers to more easily identify the Canadian content in food and manufactured products and allow goods “made” or “produced” in Canada to be the sole beneficiaries of Canada’s international reputation for high quality production.

### **Manufactured goods**

However, the new guidelines for manufactured goods (which took effect on January 1, 2011) have resulted in a number of significant competitive disadvantages and increases in compliance costs for Canadian manufacturers. These Canadian businesses produce and manufacture Canadian products but cannot reasonably meet the requirements under the updated guidelines and, as a result, are prohibited from using the “Product of Canada” and “Made in Canada” designations.

First, to qualify for use of the “Product of Canada” claim, the cost of material and labour incurred to produce or manufacture the Canadian product (manufactured goods as well as food) must be at least 98 per cent Canadian content. This threshold is unrealistically high given that Canada’s manufacturing sector has become deeply integrated with regional and global supply chains over the past decade – that it sources numerous inputs from abroad whose cost-effectiveness, quality or accessibility enhances the global competitiveness and performance of Canadian final products. Many inputs that are essential to Canadian manufacturing are no longer produced on Canadian soil.

Given this, most Canadian manufactured products are prohibited from being labelled as a “Product of Canada” since the product does not meet the 98 per cent threshold. However, many of these same products are genuinely Canadian: the products are conceived, developed and perfected using Canadian industrial know-how, research and development, financing and the skills and innovativeness of Canadian workers. Their value-added content is captured predominantly in Canada. It is therefore imperative that the 98 per cent threshold for the “Product of Canada” designation be revised to a more realistic level that better accounts for today’s highly integrated supply chains.

Second, Canadian manufacturers wishing to use the “Made in Canada” claim face substantial, often prohibitive compliance costs that foreign producers and manufacturers do not incur when using their own competing national “Made in-” brands of excellence in both Canadian and other markets. For example, a Canadian producer of manufactured goods destined for both domestic and foreign markets would need to meet the Canadian labelling requirements of the “Made in Canada” claim to be able to market its goods as such in Canada, while at the same time being required to meet foreign jurisdictions’ labelling requirements in order to export its goods. This requirement unnecessarily adds to production, packaging, marketing, inventory-management and distribution costs for Canadian producers and manufacturers. The result is that many Canadian businesses may simply forgo use of the “Made in Canada” claim for their manufactured products so as to avoid prohibitive compliance costs, thereby placing them at a competitive disadvantage vis-à-vis foreign rivals benefiting from their own national “Made in-” brands of excellence.

The Canadian Chamber of Commerce therefore requests that the government seek to harmonize the guidelines governing the use of the “Made in Canada” claim with the labelling / marketing standards required in the United States and other key export markets.

Without revision of the “Product of Canada” threshold and harmonization of the “Made in Canada” requirements, Canadian producers and manufacturers will be deprived of the opportunity to label and market their goods as Canadian, thereby harming their competitiveness in the Canadian market vis-à-vis imported substitutes, prohibiting Canadian producers and manufacturers from informing Canadian

consumers of the availability and identity of such Canadian products in the Canadian market and restricting the visibility of the Canadian brand of manufacturing excellence abroad.

### **Food products**

Canadian agri-food producers continue to suffer from competitive disadvantages resulting from the revised guidelines for use of the “Product of Canada” claim on food product labels, which came into effect on December 31, 2008.

A 2008 Parliamentary Committee led by MP James Bezan (Selkirk-Interlake), studied the “Product of Canada” food label requirements, consulted with the food industry broadly and issued a consensus report that recommended revising the long standing previous level of a minimum of 51 per cent to a new level of at least 85 per cent Canadian content to be eligible for use of the “Product of Canada” label. Without further consulting the industry, the Federal Government subsequently implemented a 98 per cent level of Canadian content for use of the “Product of Canada” label.

While the “Product of Canada” claim is voluntary, it is crucial to food processing companies and consumers, in order to inform consumers of the source of their food and to fit with the trend to increased consumption of more local foods. When the “Product of Canada” claim is used, it is assessed based on the established criteria, which is currently set at the 98 per cent level of Canadian content. This restrictive requirement means that Canadian food, using Canadian meat, and processed in Canada cannot take advantage of the “Product in Canada” label because it may use foreign spices, fruit, vegetables or other food components that make up more than 2 per cent of its value.

Some of these components are not even produced in Canada (e.g. tropical fruit, spices), or are only available seasonally in Canada. While others are produced in Canada, the cost of their use could be prohibitive to Canadian food producers for logistical or other reasons.

The result has been that few processed food products use the “Product of Canada” claim on their labels, leaving consumers less informed, and harming Canadian food producers by depriving them of the ability to market genuinely Canadian food products as such in the Canadian marketplace. It is therefore imperative that the 98 per cent threshold for use of the “Product of Canada” claim by food products be revised down to the more realistic value of 85 per cent.

### **Recommendations**

That the federal government:

1. Revise the current 98 per cent threshold governing the use of the “Product of Canada” claim for manufactured products to a numerical value that reasonably accounts for the integrated nature of supply chains and genuinely Canadian products’ use of imported inputs.
2. Further harmonize labelling requirements for use of the “Made in Canada” claim by Canadian producers and manufacturers with the labelling / marketing standards required in key export markets.
3. Revise, from an unrealistic 98 per cent level to 85 per cent, the Canadian content percentage required for a food product to be eligible to use the “Product of Canada” claim on its label.
4. Continue to support and work with the Canadian food processing industry to grow the Canadian Brand and to improve their competitiveness in domestic and international markets.