



Food Manufacturing Industry in Canada

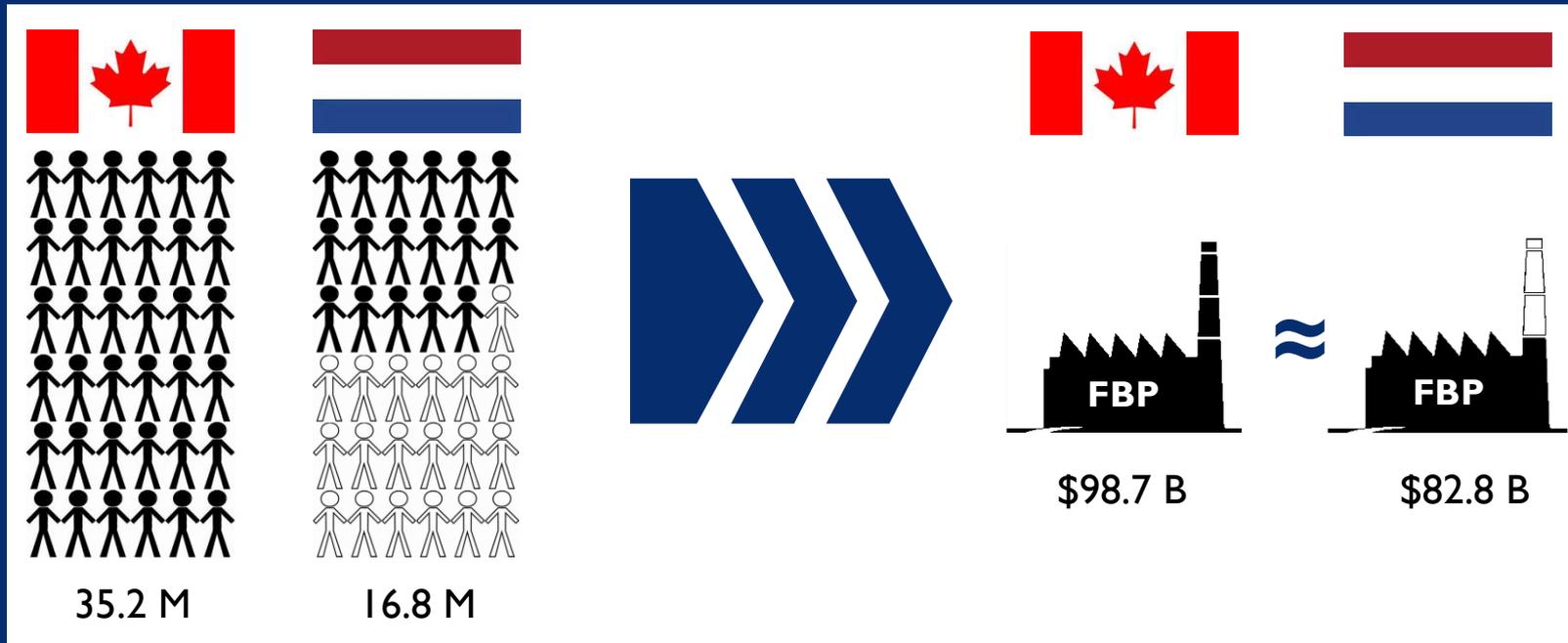
Need for Modernization

Presentation to Dutch Officials

March 11, 2016

Comparison of the Canadian and Dutch food processing industries

With less than half the Canadian population, Dutch food processing industry is almost as great as Canada's, but uses half the number of employees



Significance to the Canadian economy

INDUSTRY BY THE NUMBERS



biggest
buyer of
Canadian
agricultural
production

39%

17%

of all
manufacturing
shipments



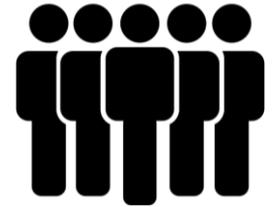
2%

of national
GDP



246,000

Canadians
employed



manufactures

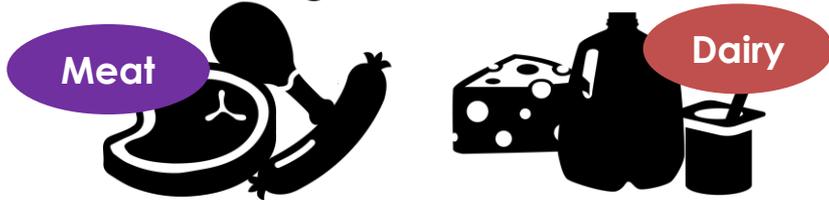
75%

of processed foods &
beverages consumed
in Canada

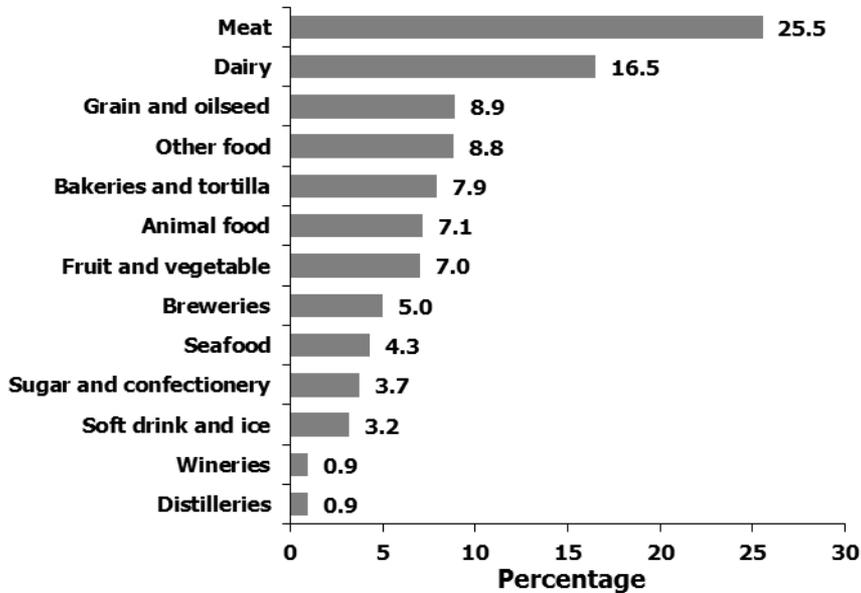


Industry output

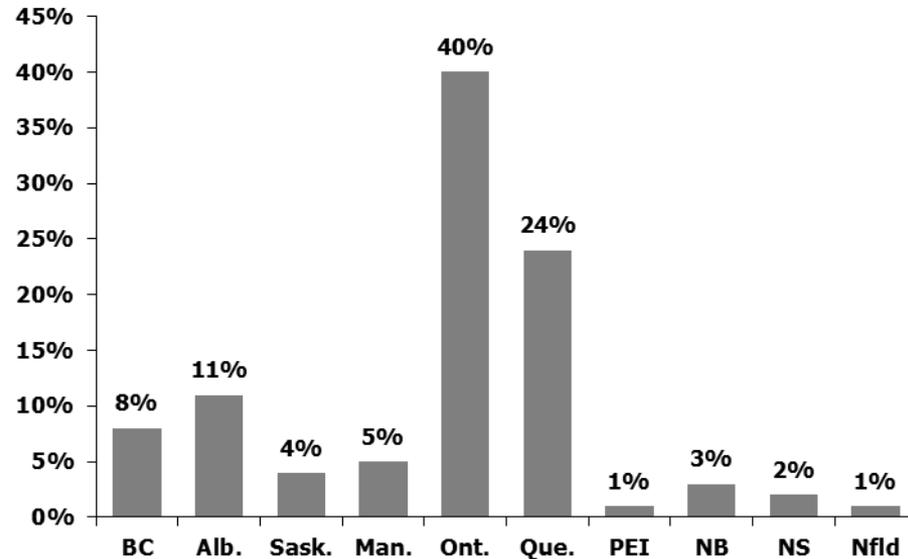
Largest industries



Distribution of Production Value by Industry
2014



Provincial Production Share of Total, 2014



Food and beverage processing production was valued at \$103.4 B in 2014

Food and beverage processing establishments

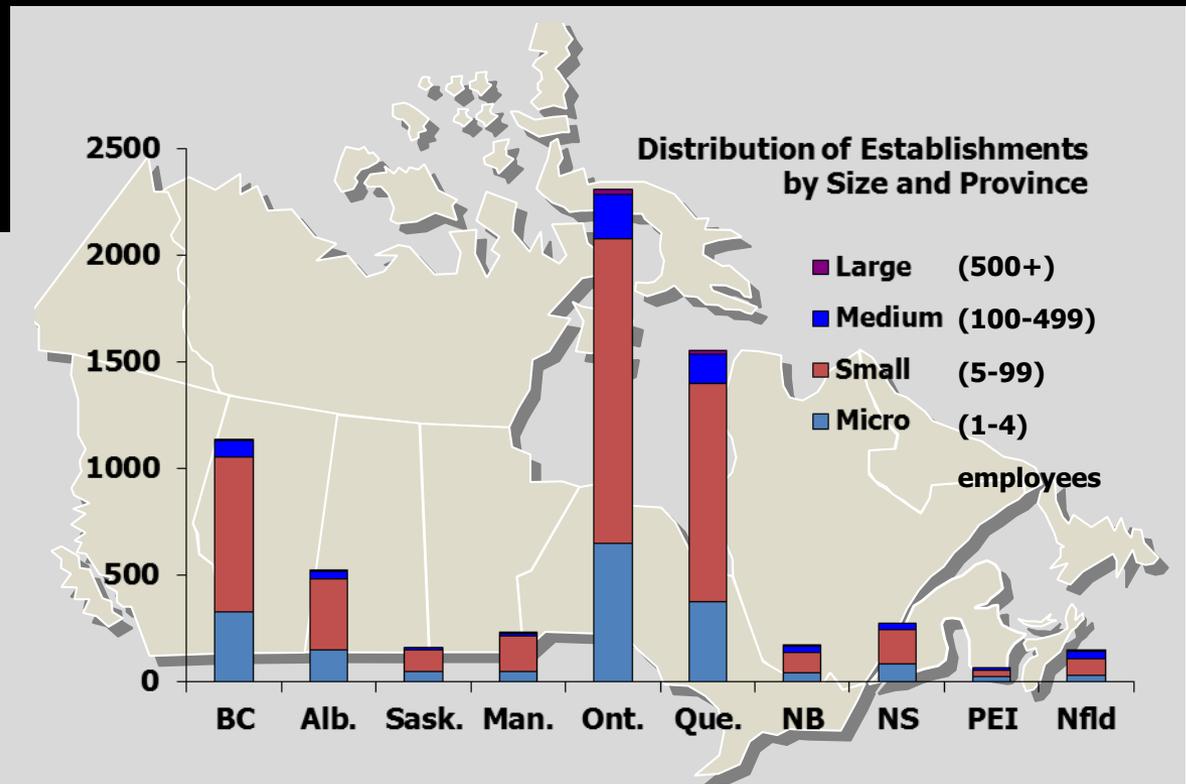
6,500
establishments across
Canada



90% have less than
100 employees



Increasingly
dominated by a
few firms

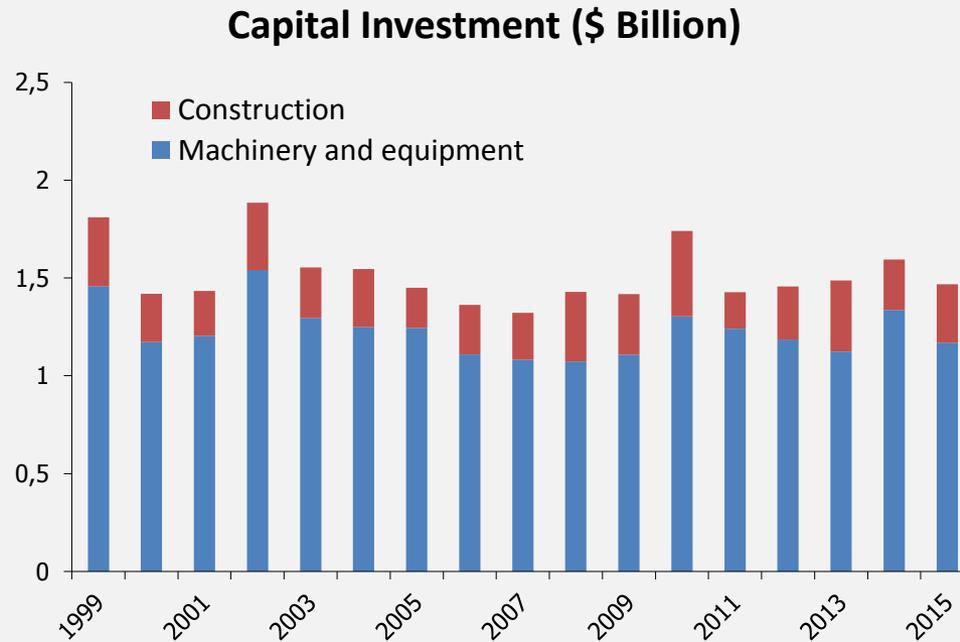


Approximately 60% of food and beverage manufacturing sales are accounted for by domestically owned firms

Investment in machinery and equipment



Investment in machinery and equipment accounts, on average, for about 80% of total capital investment in the sector



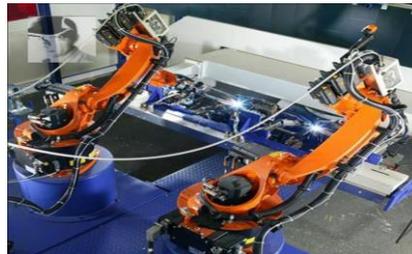
Source: Statistics Canada, Capital expenditures, CANSIM Tables 029-0009 and 029-0046
Note: 2014 data is preliminary actual and 2015 represent intentions
Data is for food manufacturing only (NAICS 311)



Over the last 5 years, the industry has invested about \$1.5B per year



The food processing industry lags leading manufacturing industries in structural indicators



Investment in Capital per Employee

Productivity

Research and Development (R&D) Intensity

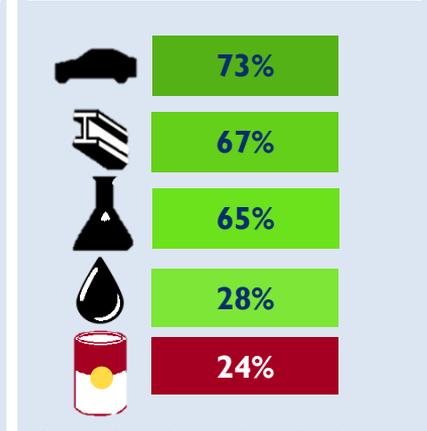
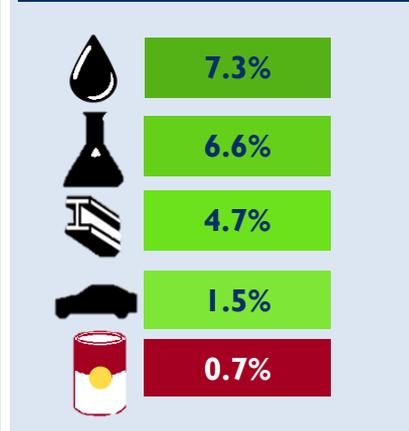
Export Intensity

Net capital stock per employee

GDP per employee

R&D as a percentage of GDP

Exports as a percentage of sales



Source: Agriculture and Agri-Food Canada, based on Statistics Canada CANSIM 031-0002; 281-0023

Source: Agriculture and Agri-Food Canada, based on Statistics Canada CANSIM 379-0031; 281-0023

Source: Agriculture and Agri-Food Canada, based on Statistics Canada CANSIM 358-0024; 379-0031

Source: Agriculture and Agri-Food Canada, based on Statistics Canada CANSIM 304-0014; and Industry Canada trade data online

Figures: 2009–2013 average

Petroleum & Coal

Primary Metals

Chemical

Transportation Equipment

Food & Beverage

The Canadian food processing industry does not invest enough in machinery and equipment (M&E)



In Canada, food processing industry is tied for the lowest M&E investment/sales ratio among the top 5 manufacturing industries – this is not the case in other countries*

	Chemicals	2.5%		Chemicals	2.5%		Machinery & Equipment	2.5%
	Primary metals	2.2%		Transportation Equipment	2.4%		Fabricated metal products	1.9%
	Petroleum & Coal	1.3%		Machinery & Equipment	2.2%		Chemicals & pharma	1.9%
	Food & Beverage	1.3%		Food & Beverage	1.8%		Food & Beverage	1.5%
	Transportation Equipment	1.3%		Petroleum & Coal	1.1%		Petroleum & Coal	1.2%



Canada



U.S.



Netherlands

*Top 5 manufacturing industries measured in terms of sales. Sources: AAFC calculation. Statistics Canada; U.S. Census Bureau; and OECD STAN database. Canada and U.S. data for 2013. Netherlands data for 2010.

Canada's investment in machinery and equipment per employee is also among the lowest...

**M&E investment per
employee (CAD):**



Canada

\$6,320



Netherlands

\$12,775



United States

\$9,715



Italy

\$10,600



Germany

\$5,890



Spain

\$8,520



United Kingdom

\$7,005

Results show that the Canadian FBP sector has partially automated its operations

Interviews revealed that:



Respondents estimate that
40% to 70%
of their production
processes are automated



Packaging
was the top priority for
future investment

Some companies recognized having a lag in automation and estimate that it is critical to increase automation in the short-term



ABOUT A THIRD (1/3)
of firms recognized the need to automate to increase competitiveness

Competitiveness benefits:

- Lower production costs
- Reducing labour/health and safety issues
- Product quality/food safety
- Client retention and entering new markets

Most firms have **PLANS** to address their lag within the **NEXT 2-3 YEARS**

Half of firms planned to address the lag within the next 2 years

Virtually all firms had plans to increase automation within the next 5 years

While internal and external expertise is often available **SOME PROJECTS CAN POSE CHALLENGES**

Examples:

- Scale and expected impact
- Availability of proven technologies
- Technology developers' ability to support R&D
- Changing supply and cost of labour

Canadian food processing companies' source of innovation information



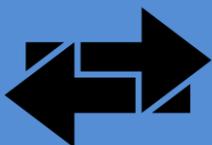
Canadian companies struggle to access information and stay informed about the latest technologies and processes.



Information is often collected solely through input or equipment suppliers who may be biased by their own sales intentions.



Canada has several food technology centres and university-based research, however, they are not as well coordinated as they could be. They also lack adequate funding to meet all of industry's needs.



Companies acknowledge that they do not spend sufficient time/resources attending trade shows that demonstrate the latest equipment and technology.

Industry has requested government support



Industry has identified a target of 2% real growth over the next five years

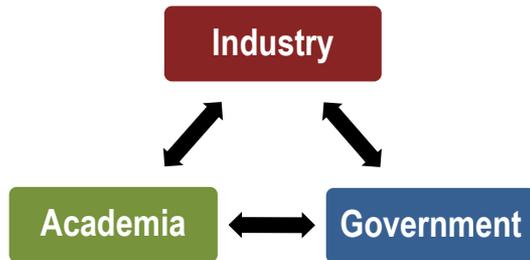


Industry has asked for a \$500M program to leverage \$4B in additional industry investments over that time period

What can we learn from Europe's top performer? The Netherlands

The Netherlands became a global food powerhouse through innovation, automation, integration with strong agricultural sub-sectors, and trade – despite its high-cost business environment.

Top-sector approach:



Strong innovation infrastructure, attractive to global MNEs



Highly automated industry



Processing industries integrated with strong agricultural sub-sectors



Strategically leveraging trade to build up scale and gain competitive advantages



High-quality transportation infrastructure



Aggressive approach to selling in the EU market

Questions for you...

Which members have sales representatives in Canada?



What trade shows do they participate in?



What information is distributed in Canada?



How can we improve sales to Canadian companies?



The need is clear so how can we work together?