

## WHAT WE HEARD

### The Resilience of the Canadian Agri-Food Supply Chain: A CAPI Digital Dialogue

On April 3, 2020 CAPI organized a “digital dialogue” with supply chain participants to learn more about how the sector is faring in responding to the COVID-19 pandemic in the short term, as well as to identify key issues towards longer-term solutions for the future resilience of the sector. Of the approximately 40 individuals participating on the call, more than half of these represented various industry organizations, academics and non-profit organizations in the agri-food supply chain. This digital dialogue, moderated by CAPI President and CEO, Don Buckingham, provided participants the opportunity to present their views in response to three questions:

- (1) What are the most pressing issues facing your organization as it relates to COVID-19?
- (2) How do you see the food system/industry working together to ensure food can continue to be produced and distributed?
- (3) Do you see a role for CAPI to help from a short and long-term policy perspective?

#### A. Pre-Digital Dialogue Consultation with Industry Stakeholders

---

These questions, along with two short CAPI think pieces on the resilience and the impacts on agriculture and food systems of COVID-19,<sup>1</sup> were provided to around 40 stakeholder participants in advance of the dialogue. Reflections shared with CAPI from these participants from pre-dialogue emails are aggregated into two categories: *immediate issues affecting the system’s resilience* and *longer-term threats to supply chain resilience*.

##### Immediate Issues Affecting the System’s Resilience

- **Lack of redundant capacity:** Labour, transportation, technical expertise, plant and storage capacity, disruption in input supplies
- **Regulatory Rigidity:** Shortage of inspectors, lack of agility of the system to adjust to fast changing needs
- **Border Issues:** Migrant labour, border crossing of perishables, trade restrictions of foreign buyers and suppliers, etc.
- **Cost Pressures:** Global recession, exchange rate, shortages and price inflation

##### Longer-Term Threats to Supply Chain Resilience

- **Systemic Failures:** Breakdown and fracturing of global and domestic supply chains
- **Trade Disruptions:** Loss of markets, inability to import and source product, trade wars, increased tariff protection
- **Food Security:** Shortages, food price inflation and lack of affordability and access, loss of consumer trust in food safety, potential civil unrest
- **Loss of Human and Social Capital:** Unemployment, depopulation of rural areas and loss of know-how

---

<sup>1</sup> Buckingham, D et. al. “Agriculture and Food in, and Beyond, COVID-19: Shoring-up and Strengthening a Canadian Essential Service.” March 2020. Available at: <https://capi-icpa.ca/explore/resources/agriculture-and-food-in-and-beyond-covid-19-shoring-up-and-strengthening-a-canadian-essential-service/>; CAPI, “The Resilience of Canadian Agri-food Supply Chains.” March 25, 2020. Available at: <https://capi-icpa.ca/explore/news/capi-news/the-resilience-of-canadian-agri-food-supply-chains/>.

## **B. Digital Dialogue with Industry Stakeholders**

---

Of the almost 40 industry stakeholders contacted in the pre-digital dialogue, 17 were able to participate on the digital dialogue. On this zoom meeting, participants were given an opportunity to present their views based on the three questions that framed the discussion. Below is a summary of the discussion and the key issues facing the sector, based on those questions.

### **Question 1 - What are the most pressing issues facing your organization as it relates to COVID-19?**

#### **Supply chain performing well overall but uncertainty prevails**

There was general agreement that the Canadian agri-food supply chain was performing well under the current circumstances. Up until now, there did not appear to be any supply issues. Rather there were issues related to transportation, distribution and stocking of shelves at the retail level, given the sudden, increase in consumer demand for many staple food items as a result of fear and hoarding by consumers. Both the federal and provincial governments had designated food and related industries as “essential” services, so they were required to continue their operations. However, one participant argued that there are weak links along the supply chains and that we may be fast approaching a tipping point where we will not be able to maintain supply.

#### **Lack of redundancy in the system is a major concern**

A chief concern of most stakeholders was the health of their workers. Most input suppliers, plants, warehouses and retailers have taken steps to ensure that public health directives are being followed with adequate social distancing, including staggering of shifts, spacing of workers, the use of personal protective equipment (PPE) and increased cleanliness guidelines for handwashing and disinfecting facilities/stations on a regular basis. Some companies have developed “playbooks” and guidelines to ensure processes are in place to follow them.

There has been a rise in absenteeism (up 10%) and several employees who have felt unsafe working have been given the opportunity to take leave. In many cases employers, working with unions, offered wage increases and boosted overtime premiums for those essential workers who have remained. This could ultimately result in cost pressures. In addition, because of the dependence of many supply chains on imported ingredients or products, the health of workers at ports and of federal and provincial inspectors are also a concern.

Of course, if workers become sick everybody in contact with them needs to be isolated. Without proper planning there is a risk of entire plants being closed temporarily. We have already seen this happen to two pork plants in Quebec, a beef plant in Alberta, and a grocery store in Ontario. Many participants pointed out that when there are problems downstream, there are consequences for upstream sectors, such as the case with culling of market-ready hogs as a result of a plant closure.

Another area of concern relates to the shortage of skilled labour such as truck drivers, technical experts, mechanics and maintenance workers brought in to repair machinery and equipment. This is particularly important for specialized equipment that has been imported from the U.S. or Europe. In this case, specialized mechanics, parts and technical expertise are required for repair and maintenance. With travel restrictions recently enforced in Quebec, access to this expertise may also become a local issue.

Thus, the retention of skilled workers as well as the recruitment of new ones and proper training to address the redundancy required in the event of illness and worker absenteeism remain important issues.

### **Regulatory rigidity**

Shortages of available inspectors is a source of concern. As the health of the inspectors is of high importance, an inspector is not required to enter a facility if they do not feel safe. Without inspection, plants cannot sell their products, particularly in meat, fish and fruit and vegetable processing plants. This can lead to slowdowns in supply chains. Shortages of inspectors at ports and licensed graders transporting milk all contribute to the lack of redundancy. Allowing for some flexibility in enforcing regulations at plants, during transport of live animals and commodities and interprovincially and cross border would allow for less rigidity and fewer potential bottlenecks in the system.

Some participants expressed real concern with the lack of emergency preparedness by some companies in terms of risk management around pathogens and food safety and the lack of a government-industry preparedness where regulators have sat on the sidelines waiting for industry to respond. Some weaknesses in industry-government governance issues were expressed, particularly relating to interprovincial alignment. This has not been the case in the U.S. where regulators are ahead on the government-industry response and guidance on critical infrastructure workers. In Canada, after the BSE crisis of 2003, business continuity plans were to be developed with tools to respond to natural disasters and pandemics. It was incumbent on the supply chain to map out the weaknesses in the system to be able to identify quickly where the challenges will arise after the BSE crisis. This does not appear to have been done.

On the other hand, there have been good efforts over the last two to three years to digitize data on the agri-food supply chain by telecommunication entities. This will help monitor operations and outline any potential gaps or shortfalls in preparation for future supply chain challenges. As well, the new Safe Food for Canadians Act improves how certain issues are addressed. Some argued that there is a lot of good work being done now, and while it is taking longer than anticipated to roll out, progress is being made. One participant gave the example of the Ontario Incident Command Centre that was serving as a model for how communication and response was being well coordinated across industry and government regulators to address the crisis.

### **Border issues – coming in and going out**

Most of the participants agreed that an open border was key to the success of the supply chains because of North American integration of supply chains and our reliance on agricultural inputs, machinery parts, ingredients, materials, commodity imports and exports, technical expertise and temporary foreign labour that comes from abroad. Any threat to the free movement of these items could be devastating for any number of players in the supply chain. Thus far, both the U.S. and Canada have understood the significance of this need and the borders have remained opened for trade purposes only. However, there is a shortage of PPE equipment that is needed in many facilities and getting them for these essential workers has not been a priority for governments. We need to be able to produce these items domestically to ensure we have enough supply and serious efforts are being made to reconfigure manufacturing plants in Canada to produce products we need.

### **Food security**

Several participants expressed their concerns over the rise of food insecure households as a result of the loss in income with the forced closure of non-essential businesses and less affordability as prices rise. Food Banks will see fewer donations in this time of need and so several companies have made significant donations, as has the Federal government (i.e. \$11 million). Given that we do not know how long the forced closures will last, food security will continue to grow as a concern. We also need to ensure that in the long term, every Canadian is fed. It is becoming increasingly clear that there is a need for Canada to develop strategies and policies that are focused on our own peoples' needs. Decisions we have made over the past two decades have influenced our capacity to respond, given our focus on the trade balance and export markets and less on domestic processing and supply capacity. Clearly some of the issues arising now are due to the lack of domestic processing capacity and an incomplete understanding of just how essential our food supply chain is. There needs to be more focus on ensuring we can supply it to our own people in the event of another pandemic or natural disaster. This is a topic for a longer-term exercise, of which CAPI could take a leading role.

Several participants also raised the issue of whether our current suite of Business Risk Management (BRM) programs could address the increased commodity market volatility, lack of liquidity and hedging capacity and supply chain blockage implications on commodity prices. Also, financial institutions' role in addressing the sector's cash/liquidity problems need to be considered. However, revisiting BRM would be more appropriate after the current crisis is over, in the context of longer-term strategies, policies and solutions.

### **Question 2 - How do you see the food system/industry working together to ensure food can continue to be produced and distributed?**

#### **Coordinate communication about supply chain**

Given the fear that consumers are feeling as a result of the pandemic it is important for all players in the supply chain to collaborate in communicating a realistic message about the supply chain. Leaders of various companies have done a great job getting the message out for their sector, but it is piecemeal and needs to reflect confidence in the entire agri-food supply chain. Along with efforts to digitize the agri-food supply chain, "communities of visibility" was suggested as a longer-term solution that can ensure data and information is collected and communicated honestly and transparently to consumers and all stakeholders in the chain.

#### **Capture the lessons learned**

In order to prepare for a new future during and after the recovery from this pandemic, participants suggested that there is a real need to capture the lessons learned and develop the processes for afterwards. This could be done by journaling and collecting evidence as it comes, so our learnings and following innovations can be evidence-based. Industry and government need to consider longer-term strategies and to re-examine Canada's role in the world.

#### **Consider exercise planning for more and different serious natural disasters**

As we are experiencing a pandemic and its impact thus far on the agri-food supply chain, we need to prepare for other disasters such as a solar flare knocking out electricity, hurricanes, or volcanic eruptions to develop the tools to respond successfully. We can use this experience as a lesson for increasing resiliency at local, regional and national levels and challenge the way we do things, including the way we

farm. Through this exercise a better response and a subplan for future pandemics or natural disasters could be developed.

### **Define longer-term challenges resulting from this pandemic**

Some of the longer-term considerations for the agri-food supply chain that need to be studied after the pandemic recedes include:

- Consider how we will pay for this in the future given cost pressures.
- Study how consumer demand will change in terms of how and where consumers shop and the implications for the supply chain.
- Assess how to rebuild the economy and work towards recruitment and retention of skilled workers, which were already in short supply before the crisis.
- Consider international relationships that may be affected by closed plants and stopped exports.
- Realign on reducing regulatory burdens, while defining best practices in case of crises, and developing strategies before a crisis occurs.
- Develop creative solutions and invest in new technologies to address lack of labour and plant redundancies.
- Develop future food security strategies that focus on the Canadian peoples' needs to ensure the country can be fed.
- Review where we source our ingredients and supplies.
- Consider increasing domestic value-added processing capacity, while still being a global player.
- Help industry and governments develop more tools to address natural disasters and pandemics and look at other entities in developing a plan of action in case of future crises.
- Rethink Canada's role in the world.

### **Question 3 - Do you see a role for CAPI to help from a short and long-term policy perspective?**

#### **What CAPI should NOT do?**

Some argued that one should be cautious about being too critical of the responses from the supply chain or government to date. Things are changing very quickly, and CAPI should avoid "adding to the noise" or duplicating work that has, or is, already being done around short-term issues.

#### **What CAPI should consider doing?**

Rather, CAPI needs to be forward-looking. We can document and capture the evidence regarding the important lessons learned and the good work being done by the supply chains in response to the current pressures.

CAPI's role is to inform policy. As such it needs to take a step back and evaluate the longer-term issues and send a strong message to stakeholders and government. CAPI can gather the evidence in a way that is honest and transparent in order to identify the long-term consequences of the supply chain's response to COVID-19. As a convener, CAPI could play a role in holding a forum once the world is in recovery mode. It would be here that CAPI would present evidence to guide the government and industry on what could be done differently in the future. In this way, CAPI could play a crucial role in envisioning what makes a more resilient agri-food supply chain for a better Canada and a better world.