

Canada's advantages in food processing

Investment Environment

Capital investment in Canadian-based food and beverage processing is now in excess of \$2 billion a year. Over three quarters of the world's leading food and beverage firms have chosen to invest in processing facilities in Canada.

Canada's many advantages, coupled with the high quality of life in Canadian cities, make it a preferred location for investment. Canada welcomes and encourages international investment in its food and beverage sector and has a policy environment that is favourable to business investment and growth. Investment trends prove it.

Quality Ingredients

Canada has abundant supplies of the highest quality fruits, vegetables, seafoods, livestock, poultry, vegetable oils, dairy products, cereal grains, fresh water and other food ingredients. Its hardy climate, clean air, abundant land surface and extensive seacoasts provide an ideal environment for food harvesting and production.

A Skilled Work Force

Canadian-based food processors benefit from a highly educated, skilled and productive labour force. The country is also a leader in labour productivity growth.

Training and educational institutions are responsive to industry requirements and have tailored their programs to meet the specific technical, production and management skills required for food and beverage processing industries.

The highly skilled and well educated work force is augmented by 10,000 post-secondary graduates in agricultural and biological sciences from the 14 universities with biotechnology programs.

Quality Assurance

Canada's reputation for quality is assured and enhanced by joint government-industry standards, quality control and inspection systems which are ISO-compatible. The quality and the integrity of Canada's standards, grading and inspection systems give companies a competitive advantage in accessing export markets.

Retail Strengths

Canada has a diverse retail sector that includes both large super-market chains as well as small specialty stores with a strong interest in innovative approaches to food sales. This is an ideal environment in which to test different marketing strategies.

Packing and Processing Technology

Canada has well developed food packaging materials and packaging technologies industries, ready to serve the requirements of new product developers. (See page 6.) Advanced processing technologies are supporting increased flexibility in packing plants, allowing them to respond to the specific requirements of customers quickly and efficiently.

Competitive Costs

Canada offers significant locational advantages in terms of initial capital investment, energy, transportation and labour inputs. (See page 5).

Consumer Base

As an ethnically diverse society with relatively high disposable incomes, Canadians are receptive to a wide variety of foods and thus constitute an ideal testing ground for new products. The market is also an excellent indicator of trends and preferences in the neighbouring U.S. Most Canadian retailers feature the same brands that lead in food and beverage sales in the United States. This makes Canada an ideal test market for products destined for all of North America.

Secure Market Access

NAFTA provides Canadian-based food manufacturers with assured access to all North America. Well established trading channels deliver products safely and quickly to more than 50 different countries around the world.

The Canada-U.S. Free Trade Agreement continues to govern agricultural trade between Canada and the United States. Within NAFTA, Canada and Mexico have a separate agreement. Mexico's market is being opened through the immediate elimination of import licences and the phase-out of tariffs.

Transportation

Canada's transportation industries are equipped to meet specialized needs such as those of frozen food producers and beverage manufacturers. Transportation is well integrated into the entire North American market as well as supporting overseas exports.

RESEARCH AND DEVELOPMENT

R&D is essential for success in the agri-food industry. Canada's universities, medical institutions and government labs are known world-wide for their scientific and research excellence.

Collaboration between government and private-sector institutions is extensive. For example, Centres of Excellence bring together leading university and private-sector researchers.

A national network of food research and development centres has achieved much, including:

- a leading position in fermentation research and development, and in dairy science;
- development of many new frozen food products and processes;
- global recognition for the excellence of its livestock herds and processed meat products;
- a leading position in cereal grain breeding, production and processing research.

A recently revised patent act strengthens protection for intellectual property. R&D is further encouraged by a favourable regulatory environment and the most generous R&D tax credits offered among the G7 nations. Recent studies have shown that Canada's R&D costs are among the lowest in the industrialized world.

SNACK FOODS

Size: 20 large companies and a series of smaller new firms.
Market: \$15 billion a year in North America.
Trends: Consumption increased by 23% (1988 to 1994); 2,000 new products are introduced in North America every year.
Advantages: Canadian consumers enjoy high disposable incomes and are willing to try new products.
Areas of Growth:

- nutritional products of all sorts;
- food prepared through baking, toasting and microwaving; and
- local and regional markets test new products at low cost.

CEREAL GRAIN PRODUCTS

Size: 650 Canadian-based cereal grain product manufacturers, shipping \$4 billion annually, employing 32,000 people.
Market: \$90 billion annually in North America.
Exports: Trade with the U.S., has grown by nearly 90% in the past three years and trade with Mexico is increasing.
Advantages: High quality principal grains; primary processed cereal grain products and further processed grain products.
Areas of Growth:

- cereal grain products from other cultures;
- healthy convenience food such as snacking crackers, gourmet cookies and high fibre products; and
- export markets such as Mexico and Japan.

AGRICULTURE, FOOD AND AQUACULTURE BIOTECHNOLOGY

Size: 310 companies employing 13,000 people.
Sales: Almost \$600 million (1993).
Exports: \$400 million (1993).
Trends: Employment rising by 4% annually, sales by 17% and exports by 7% (1989-1993).
Advantages: Canada has leading-edge achievements in enzyme regulation, protein engineering and fermentation.
Areas of Growth:

- broodstock development of fish stocks;
- plant and animal breeding technologies; and
- food products with medical properties, bio-engineered yeast, enzymes, natural flavours, colours and preservatives.

BEVERAGES

Size: 250 manufacturing locations employing 13,000 people.
Sales: \$7 billion a year in Canada.
Exports: Between 1991 and 1994, Canadian beverage exports to the U.S. increased by 37%; exports to Japan tripled.
Trends: In the early 1990s, sales of non-alcoholic beverages grew by 7% annually, and bottled water by 13 to 16%.
Advantages: An abundant supply of pure fresh water, leading-edge research in fermentation, and dairy products.
Areas of Growth:

- high quality non-alcoholic drinks, especially new flavours;
- nutritional and "dairy type" drinks for lactose intolerance; and
- small specialized micro-breweries and estate vineyards

SEAFOOD AND MARINE PRODUCTS

Size: 900 processing establishments on the Atlantic coast and 200 on the Pacific.
Market: Despite supply shortages, per capita consumption in North America remains at about 7 kilograms a year.
Exports: In 1993, Canada was the world's fifth largest seafood exporter; more than 90% of production is exported.
Advantages: Highly successful fishing fleets, rapidly growing aquaculture production, and modern facilities.
Areas of Growth:

- frozen and prepared seafood products; use of new species and new aquaculture production;
- new marine-based products (food, pharmaceuticals, pigments, oils, chemicals); and
- high quality fresh products for food services and exports.

FROZEN FOODS

Size: Frozen foods are now the third largest retail food product category (after meat and dairy products).
Sales: North American market of \$25 billion annually.
Exports: Exports of frozen vegetable products to the U.S. increased by 95% (1991 to 1994); new markets in Japan, Mexico and Latin America.
Trends: Frozen foods are among the fastest growing food categories in both Canada and the U.S.
Advantages: Highest quality inputs of fruits, vegetables, oils, dairy products, cereal grains, developed food packaging materials and technologies, and an advanced R&D environment.
Areas of Growth:

- up-scale frozen foods available in larger packages;
- healthier, nutritious frozen foods; and
- portion-packed frozen meats, seafoods, sauces and semi-prepared foods for food services operations.

SPECIALTY AND ETHNIC FOODS

Size: 400 small, young manufacturers averaging fewer than 50 employees and less than \$3 million in annual sales.
Sales: Canadian market is about \$700 million a year.
Exports: Half of all Canadian manufacturers in this sector do some exporting, primarily to the U.S.
Trends: 12,000 new products introduced in North America annually; in 1993, sales of 11 basic categories grew by 12%.
Advantages: A growing number of retail outlets focusing exclusively on ethnic, health or specialty foods: over 75% of North American super-markets have delicatessen sections.
Areas of Growth:

- premium quality food with health or nutritional benefits;
- unique flavours and dining experiences; and
- substitutes for imports of ethnic and specialty foods.

RED MEAT INDUSTRIES

Size: 100,000 livestock producers, 32,000 people employed in 467 processing establishments.
Sales: 3 million cattle and 16 million hogs sold annually.
Exports: 210,000 metric tonnes of beef and 280,000 metric tonnes of pork in 1994; between 1991 and 1994, exports grew at an average annual rate of 17%.
Trends: A growing demand for processed meat products (cooked ham, cooked and cured sausages, meat pies, other ready-cooked and convenience meat products).
Advantages: Superior livestock genetics coupled with climate, feed supply and strict health and grading standards ensure a plentiful supply of high quality meat.
Areas of Growth:

- convenience-oriented, pre-cooked frozen meat and poultry;
- export markets for pork and beef, especially in Asia; and
- export of high value-added consumer products.