



## Introduction

This report on the Nutrition North Canada program was originally prepared by the Niqittivak Committee in December 2013 and was slightly revised in March 2015. This final version of the report is now being published by the Nunavut Food Security Coalition.

In 2011, the Niqittivak Committee was established by the Government of Nunavut to make policy and program recommendations with regards to the cost, quality, and accessibility of food in Nunavut. In 2013, its membership was expanded to include Nunavut Tunngavik Inc. as well as additional Government of Nunavut departments.

In June 2012, the Nunavut Food Security Coalition was established to develop a long-term, ongoing, inclusive, and sustainable approach to food security in Nunavut. The Coalition's collective vision is that "*all Nunavummiut will have access to an adequate supply of safe, culturally preferable, affordable, nutritious food, through a food system that promotes Inuit Societal Values, self-reliance, and environmental sustainability.*" In May 2014, the Coalition published the *Nunavut Food Security Strategy and Action Plan 2014-16*, which include plans to conduct an analysis of Nunavut's market food chain, including food subsidy programs, to identify ways to increase access to store-bought food.

The 2014 Fall Report of the Auditor General of Canada included a performance audit of the Nutrition North Canada program. The Auditor's report has been met with strong public interest in Nunavut. Aboriginal Affairs and Northern Development Canada has announced there will be changes to the Nutrition North Canada program, and that it will convene public meetings in Nunavut this spring to discuss the program.

The Nunavut Food Security Coalition believes that it is in the public interest to publish the Niqittivak Committee's report at this time. Although the report does not reflect more recent information, such as the conclusions of the Fall 2014 Auditor General of Canada's report on Nutrition North Canada, it provides a Nunavut perspective on the Nutrition North Canada program accompanied by 15 relevant recommendations that can support upcoming public discussions.

The Nunavut Food Security Coalition believes that the Nutrition North Canada Program serves an essential function in Nunavut's communities, but also believes it can be adapted to better serve the needs of Nunavummiut.

The Nunavut Food Security Coalition acknowledges that there are factors such as total available funding and the availability of information on profit margins that need to be considered when making decisions about the feasibility of the recommendations included in this report.

The Nunavut Food Security Coalition will build on the research of the Niqittivak Committee report on the Nutrition North Canada program as it continues its work to analyze Nunavut's market food chain. The Coalition will work together to provide a Nunavut perspective on the recommendations of the Auditor General of Canada and the work of the Nutrition North Advisory Board to review the program.

## Executive Summary

When the federal government set out to redesign the longstanding Food Mail program, the Government of Nunavut made several recommendations. These recommendations were tabled in the Legislative Assembly of Nunavut on December 3, 2009.<sup>1</sup> While some of Nunavut's concerns were addressed with the introduction of the Nutrition North Canada program, many were not. In addition, the new program created new issues.

On May 16, 2013, Members of the Legislative Assembly of Nunavut unanimously passed a motion calling on the Auditor General to undertake a comprehensive performance audit of the Nutrition North Canada program.<sup>2</sup> The aim of this submission is to provide a Nunavut-specific perspective on the successes and failures of the Nutrition North Canada program, along with targeted recommendations to improve the program and to make nutritious foods and other necessities more accessible to Nunavummiut.

Nunavut is by far the largest user of the Nutrition North Canada program, accounting for 57 percent of the \$54.1 million spent on subsidies in 2011-12.<sup>3</sup> This paper puts forward 15 specific recommendations to ensure that the Nutrition North Canada program serves the needs of Nunavummiut, the people of Nunavut. Taken together, the 15 recommendations will result in a subsidy program that reflects our unique culture and circumstances: the program will serve the needs of Nunavut's 25 communities, including the communities in the High Arctic; allow retailers to ship perishable and non-perishable nutritious foods in the most cost-effective manner to ensure year-round access to a range of foods; reinstate the subsidy for personal and household hygiene products; encourage more businesses to serve the North; and, provide a transparent subsidy that is passed directly to consumers.

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<sup>1</sup> [http://www.assembly.nu.ca/sites/default/files/20091203\\_Blues\\_English.pdf](http://www.assembly.nu.ca/sites/default/files/20091203_Blues_English.pdf) and <http://assembly.nu.ca/library/GNedocs/2009/000119-e.pdf>

<sup>2</sup> [http://www.assembly.nu.ca/sites/default/files/Hansard\\_20130516\\_0.pdf](http://www.assembly.nu.ca/sites/default/files/Hansard_20130516_0.pdf)

<sup>3</sup> <http://www.nutritionnorthcanada.gc.ca/eng/1369312933888/1369312973116>

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## I. Introduction

Nunavut communities make up 25 of the 77 communities eligible for a year-round, full subsidy under the Nutrition North Canada program. Although Nunavut has the smallest population of any province or territory eligible for a subsidy, in 2011-12, 57 percent of Nutrition North Canada subsidy dollars went to Nunavut.<sup>4</sup> Nunavut is the only jurisdiction where every community receives the full Nutrition North Canada subsidy. Roads connecting Nunavut to the rest of Canada may be a part of the Territory's future, but at this time transport of goods to all Nunavut communities is achieved by sealift (barge) in the summer months and by airlift throughout the year.

While many Nunavummiut consume a diet rich in traditional, locally available country foods such as seal and caribou, there is little to no local production of fruits and vegetables. Consumption of fresh produce is far below the national average. All perishable foods must be shipped to Nunavut by air at significant cost. A price survey undertaken by the Nunavut Bureau of Statistics in March and April 2013 (after the implementation of the Nutrition North Canada program) showed that among the 10 Nunavut communities included in the survey, one litre of milk was 38 per cent higher than the Canadian average price, but staple vegetables onions and celery were, on average, 233 per cent and 287 per cent more expensive per kilogram, respectively.<sup>5</sup> The survey excluded two of Nunavut's three High Arctic communities, likely to be among the most expensive.<sup>6</sup>

An assessment of the "calorie value" of a dollar in Nunavut is illuminating. In Pangnirtung, one dollar buys 184 calories of raw potato, or 180 calories of potato chips. The same dollar buys 70 calories worth of carrots. It is easy to argue that a dollar's worth of whole potatoes or carrots have more *nutritional* value, if not more caloric value, than a dollar's worth of potato chips. But the potato chips are ready to eat without any additional cooking time, fuel, or ingredients. (It is also notable that the 2013 Food Price Survey found that the average price of 4.54 kg of potatoes in Nunavut was \$10.29; in Canada, the average price was \$4.90.)<sup>7</sup>

The relationship between high prices and low consumption of nutritious foods is not coincidental. In a 2003 study conducted by the federal government, 89 per cent of Inuit

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<sup>4</sup> <http://www.nutritionnorthcanada.gc.ca/eng/1369312933888/1369312973116>

<sup>5</sup> <http://stats.gov.nu.ca/en/Economic%20prices.aspx>

<sup>6</sup> The Nunavut Bureau of Statistics has recently released some of the results of the food price survey conducted in March 2014. The average price of 1 litre of 1% milk in Nunavut was \$3.75; the Canadian average price: \$2.33. One kilogram of carrots cost \$3.94 in Nunavut on average; in Canada the average price is \$1.85. The Bureau found that between March 2013 and March 2014 food prices had decreased 4 per cent.

<http://www.stats.gov.nu.ca/en/Economic%20prices.aspx>

<sup>7</sup> Ibid.

respondents in the community of Kugaaruk identified cost as one of the most important barriers to buying fruits and vegetables.<sup>8</sup>

It is not only food that is expensive in Nunavut. Basic personal and household hygiene items such as toilet paper, laundry detergent and dish soap cost far more in the North than the South. Data collected by the Nunavut Bureau of Statistics shows that the average price of 100ml of toothpaste in Nunavut is \$5.47, 228 per cent higher than the Canadian average of \$2.40.<sup>9</sup> Although non-perishable hygiene items can be shipped by sealift, rather than by air, prices are still out of reach for many families. The high cost of both labour and capital (buildings, utilities, and storage) in Nunavut drive up costs for all items.

Nutritious food and essential household goods are necessary not just for individual wellbeing but also for achieving broader public health objectives. In 2012, at least 79 new active cases of tuberculosis were documented in Nunavut, a rate approximately 49 times the national average.<sup>10</sup>

Communicable disease prevention is of paramount importance in Nunavut. For most residents, hospital care is only accessible by air travel, and in emergencies, by mfedevac. Yet federal programs have cut subsidies for soap and other personal and household cleaning products that would mitigate the spread of communicable diseases.

Inadequate nutrition and food insecurity can also impact the health of infants and young children. Inadequate nutrition during pregnancy can result in low birth weights, iron-deficiency anemia, and increased risk of some birth defects. For example, a study of pregnant women in Nunavut found that 80 per cent had vitamin D deficiency severe enough to put their infants at greater risk for rickets<sup>11</sup>.

Household food insecurity has long-term effects on the growth and development of young children. The Nunavut Inuit Child Health Survey shows that about 34 per cent of homes with three- to five-year-old children report experiencing severe food insecurity<sup>12</sup>.

The effect of the high cost of nutritious food in Nunavut is also visible in the consumption of nutrient poor, store-bought foods high in sugar, saturated fats and sodium. Approximately a third of adults in Nunavut report getting their calories from

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<sup>8</sup> [http://www.aadnc-aandc.gc.ca/eng/1100100035821/1100100035889#chp8\\_6](http://www.aadnc-aandc.gc.ca/eng/1100100035821/1100100035889#chp8_6)

<sup>9</sup> <http://stats.gov.nu.ca/en/Economic%20prices.aspx>

<sup>10</sup> <http://phac-aspc.lyris.net/t/907164/7232544/4638/31/>

<sup>11</sup> [http://www.gov.nu.ca/sites/default/files/files/Maternal%20strategy\\_ENG.pdf](http://www.gov.nu.ca/sites/default/files/files/Maternal%20strategy_ENG.pdf)

<sup>12</sup> [http://www.tungavik.com/files/2014/02/2011-12-12-13-SICS-Annual\\_Report-Eng.pdf](http://www.tungavik.com/files/2014/02/2011-12-12-13-SICS-Annual_Report-Eng.pdf)

sugary foods. Thirty five per cent of the daily energy intake of preschool-aged children in Nunavut reportedly comes from high sugar or high fat foods. A lack of nutritious food can contribute to such nutritionally related diseases as diabetes, cardiovascular disease, and some forms of cancer<sup>13</sup>. Access to traditional or country food is a crucial factor contributing to food security and healthy diets in Nunavut. However, many Nunavummiut do not have ready access to country food, due to lack of availability and limited opportunities and support for intercommunity shipment of traditional foods, and the high cost of hunting supplies to support harvesting. Programs that provide subsidies to the traditional economy and facilitate access to nutritious, local food, have not kept pace with rising costs, and in some cases, have been cut back.

## II. Transition From Food Mail To Nutrition North Canada

The federal government has been subsidizing air transportation of food and other essential goods to isolated communities since the 1960s. In 2011, the long-running Food Mail was replaced with Nutrition North Canada, a change that was carefully watched by individual Nunavummiut and the Government of Nunavut. Food Mail was a beneficial, but flawed, program. Many of the deficiencies of Food Mail, discussed in further detail below, were addressed in the changeover to Nutrition North Canada. New difficulties, however, have been introduced.

When the Government of Canada began the process of reviewing Food Mail and designing a successor program, the Government of Nunavut raised a number of concerns. The implementation of the Nutrition North Canada program has partially, but not fully, addressed these issues.

In September 2009, the Government of Nunavut published *Response to the Department of Indian and Northern Affairs Food Mail Review*. In summary, the government stated:

“...INAC needs to step back a little and talk with us about the principles and objectives the program should be designed to accomplish. We expect that the Government of Canada will work with the Government of Nunavut to:

- Make substantial program and administrative changes to the Food Mail Program, including moving administration of the program to the North;
- Set out clear principles, measurable objectives and relevant indicators to measure success;

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<sup>13</sup> Ibid. The forthcoming “Nunavut Cancer Review 2011” reports that the rate of cancer is 362.3 per 100,000. The female rate is 30 per cent higher than the national rate.

- Ensure the issue of country food is explicitly addressed in the renewed program;
- Draw on the expertise of the Government of Nunavut related to northern diets, nutrition and eligible healthy foods;
- Design a subsidy that supports other health promotion and nutrition initiatives;
- Focus on food products rather than on freight rates, so that Northerners have access to high quality, nutritious and affordable foods;
- Ensure that individuals are able to access foods that may not be locally available;
- Diligently monitor the impacts and outcomes of the new food subsidy program to ensure the principles and objectives are being realized.”<sup>14</sup>

Additionally, the Government of Nunavut emphasized the importance of designing a program that would focus on our most vulnerable populations.

The implementation of Nutrition North Canada effectively addressed four of these issues:

1. Ensure the issue of country food is explicitly addressed in the renewed program. The Nutrition North Canada program provides a subsidy for the transport of country foods (char, caribou, etc.) within Nunavut when they are available through local stores or when purchased from regulated processing plants. Nunavut has three government regulated, subsidy-eligible processing plants: Kitikmeot Foods in Cambridge Bay, Kivalliq Arctic Foods in Rankin Inlet, and the Pangnirtung Fisheries Limited in Pangnirtung. While Nunavummiut have expressed concern that prices are high and country foods are not regularly available in community grocery stores, Nutrition North Canada has made an explicit effort to include country food within the basket of subsidized goods. In addition, both Canadian North and First Air airlines offer a flat rate of \$1.50/kg to ship country foods between communities within Nunavut. The discounted shipping provided by Nunavut’s major airlines, combined with the subsidy provided by Nutrition North Canada, offers improved access to country food across Nunavut. It is noteworthy, though, that country food shipped from the North made up the smallest component of subsidy expenditures in 2011-12, amounting to less than one per cent of subsidized food.<sup>15</sup>
2. Design a subsidy that supports other health promotion and nutrition initiatives. The Government of Canada has included these areas in the design of the Nutrition North

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<sup>14</sup> <http://assembly.nu.ca/library/GNedocs/2009/000119-e.pdf> (tabled on December 3, 2009  
[http://www.assembly.nu.ca/sites/default/files/20091203\\_Blues\\_English.pdf](http://www.assembly.nu.ca/sites/default/files/20091203_Blues_English.pdf))

<sup>15</sup> <http://www.nutritionnorthcanada.gc.ca/eng/1369312933888/1369312973116>

Canada program. Nutrition North Canada allocates program funding for nutrition education initiatives and community activities.<sup>16</sup> In Nunavut, these funds have been used to develop, test, and produce the *Nunavut Food Guide* and *Nunavut Food Guide Educators Handbook*, a series of 10 culturally appropriate recipes, and a *Nutrition Educators Toolkit* with resources to support community health workers to facilitate cooking classes and taste tests, and to prepare nutritious meal bags.

3. Focus on food products rather than on freight rates, so that Northerners have access to high quality, nutritious and affordable foods. The Nutrition North Canada program focuses on subsidizing specific foods. Although the subsidy is applied to the freight costs borne by northern retailers and southern suppliers, the program design is focused on the foods themselves.
4. Ensure that individuals are able to access foods that may not be locally available. Like its predecessor, the Nutrition North Canada program ensures subsidized access to a variety of non-local foods including a wide range of products from both the *Canada Food Guide* and *Nunavut Food Guide*. In addition, individuals may place direct orders through registered Nutrition North Canada suppliers in order to access particular foods. Difficulties with direct orders are discussed below, but notwithstanding these challenges, the Nutrition North Canada program does offer access to a variety of non-local foods.

Several issues, however, have not been addressed.

**Make substantial program and administrative changes to the Food Mail Program, including moving administration of the program to the North.**

This concern has been only partially addressed. Nutrition North Canada is substantially different from Food Mail both in terms of program design and administration. The Government of Canada has not relocated administration of the Nutrition North Canada program to the North, and the program lacks sufficient input from officials familiar with the challenges of operating and living in Nunavut. While the Nutrition North Canada Advisory Board includes representatives from Nunavut, the Board has not regularly sought input from Nunavummiut in an engaging way.<sup>17</sup> As we gain experience with

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<sup>16</sup> <http://www.hc-sc.gc.ca/fn-an/nutrition/north-nord/index-eng.php>

<sup>17</sup> <http://www.nutritionnorthcanada.gc.ca/eng/1415649204233/1415649240039>

Nutrition North Canada, individuals and government officials are able to provide specific comments on the successes and failures of the new program.

**Recommendation 1:** The Nutrition North Canada program, through its Advisory Board or another mechanism, should solicit ongoing, periodic feedback from people in communities eligible for subsidies, and from provincial and territorial governments.

**Set out clear principles, measurable objectives and relevant indicators to measure success.**

In both the design and delivery of the Nutrition North Canada program, the Government of Canada has not incorporated relevant indicators to measure success. An internal audit of the program released in August 2013 focused on program implementation, governance, risk management, and management controls. Retailers were the clients in the internal audit. Consumers who purchased subsidized foods were not consulted, nor did the audit assess whether or not retailers passed subsidies on to consumers.

**Recommendation 2:** The Nutrition North Canada program should implement the following recommendation from its internal audit:

*The Assistant Deputy Minister of the Northern Affairs Organization should establish a process for periodic review and policy discussion regarding food items and community eligibility.*

This process should include people in communities eligible for subsidies, and provincial and territorial governments.

**Recommendation 3:** The Nutrition North Canada program should implement the following recommendations from its internal audit:

*The Assistant Deputy Minister of the Northern Affairs Organization should implement tools/systems with access controls to effectively collect data, conduct trend analysis, and monitor changes in the price of food basket items, and complete awareness and retail surveys to obtain feedback on program progress and retailer costs.*

**Draw on the expertise of the Government of Nunavut related to northern diets, nutrition and eligible healthy foods.**

As detailed in this submission, Nutrition North Canada does not take into consideration the unique circumstances facing the program's intended beneficiaries. Insufficient

attention is given to the dietary habits and preferences of Nunavummiut, specifically Inuit.

**Recommendation 4:** The Nutrition North Canada program should seek the input of Nunavummiut and the Government of Nunavut prior to making any program changes related to the list of foods eligible for subsidy.

**Diligently monitor the impacts and outcomes of the new food subsidy program to ensure the principles and objectives are being realized.**

First and foremost, according to Nutrition North Canada’s own website, the program “seeks to improve access to perishable healthy food in isolated northern communities.” Yet this is not being measured through current reporting requirements.

The current monitoring and evaluation framework for Nutrition North Canada fails to assess whether the program is helping to increase the consumption of nutritious foods. Nutrition North Canada publishes data on the quantity of subsidized foods being shipped to each eligible community.<sup>18</sup> This data does not differentiate between Level 1 and Level 2 subsidies by community. In the absence of a survey on household purchasing and eating habits, this data also fails to capture how much subsidized food is actually being *consumed* in Nunavut rather than simply being *shipped*.

**Recommendation 5:** Monitoring and evaluation of the Nutrition North Canada program should include measures of both availability and consumption of nutritious foods.

**Targeting vulnerable populations.**

The Nutrition North Canada program does not specifically target vulnerable populations. High-income and low-income Nunavummiut pay the same prices for subsidized foods. There is no opportunity for those households more in need to derive greater benefit from the subsidy program. Furthermore, the program does not recognize the barriers faced by vulnerable populations. Savings that can be derived from direct food orders are generally not available to the most vulnerable members of society, who may lack the credit card, Internet access, or general literacy to place orders for themselves. This is compounded by the lack of information in Inuktitut on nutritional information about store-bought foods. Due to the design of the Nutrition North Canada subsidy, there is no obvious mechanism to target vulnerable populations in the existing program.

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<sup>18</sup> <http://www.nutritionnorthcanada.gc.ca/eng/1369312933888/1369312973116>

**Recommendation 6:** The federal government should recognize the needs of vulnerable populations when considering future program changes.

### III. Issues Resulting From The Design Of The Nutrition North Canada Program

In addition to the areas identified above, the introduction of Nutrition North Canada introduced several problems that were not issues under Food Mail.

The most prominent issues created by the introduction of the Nutrition North Canada program are:

- Inappropriate subsidy design for Nunavut, particularly High Arctic communities;
- Loss of a subsidy for basic household items including necessary hygiene supplies;
- Internal inconsistencies within the list of subsidized foods and the exclusion of nutritious foods;
- Program funding not indexed to inflation or population growth;
- Administrative burden and limitations on new entrants; and,
- Lack of transparency and retailer profits.

#### **Inappropriate subsidy design for Nunavut, particularly High Arctic communities.**

Nunavut's three High Arctic communities, Resolute Bay, Arctic Bay, and Grise Fiord, face substantially different challenges than other communities with respect to shipping and storing foods. Although Nutrition North Canada offers the highest subsidy level in these communities (the Level 1 subsidy in Grise Fiord is \$16 per kilogram) it is simply not possible to transport many perishable foods to the High Arctic without spoilage. For food to reach Grise Fiord transport must be coordinated between two different airlines. Flights depart for Grise Fiord twice a week, but planes are often cancelled for extended periods due to weather. It is normal for the community to be without airline service for periods of two to three weeks, making it extremely difficult to transport perishable foods. Furthermore, when proper temperatures cannot be maintained during shipping, produce often freezes and arrives in the community spoiled.

Prior to the 2013 sealift, residents of Grise Fiord were not able to purchase frozen foods between April and October because the air shipping route was too long for food to remain frozen.<sup>19</sup> In 2013, the local co-operative store purchased a refrigerated sealift container for the route to Grise Fiord so that frozen items can now be transported via

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<sup>19</sup> <http://www.cbc.ca/news/canada/north/ice-cream-a-hot-seller-in-nunavut-1.1331467>

sealift. These items, however, are not eligible for a subsidy under Nutrition North Canada as they are shipped by sea rather than by air. Subsidizing the shipment of frozen foods by air but not by sealift is not effective for High Arctic communities.

Another significant issue in the design of the Nutrition North Canada program is the assumption that individuals can make personal sealift orders for non-perishable items such as dried pasta and toilet paper, and that these goods do not need to be subsidized. In reality, personal sealift orders are not available to a large portion of Nunavummiut for a variety of reasons. First, individuals and families may not have the financial capacity to place a large and expensive order at one time. In 2011, approximately 40 per cent of Nunavut households relied on Social Assistance, and this figure was as high as 72 per cent in some communities.<sup>20</sup> To benefit from Social Assistance, regulations require that cash savings first be exhausted - savings that might be used to order food in bulk by sealift. Access to credit cards is also an issue for many Nunavummiut. The majority of communities do not have banking infrastructure.<sup>21</sup> If a household can afford to place a personal sealift order, there may not be adequate storage space available. Finally, the culture of sharing within one's family and community means that for those Nunavummiut who can place a personal sealift order, the items are often shared among friends and relatives and do not last a full year. Items shipped by sealift are available through retailers, but the cost is substantially higher than placing a personal sealift order due to the costs associated with warehousing and retailing in Nunavut.

It must also be noted that in many communities the local retailers don't have adequate storage space for a full year's supply of dry goods. Thus, once sealift supplies run out there is a gap period during which non-subsidized items are shipped by air prior to the arrival of the next sealift. This often leads to a sharp increase in the price of household necessities in the spring and early summer.

Subsidizing the shipment of specific items, regardless of the method of transportation, would address all of these issues. Retailers could transport nutritious foods in the most economical way possible for each community, including communities in the High Arctic. Households unable to place personal sealift orders would still have access to dry goods at a subsidized rate through northern retailers and southern suppliers. Finally, subsidizing specific items regardless of transportation method would reduce the spike in prices when retailers run out of goods delivered by sealift.

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<sup>20</sup> <http://stats.gov.nu.ca/en/Social%20assistance.aspx>

<sup>21</sup> Physical banks are located in four of Nunavut's 25 communities: Cambridge Bay, Rankin Inlet, Baker Lake and Iqaluit.

**Recommendation 7:** The federal government should subsidize the transport of nutritious foods and other essential household items by both airlift and sealift.

### **Loss of a subsidy for basic household items including necessary hygiene supplies**

As discussed above, the shift from Food Mail to Nutrition North Canada resulted in several items being dropped from the subsidy list. The Coalition recognizes that Nutrition North Canada explicitly focuses on food products, rather than food and household products. Nonetheless, it must be recognized that the decision to remove household products from the subsidy list has significant implications for public health. For example, the cost of toothpaste remains high: the 2014 Nunavut Food Price Survey reports that a 100ml tube of toothpaste costs on average \$6.07 in Nunavut, almost triple the average cost (\$2.04) in Canada.<sup>22</sup>

**Recommendation 8:** The federal government should reintroduce the subsidy for personal and household hygiene items.

### **Internal inconsistencies within the list of subsidized foods and the exclusion of nutritious foods.**

The list of foods eligible for subsidy under the Nutrition North Canada program is internally inconsistent and excludes whole categories of nutritious foods. The most significant internal inconsistency is the inclusion of dried fruits and vegetables and powdered milk in the list of subsidized foods, but the exclusion of dried legumes, and starches such as rice and pasta. Two of the four *Canada Food Guide* food groups (vegetables and fruit, milk and alternatives) are subsidized in their dehydrated form, but the other two food groups (meat and alternatives, grain products) are not.

Dehydrated foods are efficient to ship by sea and air, as they have a smaller volume and lower weight than their fresh counterparts. Retailers may not have sufficient storage space for a year's supply of dry goods, so even shelf-stable dry goods are often shipped by air at some point during the year, yet they are not included in the subsidy list.

**Recommendation 9:** The federal government should subsidize the nutritious dried/dehydrated options in all four food groups of the *Canada Food Guide*.

<sup>22</sup> <http://www.stats.gov.nu.ca/en/Economic%20prices.aspx>. "Food Price Survey – Comparison Vs Canada CPI Food Price Basket 2014."

Another inconsistency in the list of subsidized foods is the treatment of bread and bread products. The Nutrition North Canada subsidy structure is biased towards purchasing ready-made bread products rather than purchasing the ingredients to bake from scratch. The *Canada Food Guide for First Nations, Inuit and Métis* includes bannock as an example of a grain product. In Nunavut communities, where many Inuit may prefer to make bannock or bread rather than purchase bread, flour receives a lower level of subsidy than prepared bread. In addition, other bannock ingredients such as oil and lard are subsidized at the lower level, and basic baking staples such as yeast, baking soda and baking powder are not subsidized at all.

**Recommendation 10:** The federal government should subsidize flour, cooking oils, and other baking staples at the higher subsidy level.

### **Program funding not indexed to inflation or population growth.**

In redesigning the Food Mail program, one objective of the federal government was to ensure cost certainty. Nutrition North Canada receives \$60 million in annual funding, not indexed to inflation or population growth. The federal government has stated that if demand for the subsidy increases the level of subsidy per community may be reduced in order to keep overall costs at \$60 million. The decision to implement a hard cap of \$60 million per year will have negative consequences for communities that receive the subsidy. First, since the subsidy rates are not indexed to inflation, the real value of the subsidy will decrease over time. Second, since the overall program funding envelope is not tied to population growth, the value of the subsidy available per capital will decrease over time. This is particularly relevant in Nunavut as the territory has the highest birthrate in Canada.

**Recommendation 11:** The federal government should index Nutrition North Canada program funding to inflation and adjust community subsidy rates accordingly.

**Recommendation 12:** The federal government should periodically examine population growth in Nunavut and, if necessary, increase overall program funding accordingly.

### **Administrative burden and limitations on new entrants.**

Retail competition is quite limited in Nunavut, with most Nunavut communities served by only two physical storefronts selling nutritious food (the North West Company and an Arctic Co-operatives member store). Several communities have only one retail grocery store. Direct orders through registered Nutrition North Canada suppliers increase retail

choice to some degree, but as noted above, not all Nunavummiut have access to direct orders. Furthermore, a frequent complaint among Nunavummiut is that fewer businesses supply direct orders compared to Food Mail. This is particularly an issue in the Kitikmeot region, where there are only six registered suppliers for direct orders compared to 12 suppliers for the Kivalliq region and 13 suppliers for the Baffin region.<sup>23</sup>

The Nutrition North Canada program has the potential to increase competitiveness, which should, subject to traditional market forces, reduce food prices through competition. In practice, the Nutrition North Canada program has many barriers to entry that reduce retail competition and may serve to reinforce high prices in the North. The requirements for businesses to become an eligible Nutrition North Canada supplier are onerous. Southern businesses must estimate their predicted client base and sales volume by weight in advance, which may dissuade new entrants from testing the waters to determine if supplying northern communities is a viable business. Northern businesses must operate a traditional storefront, a policy which disadvantages other businesses models such as direct-to-consumer sales within the North.

**Recommendation 13:** The federal government should review the current requirements for businesses to register with Nutrition North Canada with the aim of encouraging more businesses to participate in the program regardless of business model.

### **Lack of transparency and retailer profits.**

Many Nunavummiut have speculated that in some cases Nutrition North Canada subsidy rates exceed the cost of transportation. Because the contracts between retailers and airlines are confidential, it is not possible for consumers to confirm or deny this speculation. An increase in profits for major northern retailers has coincided with the introduction of the Nutrition North Canada program, fueling public suspicion.

An example of this issue was raised in the Nunavut Legislature in March 2013.<sup>24</sup> At that time, the undiscounted consumer freight rate from Ottawa to Kimmirut on a commercial airline was \$5.29/kg. The Nutrition North Canada Level 1 subsidy for the community is \$5.40/kg. The consumer shipping rate does not reflect taxes and fuel surcharges, nor does it capture the full cost a retailer would pay to transfer goods from a southern warehouse to a northern retail outlet. It can be reasonably expected, however, that northern retailers negotiate shipping rates substantially lower than the undiscounted consumer rate.

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<sup>23</sup> <http://www.nutritionnorthcanada.gc.ca/eng/1367930665262/1367931132342>

<sup>24</sup> [http://www.assembly.nu.ca/sites/default/files/Hansard\\_20130318.pdf](http://www.assembly.nu.ca/sites/default/files/Hansard_20130318.pdf)

The lack of transparency surrounding shipping rates paid by major retailers, combined with the lack of an effective requirement to show that the subsidy has been passed directly to consumers, leads to the widespread perception in Nunavut that the program is not directly benefitting community members.

**Recommendation 14:** The federal government should re-examine the subsidy design and implementation to ensure that community members in eligible communities benefit directly from the subsidy.

A longstanding complaint from Nunavummiut is that it is unclear if retailers are passing on the Nutrition North Canada subsidy to consumers. Suppliers of direct orders are required to show the total value of the subsidy on the sales invoice. Yet supermarkets in the North - the primary recipients of Nutrition North Canada subsidies - do not have to include the total value of the subsidy on purchase receipts.

A sample invoice from a southern direct supplier (based on an actual invoice) is illustrated below. On this invoice, the purchaser can clearly identify the price of food, the gross shipping cost, the subsidy rate, and the net shipping cost. It is evident that the Nutrition North Canada subsidy is being fully passed on to the consumer.

Item	Quantity	Price	Total	Weight (kg)	Shipping cost	Subsidy Level 1	Subsidy Level 2	Net Shipping	Total Cost
					\$6.80/kg	\$4.10/kg	\$2.30/kg		
Avocado	4	\$ 0.99	\$ 3.96	0.8	\$ 5.44	\$ (3.28)		\$ 2.16	\$ 6.12
Sour cream 500ml	1	\$ 2.69	\$ 2.69	0.5	\$ 3.40		\$ (1.15)	\$ 2.25	\$ 4.94
Candy	1	\$ 0.99	\$ 0.99	0.1	\$ 0.68			\$ 0.68	\$ 1.67
<b>Total</b>			\$ 7.64	1.4	\$ 9.52	\$ (3.28)	\$ (1.15)	\$ 5.09	\$ 12.73

Unfortunately, store receipts from northern retailers, which account for the majority of subsidized food sales in Nunavut, do not have similar transparency.

**Recommendation 15:** All businesses, both northern retailers and southern suppliers, should show the total value of the Nutrition North Canada subsidy on purchase receipts.

#### IV. Conclusion

The Nutrition North Canada program serves an essential function in Nunavut's communities, but there is much room for improvement.

Taken together, the 15 recommendations will result in a subsidy program that reflects our unique culture and circumstances: the program will serve the needs of Nunavut's 25 communities, including the communities in the High Arctic; allow retailers to ship perishable and non-perishable nutritious foods in the most cost-effective manner to ensure year-round access to a range of foods; reinstate the subsidy for personal and household hygiene products; encourage more businesses to serve the North; and provide a transparent subsidy that is passed directly to consumers.

## V. Summary Of Recommendations

Recommendation 1: The Nutrition North Canada program, through its Advisory Board or another mechanism, should solicit ongoing, periodic feedback from people in communities eligible for subsidies, and from provincial and territorial governments.

Recommendation 2: The Nutrition North Canada program should implement the following recommendations from its internal audit:

*The Assistant Deputy Minister of the Northern Affairs Organization should establish a process for periodic review and policy discussion regarding food items and community eligibility.*

This process should include people in communities eligible for subsidies, and provincial and territorial governments.

Recommendation 3: The Nutrition North Canada program should implement the following recommendations from its internal audit:

*The Assistant Deputy Minister of the Northern Affairs Organization should implement tools/systems with access controls to effectively collect data, conduct trend analysis, and monitor changes in the price of food basket items, and complete awareness and retail surveys to obtain feedback on program progress and retailer costs.*

Recommendation 4: The Nutrition North Canada program should seek the input of Nunavummiut and the Government of Nunavut prior to making any program changes related to the list of foods eligible for subsidy.

Recommendation 5: Monitoring and evaluation of the Nutrition North Canada program should include measures of both availability and consumption of nutritious foods.

Recommendation 6: The federal government should recognize the needs of vulnerable populations when considering future program changes.

Recommendation 7: The federal government should subsidize the transport of nutritious foods and other essential household items by both airlift and sealift.

Recommendation 8: The federal government should reintroduce the subsidy for personal and household hygiene items.

Recommendation 9: The federal government should subsidize the nutritious dried/dehydrated options in all four food groups of the *Canada Food Guide*.

Recommendation 10: The federal government should subsidize flour, cooking oils, and other baking staples at the higher subsidy level.

Recommendation 11: The federal government should index Nutrition North Canada program funding to inflation and adjust community subsidy rates accordingly.

Recommendation 12: The federal government should periodically examine population growth in Nunavut and, if necessary, increase overall program funding accordingly.

Recommendation 13: The federal government should review the current requirements for businesses to register with Nutrition North Canada with the aim of encouraging more businesses to participate in the program regardless of business model.

Recommendation 14: The federal government should reexamine the subsidy design and implementation to ensure that community members in eligible communities benefit directly from the subsidy.

Recommendation 15: All retailers, both northern retailers and southern suppliers, should show the total value of the Nutrition North Canada subsidy on purchase receipts.