SECTORAL OVERVIEW

The processed food and beverage sector enjoys a prominent place among Canada's manufacturing and resource-processing industries. For example, it ranks ahead of important sectors such as automotive industries, pulp and paper, electronics, or textiles and apparel. The food sector is, in fact, the leading consumer products sector in Canada and across North America.

SECTORAL COMPOSITION

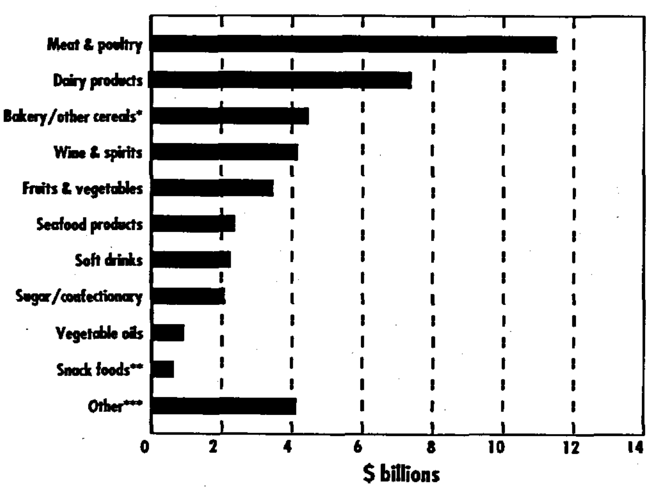
The food processing sector is composed of many distinct industries. They can be grouped into major categories, reflecting their relationship with primary agricultural industries and their respective positioning as primary or secondary processors. (See Figure 4)

Primary processors such as meat and poultry, seafood and marine products, dairy products and crop-based products are closely linked to the primary agriculture and fisheries sectors. Having the benefit of abundant supplies of Canadian-produced food commodities as inputs, these industries are characterized by a large percentage of firms acting as producers of both finished products destined directly for consumers or, semi-finished products that are intended for further processing. This group of industries accounts for roughly half of all shipments by the food and beverage sector.

The other categories of industries within the sector are beverage manufacturers as well as those that produce what are generally described as "further processed" products, ready for consumer tables or food service establishments. These industries account for roughly 50 percent of total shipments and about 60 percent of the total value-added created through the processing activity of the entire sector.

The food and beverage processing sector collectively represents the major market for Canada's 280,000 farmers and 80,000 fishermen and seafood harvesters. Every year, it purchases more than $20 billion in unprocessed food inputs from Canadian producers in addition to another $7 to $8 billion in imported food commodities. These inputs are then processed into shipments that are valued at nearly $50 billion every year.

Figure 4.
Shipments by Major Processing Industries in Canada's Food and Beverage Sector, 1993 ($ billions)



* Includes flour, bakery, breakfast cereals, feeds and pasta industries
** Snack foods represent chips, popcorn, and pretzel industries
*** Other includes tea, coffee, malt and miscellaneous food items
Source: Statistics Canada, Survey of Manufacturers.

COMPETITIVENESS THROUGH FLEXIBILITY

When measured in terms of employment and value of shipments, many of Canada's food and beverage processors would be classified as small and medium-sized enterprises (SMEs) by international standards. Despite this, many of these Canadian firms are highly competitive because they use flexible pro-