



REPORT:

CAPI Processed Food Research Program

Project 3a

The Performance of Canada's Food Manufacturing Industry

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About the CAPI Processed Food Research Program

Food and beverage processing is one of the country's largest manufacturing sectors and an essential channel for Canadian agricultural products. Companies are succeeding yet the sector has been facing challenges, including record trade deficits in secondary processing. Working closely with a variety of partners, CAPI's research is focused on better understanding the issues and opportunities facing this sector and their implications for policy and strategy, and to generate a dialogue on ways to support the sector's future growth and competitiveness.

Project 3a: *The Performance of Canada's Food Manufacturing Industry:* Food manufacturing is an important but generally under-appreciated part of the Canadian economy. The Ivey Business School reviews the performance of this sector and compares it to that of other manufacturing sectors. The work also provides context on the competitive environment in which food manufacturers operate by portraying where this sector has shown a certain amount of resilience and where this sector is facing particular pressures.

Phase 1 Diagnosis	Phase 2 Inspiring Practices	Phase 3 Competitive Advantage
1a. Diagnosing the trade deficit 1b. Reasons for the trade deficit	4a. Case studies on company success 4b. Cross-Case study analysis	7. Conclusions
2. Explaining the trade data 3a. Manufacturing sector performance 3b. Plant Openings and closures, investments	5. Consumer and markets 6. Innovation insights	8. Implications for policy & strategy 9. Dialogues on outcomes

All completed projects, along with supporting material and data, can be found online at www.capi-icpa.ca

About Agri-food@Ivey at Ivey Business School

Located at the Ivey Business School at Western University, Agri-food @Ivey aims to be Canada's leading source of accessible and relevant knowledge about agri-food innovation and policy. Ivey (www.ivey.ca) is Canada's leading provider of relevant, innovative and comprehensive business education. Drawing on extensive research and business experience, Ivey faculty provide the best classroom experience, equipping graduates with the skills and capabilities they need to tackle the leadership challenges in today's complex business world. Ivey offers world-renowned undergraduate and graduate degree programs as well as Executive Development at campuses in London (Ontario), Toronto and Hong Kong.

Executive Summary

Food manufacturing is an important, but generally under-appreciated, part of the Canadian economy. This paper is the first of a two paper series intended to shed light on the industry and its role in the economy. It examines the performance of Canada's food manufacturing industry over the period 2004-2011 and compares it to that of other manufacturing sectors. Data for the analysis was obtained from Statistics Canada CANSIM industry database.

Key Findings

1. Food manufacturing is an important part of the Canadian economy. With revenue of more than \$88 billion in 2011, it is the second largest Canadian manufacturing industry.
2. Food manufacturing was the largest manufacturing employer in Canada, employing more than 236,000 people in 2011, exceeding employment in second place transportation equipment industry, which includes the auto sector.
3. Food manufacturing is different. During the recent recession food manufacturers faced similar challenges to other industries but food industry performance was much different. Food manufacturing proved to be remarkably resilient in both revenue and employment compared to other manufacturing industries.
4. Employment in the food industry changed slightly over the period, shedding direct manufacturing jobs but picking up more indirect jobs, for an overall net gain.
5. The resilience displayed by the entire food industry was also apparent among the different food manufacturing sectors but there were some significant differences in performance.
6. The environment has become more challenging for food manufacturers. The recession, higher Canadian dollar, increased foreign competition, retail concentration and higher input costs are all squeezing margins for food manufacturers. Consequently, there was little real growth in output and value added over the period.
7. In spite of the challenges, the Canadian food manufacturing industry managed to make gains of over 20% in both margins and net income which is greater than the rate of inflation over that period of roughly 14%.
8. Food manufacturing companies began to significantly increase their investment in equipment in 2010. Other investments were relatively unchanged.
9. Although food manufacturing is important to Canada's economy and to Canadian farmers, it has received very little attention from policy makers. That needs to change if Canada is to continue to reap the economic and employment benefits of a healthy food manufacturing industry.

Introduction

In the past, Canada's food manufacturing received relatively little public attention. The jobs did not pay as well as in the auto sector and the end product was not as exciting as those from aerospace or high technology. That is changing. The resilience of the food manufacturing industry during the recent recession caught the attention of policy makers looking for opportunities to create economic and job growth. However, high profile plant closures, like the Heinz plant in Leamington and the Kellogg plant in London announced in late 2013, raise concerns about the overall competitiveness of Canadian food manufacturing. Food manufacturing is an industry that is not well understood by the public or by policy makers. Studies undertaken at the Ivey Business School in cooperation with the Canadian Agri-Food Policy Institute and Food and Consumer Products of Canada are intended to shed light on industry performance, plant closings and openings/investments across the country and food company strategies.

The Ivey industry analysis is a two part examination of Canada's food manufacturing industry. Each study is released as a separate paper.

Study 1 – Statistical analysis of the industry from 2004 to 2011

The first study, contained in this paper, examines the performance and changes in the industry using four-digit and six-digit North American Industry Codes (NAIC) data from the Statistics Canada CANSIM database. The period from 2004 to 2011 (the most recent available annual data) was selected as it includes some of the major changes that have buffeted manufacturing across the country, including the rise in the Canadian dollar, the rapid run-up in commodity prices and the recent recession.

Study 2 – Study of closings, openings and major investments in Canadian food processing facilities

The second study analyzes the changes to the structure and players of the industry in Canada. This work mapped food manufacturing plant closures, openings and expansion/investments across Canada from 2006 to 2014.

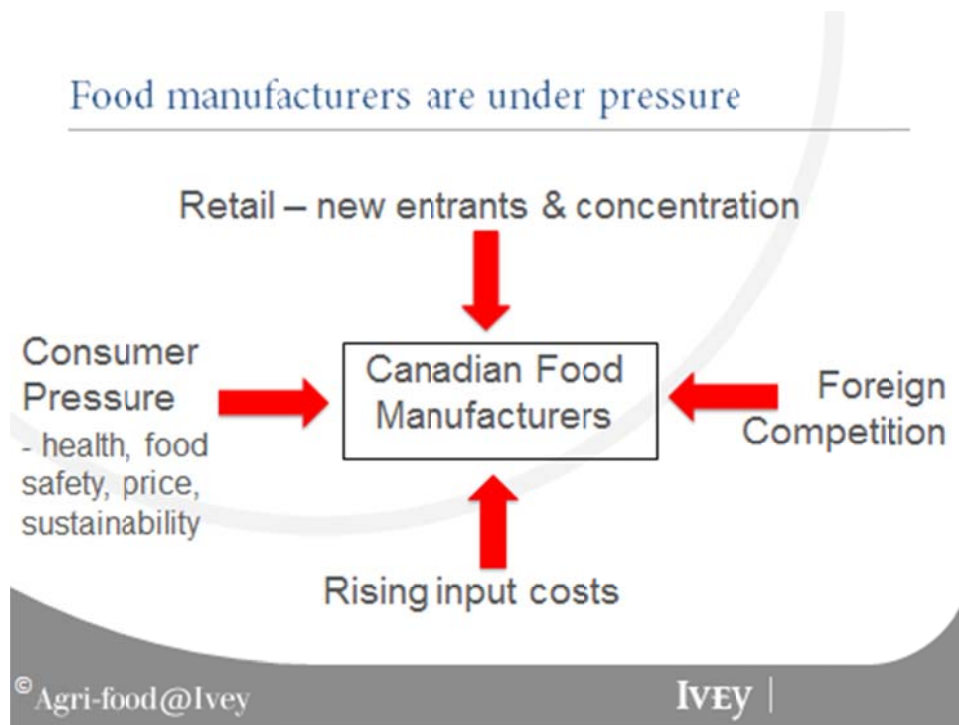
Environment - On-going challenges for food and beverage manufacturing

Since the middle of the last decade, the competitive environment for Canadian food manufacturers changed dramatically. Input costs rose as agricultural commodity prices and energy costs around the world skyrocketed, particularly from 2008 onward. At the same time, the rising Canadian dollar drove down the cost of imports and made exports by Canadian companies less competitive. Food imports have increased dramatically and Canada's trade balance in processed food continues to deteriorate¹. Consolidation among food retailers and the expansion of food retail activities by Walmart and, more recently, Target have made it difficult for Canadian food manufacturers to pass on higher costs to retail customers and ultimately to consumers. Companies are being squeezed from several directions simultaneously, as illustrated in Figure 1. Since 2008, the industry has been further challenged by the

¹ Hedley, D and CAPI. 2012. 'The State of Canada's Processed Food Sector: Trade Balance'

global economic recession, which decimated manufacturing activities in Canada and other parts of the world.

Figure 1. Pressures on Canadian food manufacturers

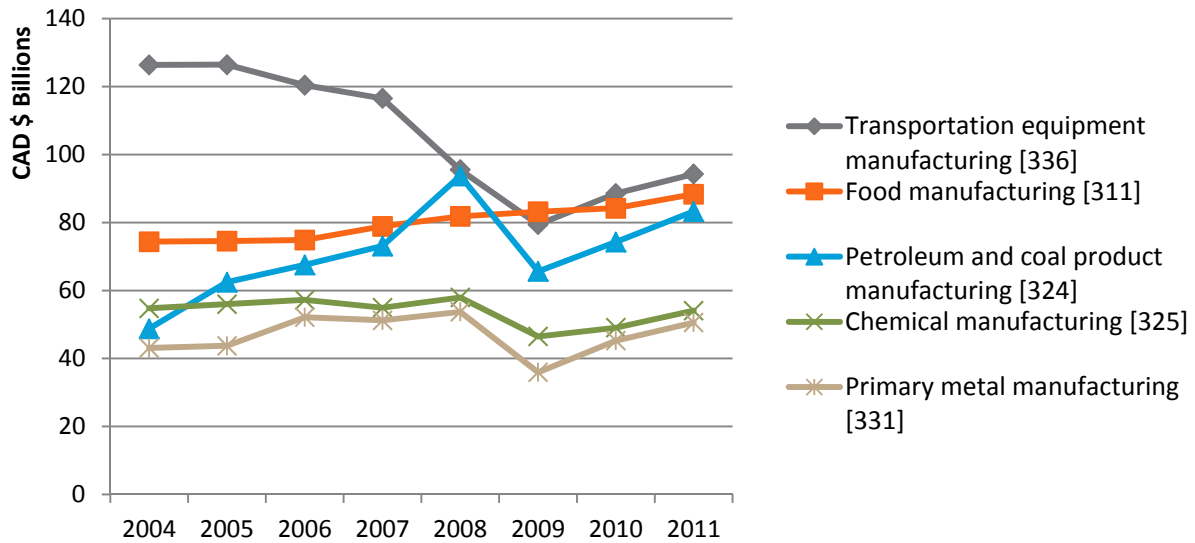


Food vs Other Manufacturing – Similar Pressures, Different Outcomes

The food industry was one of the few to experience real revenue growth

Recent years have been difficult for all Canadian manufacturing companies. Competition from foreign firms intensified and the search for cheap labour drove many North American manufacturers to low cost regions like China and Mexico. During the recession of 2009 revenue declined significantly in most Canadian manufacturing sectors (Figure 2). Food was the exception. While revenue in transportation equipment plummeted by more than one third before starting to recover, food manufacturing revenue actually increased. By 2011, revenue from food was almost as large as that of the traditional manufacturing leader, transportation equipment. The other distinguishing feature was the remarkable consistency of food manufacturing, which displayed considerably less variability than other industries.

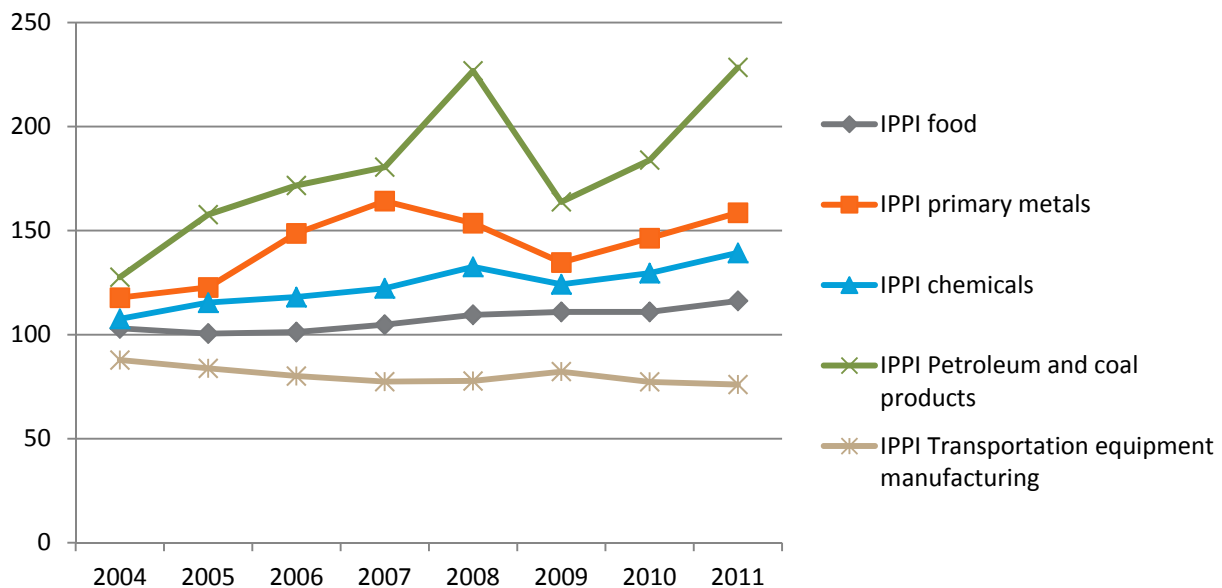
Figure 2. Total revenue in the top 5 Canadian manufacturing sectors 2004-2011



Data Source: Statistics Canada CANSIM database from 2004 to 2011

The five top manufacturing industries also exhibited different price patterns through 2004-2011, as their respective industrial price indices show in Figure 3. Energy prices rose the most over the period, while the industrial product price index for transportation equipment manufacturing fell. Food prices showed moderate inflation over the period.

Figure 3. Industrial product price indices (IPPI) for Canadian manufacturing sectors (2000=100)

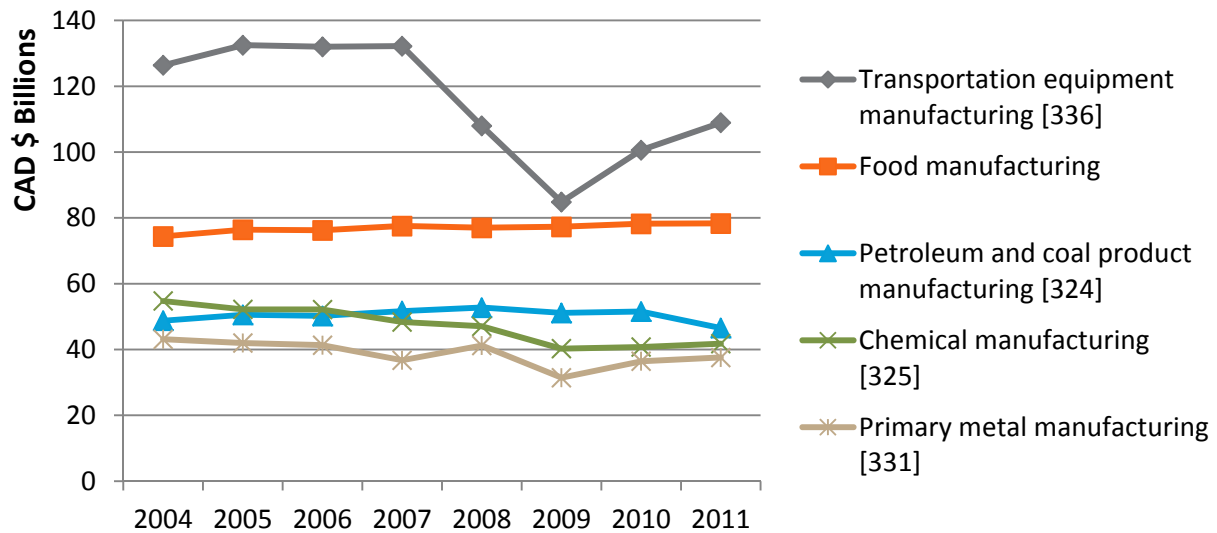


Data Source: Statistics Canada CANSIM database 2004 to 2011

When the nominal revenues of Figure 2 are adjusted using their respective industrial product price index, the picture of real industry output is somewhat different (Figure 4). Food remains the only industry showing real growth in output relative to 2004 levels over the period but that growth is small.

Falling prices in the transportation equipment industry meant that the recovery in industry output was actually greater than indicated by nominal revenue, although 2011 output was still far below pre-recession levels.

Figure 4. Manufacturing output in real terms - revenue adjusted by industry IPPI to constant 2004 dollars

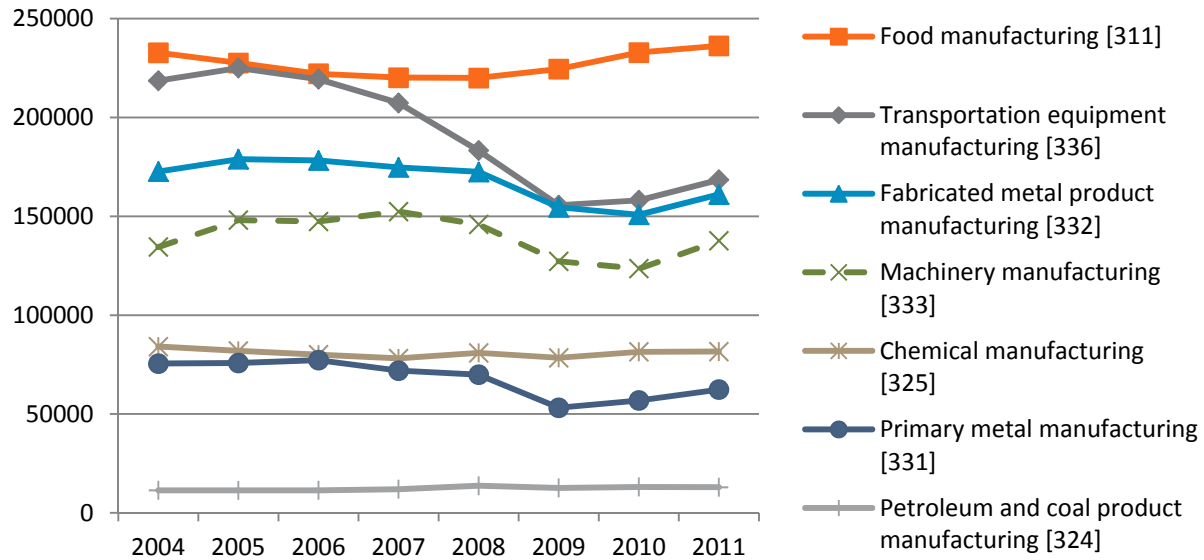


Data Source: Statistics Canada CANSIM database, 2004 to 2011

Food manufacturing - the number one manufacturing employer in Canada

Canada's food manufacturing industry was the largest manufacturing employer in Canada over the entire period, and the gap between it and the other sectors grew during the recession (Figure 5). The industry showed remarkable resilience, shedding jobs in the middle of the decade due to the higher Canadian dollar and higher commodity prices but recovering from 2009 onward. Transportation equipment manufacturing experienced the largest decline over the period, losing close to one quarter of industry jobs.

Figure 5. Employment in major Canadian manufacturing industries 2004-2011

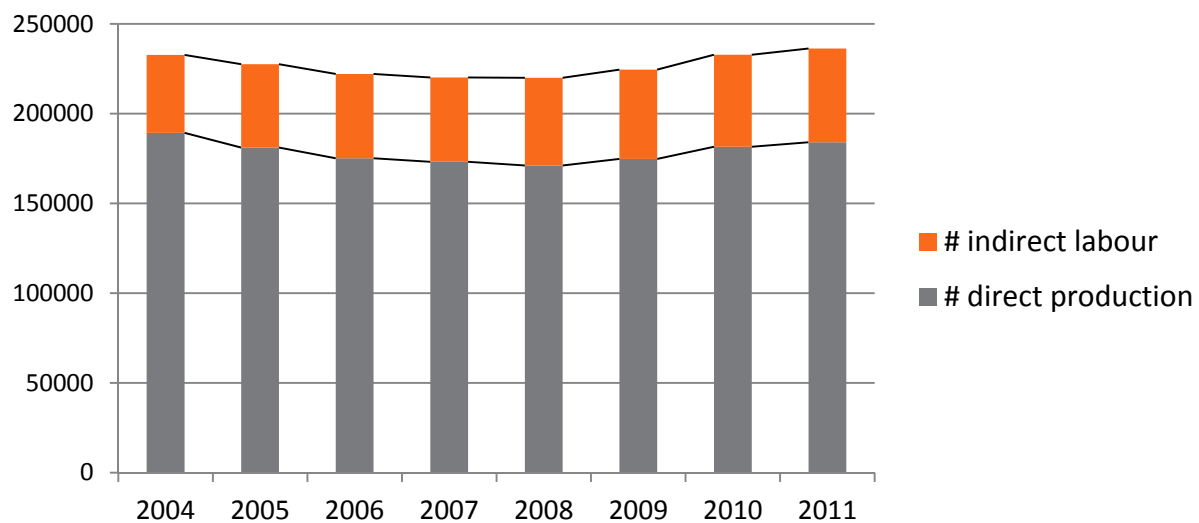


Data Source: Statistics Canada CANSIM database from 2004 to 2011

The nature of employment is slowly shifting from direct manufacturing to indirect jobs.

Although the industry managed to create 3,500 new jobs (about 1.5%) between 2004 and 2011, the nature of those jobs began to change. The industry actually shed 5,281 manufacturing jobs and gained 8,783 non-manufacturing jobs (Figure 6). This change is consistent with the move toward greater automation aimed at reducing labour costs in food manufacturing. In interviews, food executives expressed concern over where they were going to find workers for their plants but particularly the skilled workers needed to run more sophisticated production equipment.

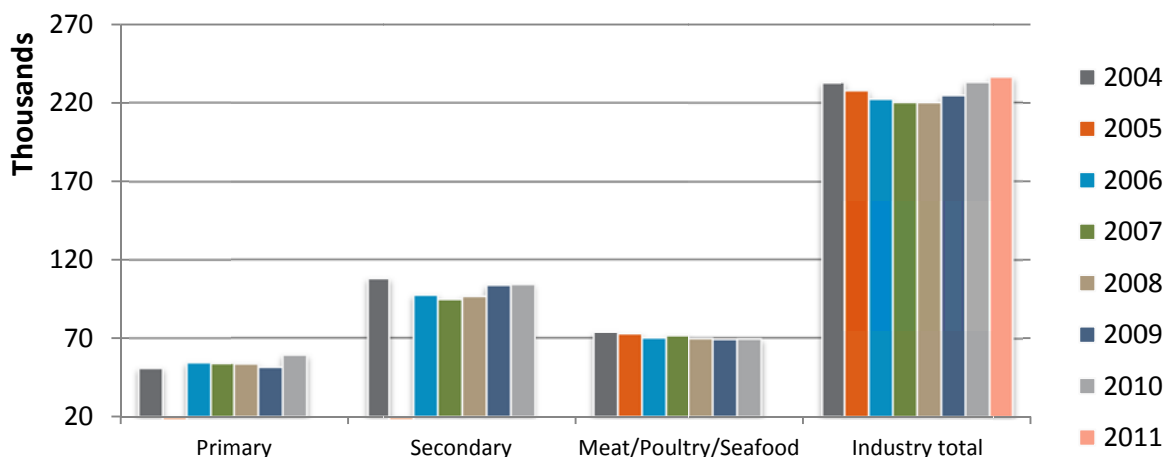
Figure 6. The distribution of direct and indirect labour in food manufacturing, 2004-2011



Data Source: Statistics Canada CANSIM database, 2004 to 2011

There was also a difference between primary food processing (from raw agricultural products) and secondary manufacturing (Figure 7). Meat/poultry and seafood are treated as a separate category since they include elements of both primary and secondary manufacturing. This category showed a steady decline in employment over the period.

Figure 7. Employment by category of manufacturer 2004-2011

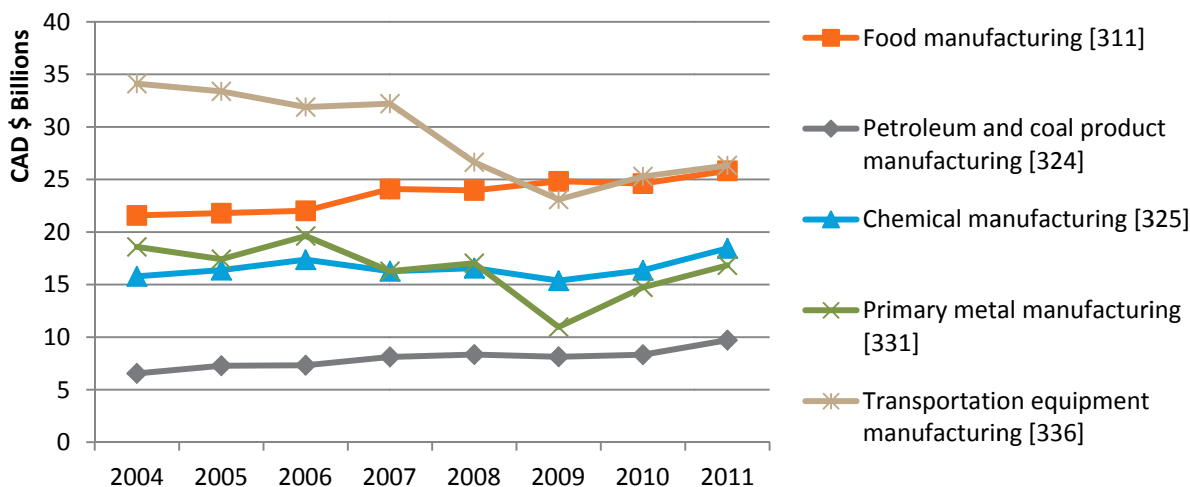


Data Source: Statistics Canada CANSIM database, 2004 to 2011 * (Data incomplete for Primary and Secondary sectors in 2005)

Food industry productivity remains low and flat

In terms of manufacturing value added, food manufacturing has shown an upward trend since 2004 which brought that industry close to the transportation sector – Canada’s longstanding leader in value-added (Figure 8).

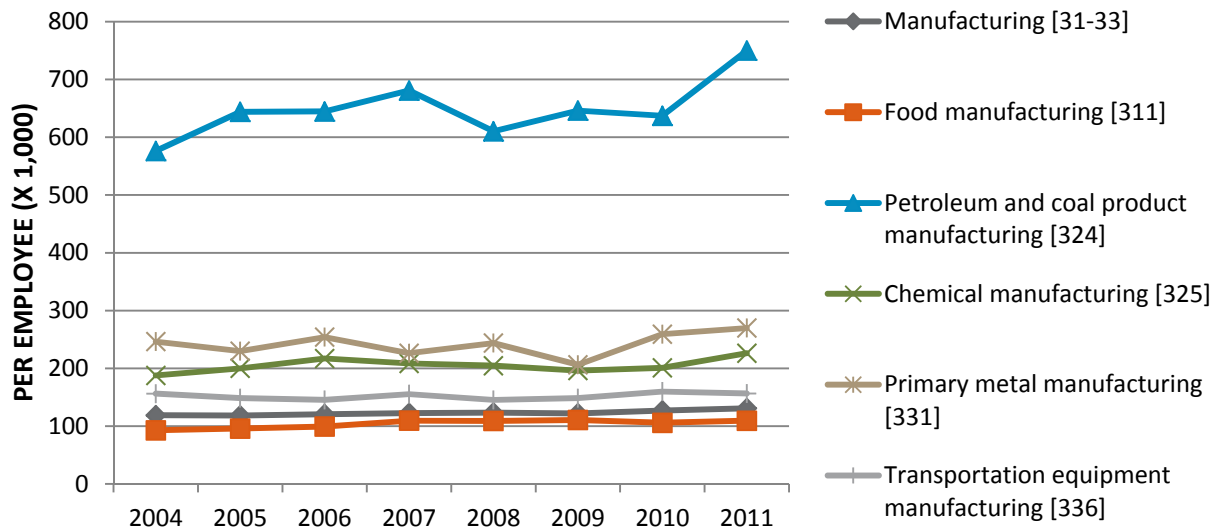
Figure 8. Manufacturing value-added for top industry sectors



Data Source: Statistics Canada CANSIM database, 2004 to 2011

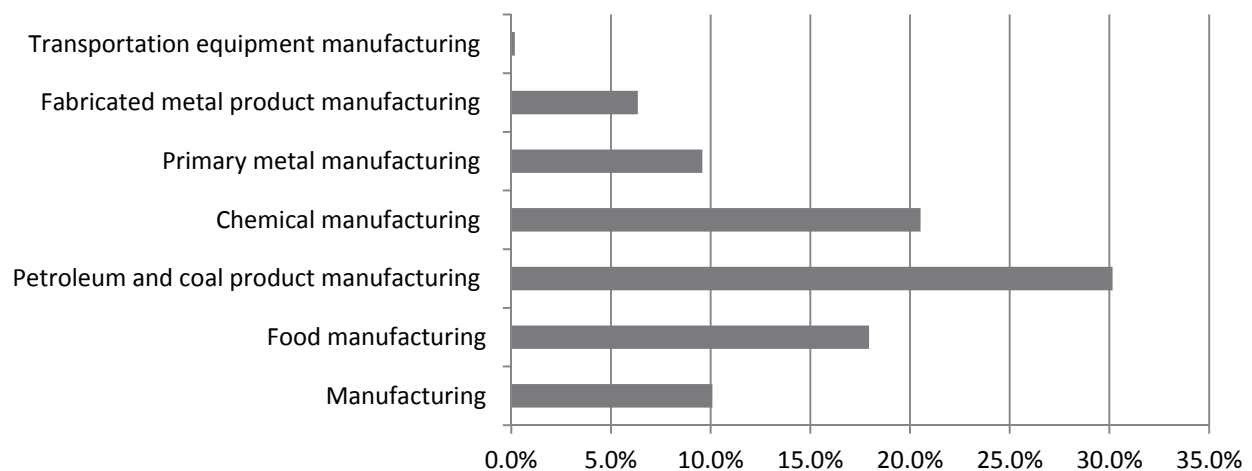
One measure of labour productivity is value-added per employee, although price effects make it far from perfect. Food manufacturing tends to be relatively low value and labour intensive and ranks at the bottom of the major manufacturing industries (Figure 9). However, the 17.9% improvement over the period ranks third overall, behind petroleum and chemicals (Figure 10).

Figure 9. Manufacturing value-added per employee (2004-2011)



Data Source: Statistics Canada CANSIM database, 2004 to 2011

Figure 10. Change in value added per employee (2004 to 2011)

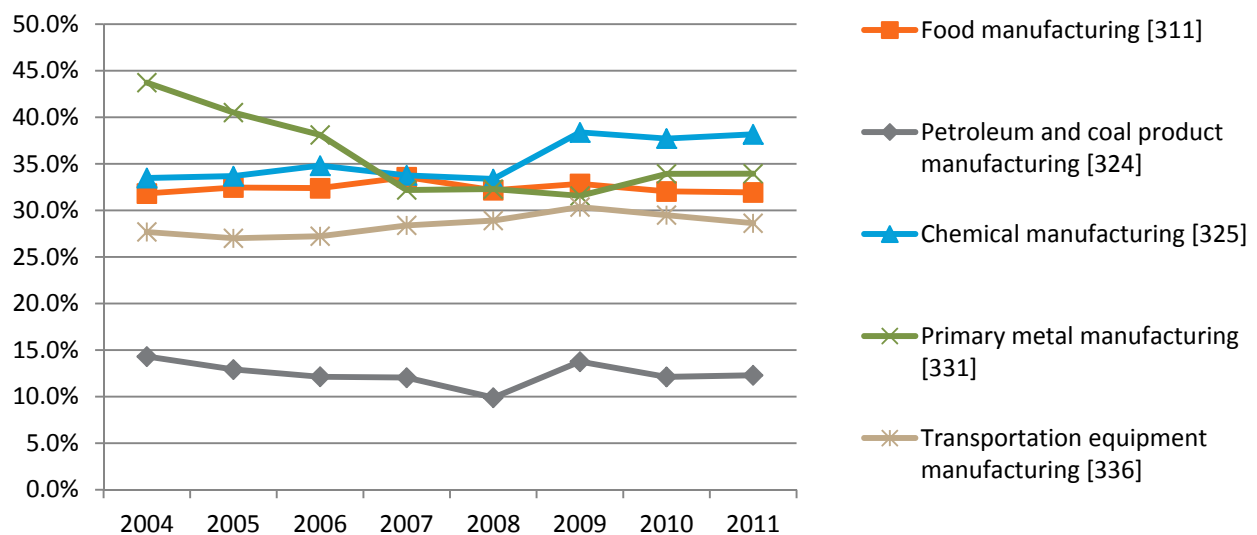


Data Source: Statistics Canada CANSIM database, 2004 to 2011

Manufacturing intensity which is the ratio of value-added to revenue from goods manufactured provides one picture of industry margins. Authors Martin and Stiefelmeyer (2001) contend that manufacturing intensity can reveal the progress of industries attempting to move away from a low cost orientation toward differentiation. Stronger margins would be reflected in higher manufacturing intensity.

Figure 11 shows how the top manufacturing industries fared. Food manufacturing intensity rose slightly in 2008 but in 2011 showed virtually no change from 2004. As an industry, the positioning has not changed over the period. Changes in manufacturing intensity are more likely to occur at the firm level than the industry level.

Figure 11. Manufacturing intensity: Value-added/revenue from manufactured goods



Data Source: Statistics Canada CANSIM database, 2004 to 2011

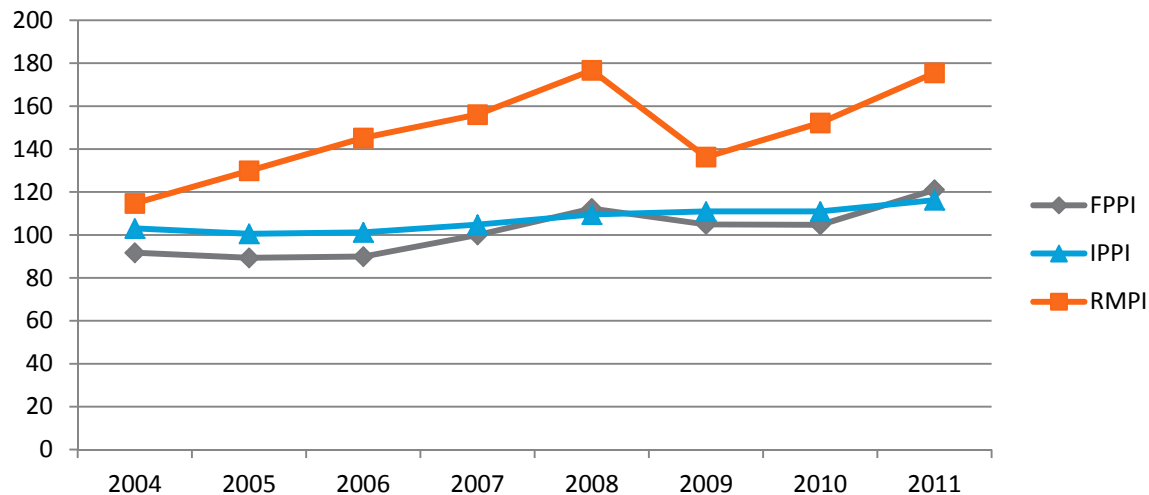
Food processing margins – squeezed but steady

Although the food manufacturing industry has shown remarkable resilience, food companies are under margin pressure. Material input costs, measured by the farm product price index (FPPI), rose 32% from 2004-2011 (Figure 12). During that same period, the industrial product price index for food (IPPI) increased only 12.8%. Farm products make up the majority of input costs for food manufacturers, but the impact of increases in other input costs such as energy and water cannot be overlooked. The rate of increase for both farm product and food industry prices was still much lower than the broader Raw Material Price Index (RMPI).

In an industry that functions primarily on low margins, the interplay of the FPPI and the IPPI can be an important indicator of the cost situation for the industry. The output prices for the industry (IPPI) have not kept pace with either the farm input prices (FPPI) or the prices of other inputs (RMPI). On the output side, a recent study by Grier and Sweetland (2014) suggests the increasing competition at the

retail level will continue to put downward pressure on retail prices, adding pressure on the manufacturing sector and inhibiting the ability of manufacturers to pass on higher costs.

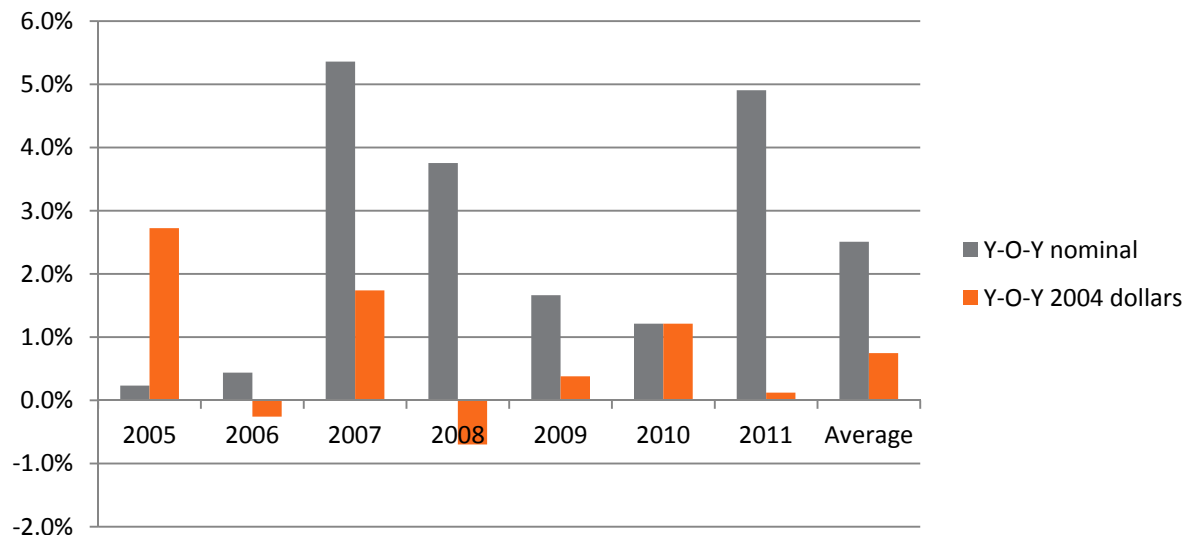
Figure 12 Price indices for farm and food products and raw materials (2002=100)



Data Source: Statistics Canada CANSIM database, 2004 to 2011

The impacts of pricing changes can be seen in Figure 13 which compares year-over-year changes in nominal revenue to changes in revenue indexed to 2004 values. While nominal average increase was 2.5%, in real terms is average growth in output was a meager 0.7%.

Figure 13. Year-over-over growth rate of nominal and real revenue

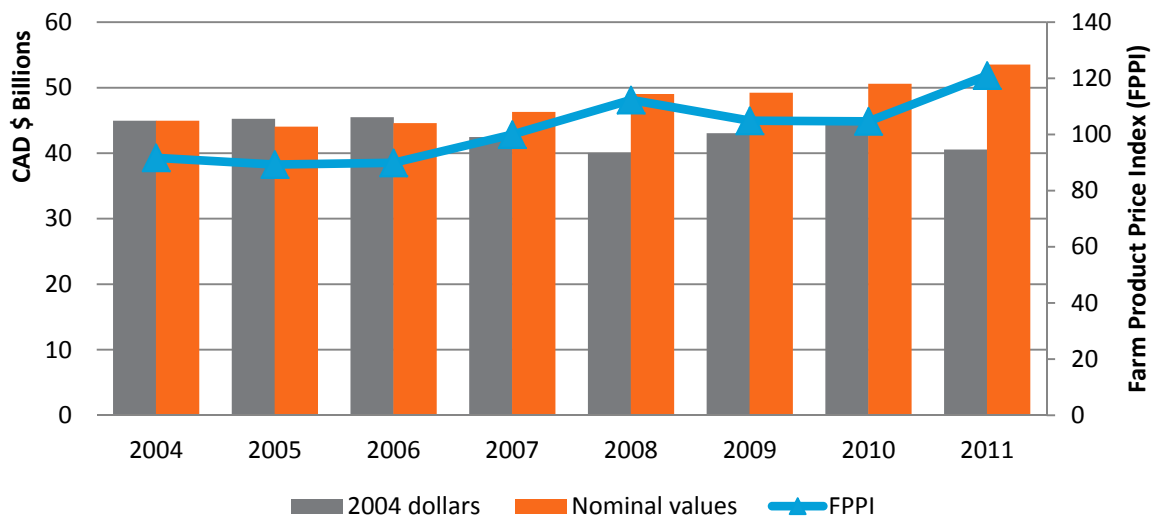


Data Source: Statistics Canada CANSIM database, 2004 to 2011

Food manufacturers – paying more but buying less

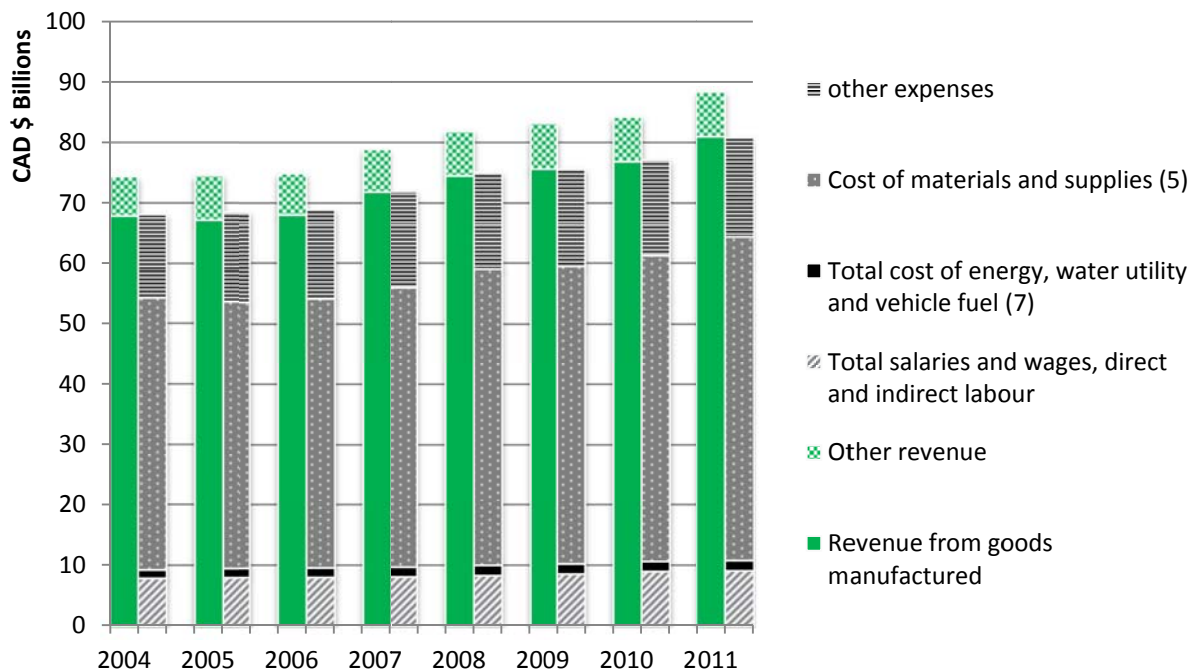
In Figure 14 the 'Cost of materials' is deflated by the farm product price index to reveal increasing input prices led the industry to buy less, spending almost \$4.5-billion less on materials in 2011 than 2004. This result may be an indication of a shrinking population of food manufacturers in Canada or a growing level of efficiency and process innovation permitting companies to do more with less. Regardless of the reason, there will be significant impact on the upstream suppliers which in many cases are the local primary producers.

Figure 14. Cost of materials – nominal and real – with Farm Product Price Index



Data Source: Statistics Canada CANSIM database, 2004 to 2011

Figure 15 shows that the industry – in nominal terms – has watched revenues and expenses steadily climb since 2004.

Figure 15 Breakdown of food manufacturing revenues and expenses² (nominal values)

Data Source: Statistics Canada CANSIM database, 2004 to 2011

A detailed analysis of food industry expenses (Figure 16) reveals the consistency of expense breakdown in the industry. Captured in 'Other expenses' are 21 expense items including purchases of good for resale (as is), sub-contracts, amortization and depreciation, taxes, and promotion/advertising³. These expenses tapered off in 2010 and 2011, having peaked (as a percent of total) in 2007.

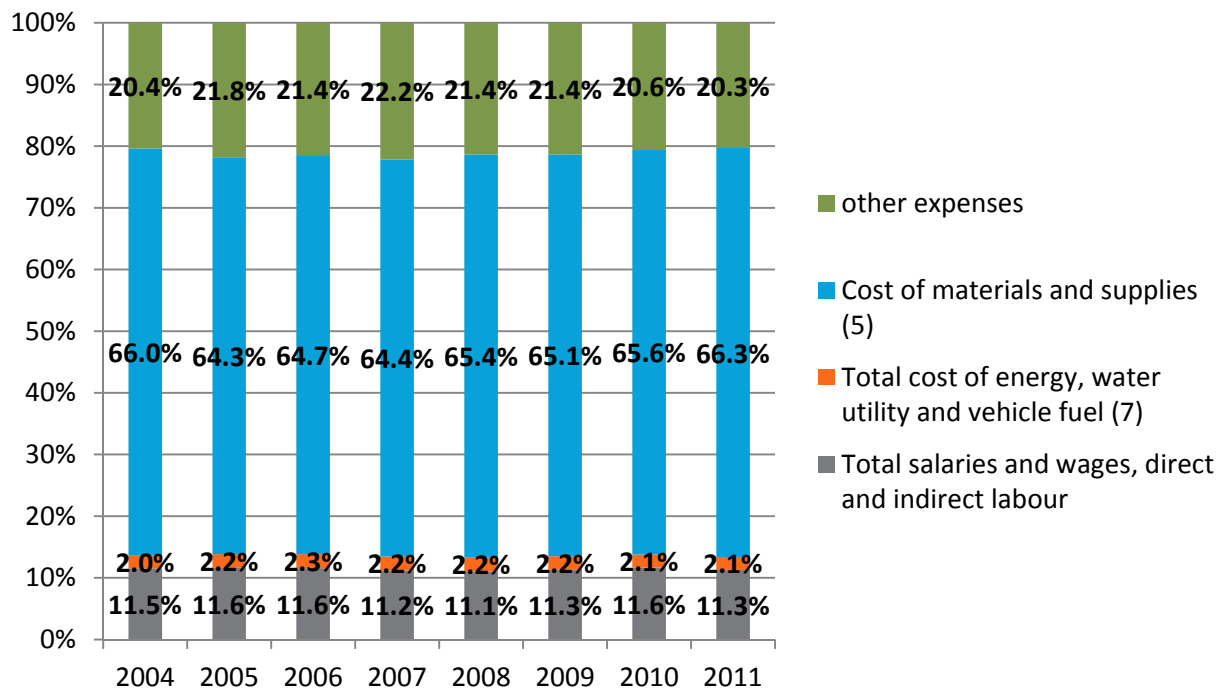
Purchases would cover expenses related to the import of goods for resale – part of the 'other revenue' noted in Figure 15. As a percent of total, labour and utility/energy costs are very constant and minor compared to the cost of materials and supplies. Recent public discussion focused on energy costs in Canada – and more notably in Ontario – should not be overlooked given the tight margins and increasing squeeze being placed on the food manufacturers.

² Other revenue refers to non-manufacturing activity and was obtained by subtracting manufacturing revenues from total revenues. This residual amount is usually composed of the following: Revenues from the sale of goods purchased for resale in the same condition, revenues from the lease or rental of property, machinery or equipment, revenues from the operation of cafeterias, laboratories and the like and revenues from other services rendered.

Source: <https://www.ic.gc.ca/app/scr/sbms/sbb/cis/performance.html?code=311&lang=eng#per5>

³ For a full breakdown of 'other expenses' queried in the ASML see Statistic Canada archived survey at http://www23.statcan.gc.ca/imdb/p3Instr.pl?Function=assembleInstr&Item_Id=113548&a=1&LI=136072&lang=en&db=imdb&adm=8&dis=2

Figure 16 Distribution of major expenses for food manufacturers in Canada 2004-2011



Data Source: Statistics Canada CANSIM database, 2004 to 2011

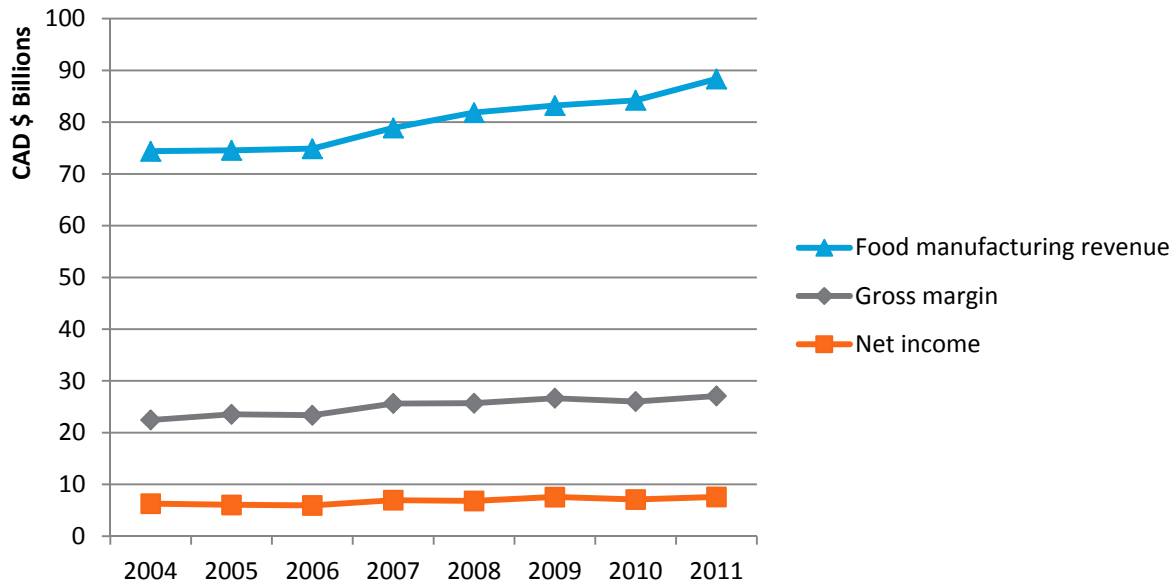
Food manufacturing margins and profitability

Using nominal data, net income⁴ and gross margins⁵ were calculated for the industry from 2004 to 2011 (Figure 17).

⁴ Net income was calculated as Total Revenue minus Total Expenses

⁵ Gross profit margin was calculated as Total Revenue minus Cost of materials minus Utility minus Production labour [divided by Total Revenue X 100% if reported as a percentage]

Figure 17. Food manufacturing total revenue, gross margin and net income



Data Source: Statistics Canada CANSIM database, 2004 to 2011

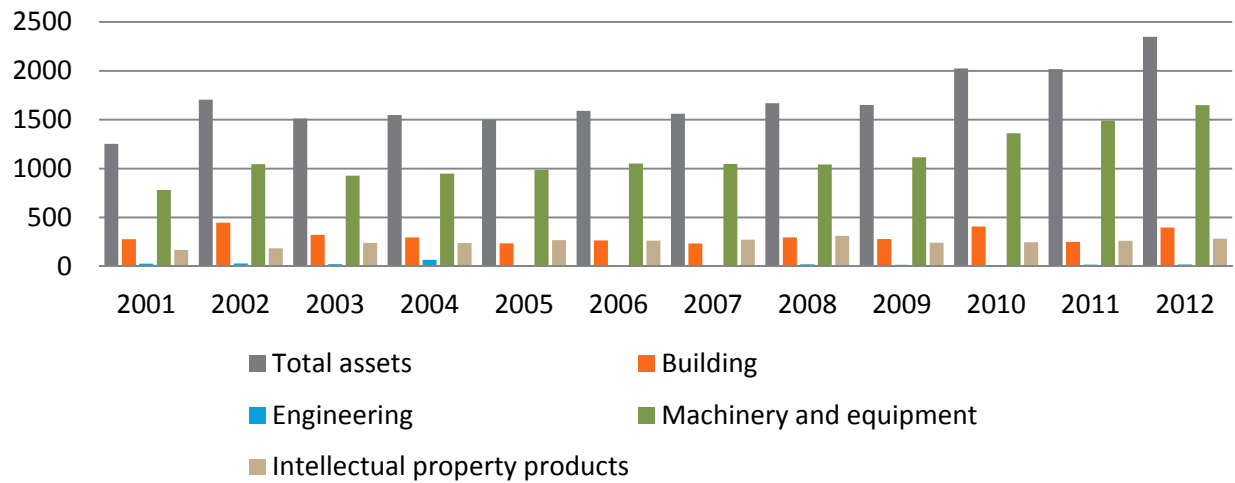
Revenue, gross margin and net income all increased at a similar pace. Revenue was up 18.8% in 2011 relative to 2004 levels. Gross margin and net income were up 20.6% and 20.9% respectively suggesting the industry as a whole is managing expenses and passing more revenue to the bottom line. This is above the 14% general inflation over the period⁶.

Food manufacturing investment in equipment is increasing

In 2010 food manufacturing company began to ramp up their investment in equipment, while holding other investment categories relatively constant (Figure 18).

⁶ Calculated using the Bank of Canada inflation calculator.
<http://www.bankofcanada.ca/rates/related/inflation-calculator/>

Figure 18. Capital stock and flow: investment in constant 2007 dollars (\$ millions)

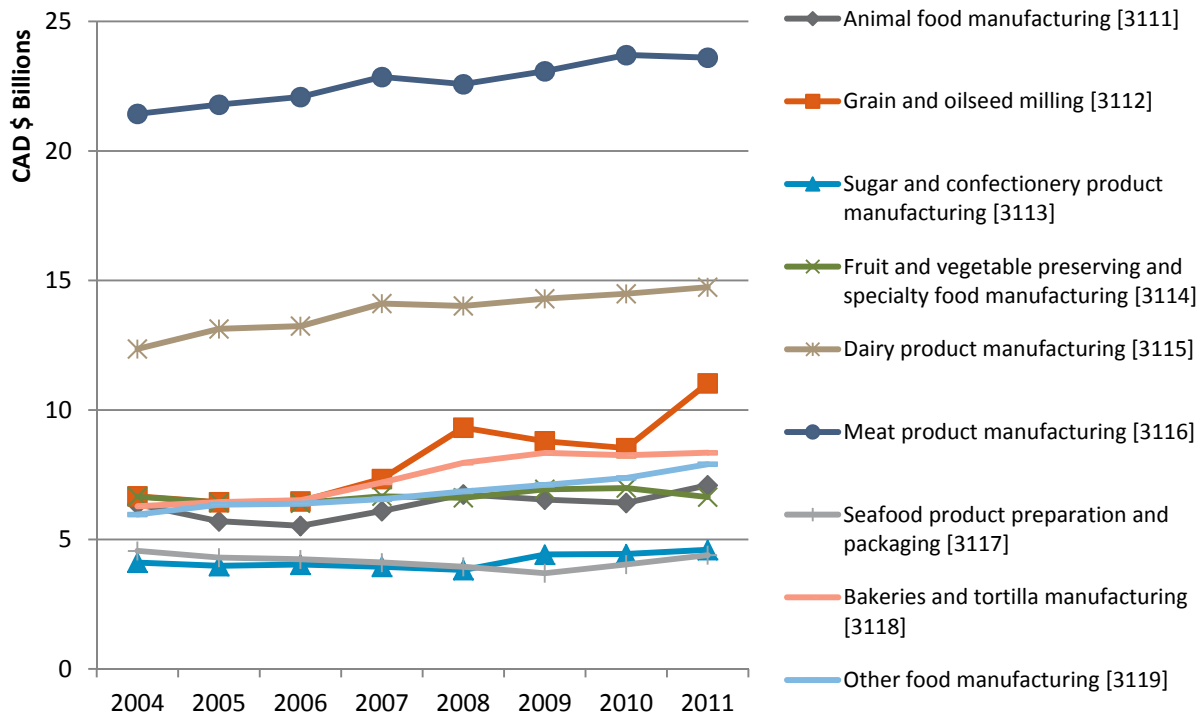


Data Source: Statistics Canada CANSIM database, 2004 to 2011

Sub-sector comparisons

The low variability in revenue experienced by the food manufacturing industry can also be observed at the sector level (Figure 19). The most notable exception is in grain and oilseed manufacturing, which saw the largest commodity price increase and resultant spikes in revenue.

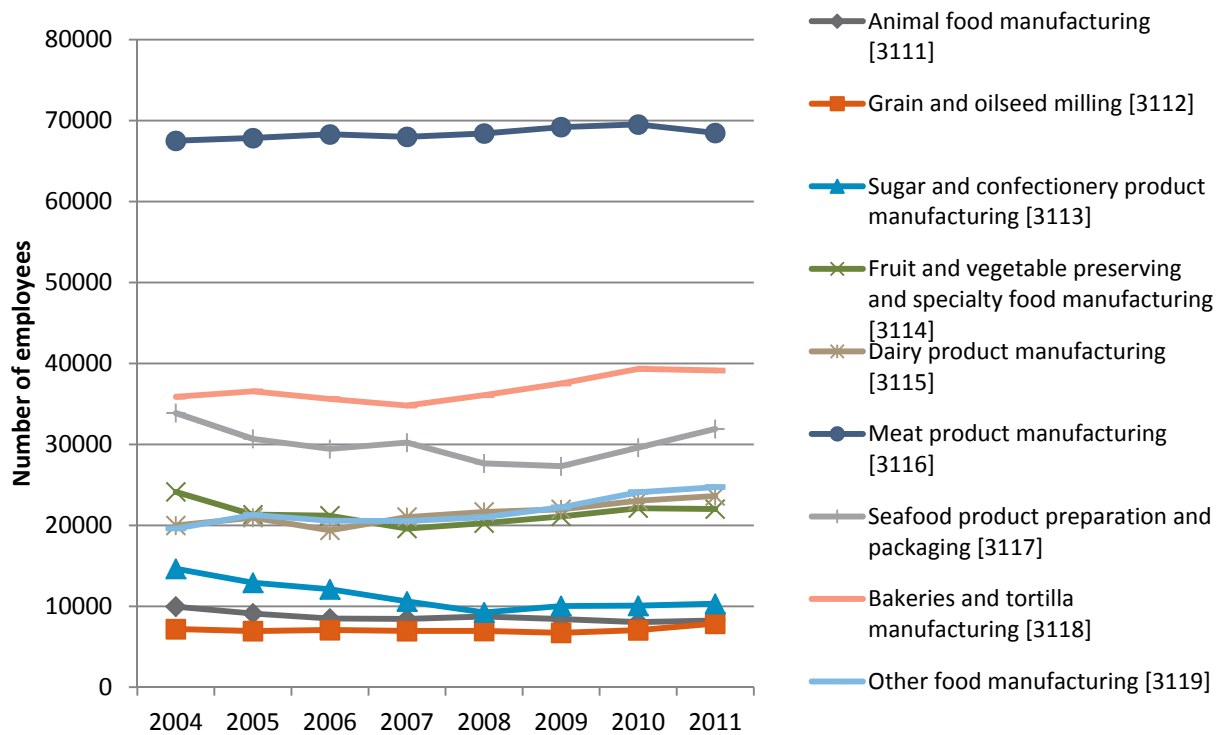
Figure 19. Revenue for 4-digit NAIC sub-sectors food manufacturing



Data Source: Statistics Canada CANSIM database, 2004 to 2011

While employment across the food manufacturing industry increased just 1.5% from 2004-2011, the experiences in the different food manufacturing sectors were quite different (Figure 20). Other food, dairy, grain and oilseed and bakeries were the winners with gains of 26%, 18%, 9% and 9% respectively. Losing sectors included sugar and confectionaries, animal food and fruit and vegetable and seafood with losses of 30%, 17%, 9% and 6% respectively. Since 2011, bakeries have been hit with the gluten-free trend which has likely taken away earlier gains.

Figure 20. Total employment by 4-digit NAIC codes by sector 2004-2011



Data Source: Statistics Canada CANSIM database, 2004 to 2011

Employment trends and the magnitude of the shift from direct to indirect labour varied by sector as illustrated in Table 1.

Table 1 Direct manufacturing and in-direct non-manufacturing jobs by sub-sectors in Canada

Sector	Type of job	Employment 2011	Change since 2004	Percent change since 2004	Percent Direct 2004	Percent Direct 2011
Food manufacturing	Direct	184,060	-5,281	-2.8%	81.4%	77.9%
	In-direct	52,177	8,783	20.2%		
Animal food manufacturing	Direct	4,783	-1,139	-19.2%	59.5%	58.1%
	In-direct	3,454	-578	-14.3%		
Grain and oilseed milling	Direct	6,146	524	9.3%	78.3%	78.3%
	In-direct	1,706	146	9.4%		
Sugar, confectionery product manufacturing	Direct	7,893	-3,784	-32.4%	79.8%	76.6%
	In-direct	2,412	-538	-18.2%		
Fruit, vegetable, specialty food manufacturing	Direct	16,512	-2,744	-14.3%	79.8%	75.0%
	In-direct	5,494	624	12.8%		
Dairy product manufacturing	Direct	17,746	2,415	15.8%	76.7%	75.1%
	In-direct	5,879	1,221	26.2%		
Meat product manufacturing	Direct	56,471	-2,063	-3.5%	86.7%	82.5%
	In-direct	11,997	3,030	33.8%		
Seafood product preparation and packaging	Direct	28,618	-2,061	-6.7%	90.6%	89.7%
	In-direct	3,285	89	2.8%		
Bakeries, tortilla manufacturing	Direct	28,890	298	1.0%	79.7%	73.9%
	In-direct	10,228	2,940	40.3%		
Other food manufacturing	Direct	17,001	3,273	23.8%	70.0%	68.8%
	In-direct	7,722	1,849	31.5%		

Data Source: Statistics Canada CANSIM database, 2004 to 2011

Table 2 (below) delves into the sector level financial data and reveals the differences among sectors. Fruit and vegetable processing and seafood processing both saw declines in revenue. For fruit and vegetable processors the scale of the decline climbed significantly at the gross margin and net income; increasing expenses outstripped the flat line revenue. Surprisingly, seafood processing saw improved

gross margins and net income (up 100%) suggesting a significant improvement in efficiency and control of expenses, although the industry is still at the bottom in on revenue. Animal food manufacturers and meat processors experienced falling net income on gains in revenue and low return on revenue. The data suggests that these sectors were particularly challenged by increasing expenses not directly related to production.

Table 2. Sector and sub-sector revenue, gross margin, net income and percent change 2004 to 2011

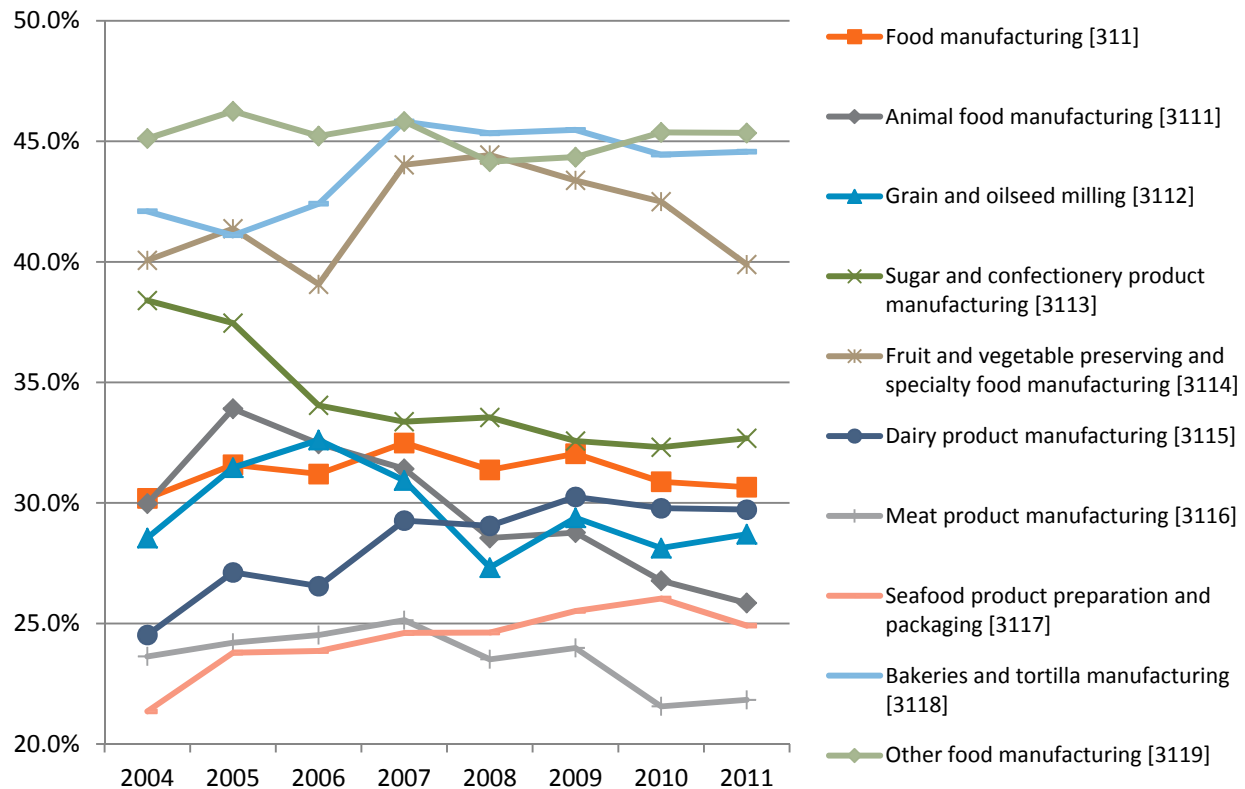
<i>Sector</i>	<i>Revenue (millions) 2011</i>	<i>% change 04 to 11</i>	<i>Gross margin 2011 (millions)</i>	<i>% change 04 to 11</i>	<i>Net income 2011 (millions)</i>	<i>% change 04 to 11</i>	<i>Return on revenue</i>
Food manufacturing [311]	\$88,300	18.8%	\$27,000	20.6%	\$7,600	20.9%	8.6%
Animal food manufacturing	\$7,100	11.6%	\$1,830	-3.7%	\$419	-15.5%	5.9%
Grain and oilseed milling	\$11,000	65.4%	\$3,160	66.3%	\$1,370	91.7%	12.5%
Sugar and confectionery product manufacturing	\$4,600	12.0%	\$1,500	-4.7%	\$400	38.9%	8.7%
Fruit and vegetable preserving and specialty food manufacturing	\$6,600	-0.2%	\$2,650	-0.7%	\$620	-27.3%	9.4%
Dairy product manufacturing	\$14,700	19.3%	\$4,400	44.6%	\$907	148.5%	6.2%
Meat product manufacturing	\$23,600	10.1%	\$5,150	1.7%	\$1,450	-19.6%	6.1%
Seafood product preparation and packaging	\$4,400	-3.6%	\$1,100	12.5%	\$255	101.0%	5.8%
Bakeries and tortilla manufacturing	\$8,300	32.9%	\$3,700	40.7%	\$804	87.4%	9.7%
Other food manufacturing	\$7,900	32.6%	\$3,580	33.2%	\$1,360	13.6%	17.2%

Data Source: Statistics Canada CANSIM database, 2004 to 2011

Gross margin patterns reveal significant differences between sectors but also considerable variability within sectors (Figure 21). Grain and oilseed milling, dairy and bakeries show healthy gains at the gross

margin with increases of 66%, 45% and 41% respectively (Table 2). Meat processing and seafood product preparation were considered neutral with increases of 1.7% and 12.5% since 2004. Negative change was seen again in gross margins for animal food manufacturing and fruit and vegetable processing.

Figure 21. Gross profit margins⁷ (percentage of revenue) using nominal data



Data Source: Statistics Canada CANSIM database, 2004 to 2011

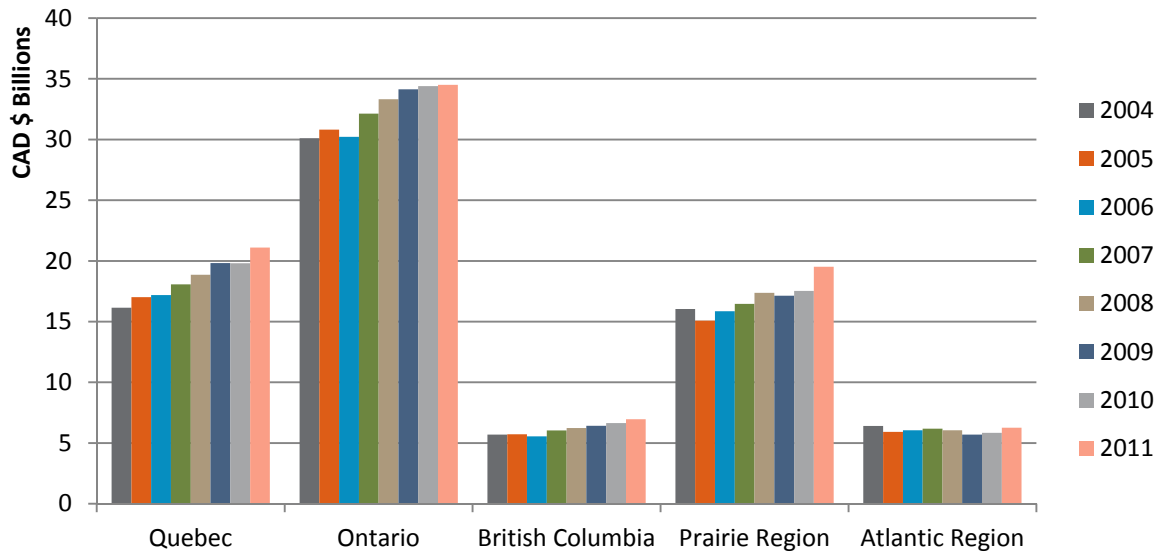
Regional analysis

An examination of total revenue from food manufacturing by region reveals the concentration of revenue and growth in the most populous regions of the country (Figure 22). Firms in Ontario and Quebec generate almost 50% of Canadian food manufacturing revenue with total revenues of \$34.5-billion and \$21.1-billion respectively. Quebec experienced a 31% increase in food manufacturing revenue from 2004 to 2011 which Ontario revenue grew 15%. A significant part of the Prairie region revenue increase of 22% can be attributed to a 71% increase in Saskatchewan. The Atlantic region has

⁷ Gross profit margin (%) calculated as (Total revenue minus cost of materials minus utility minus production labour divided by Total Revenue) X 100%

suffered a regional decline in revenue of 2.2%, with food manufacturing revenue dropping in all Atlantic Provinces except New Brunswick.

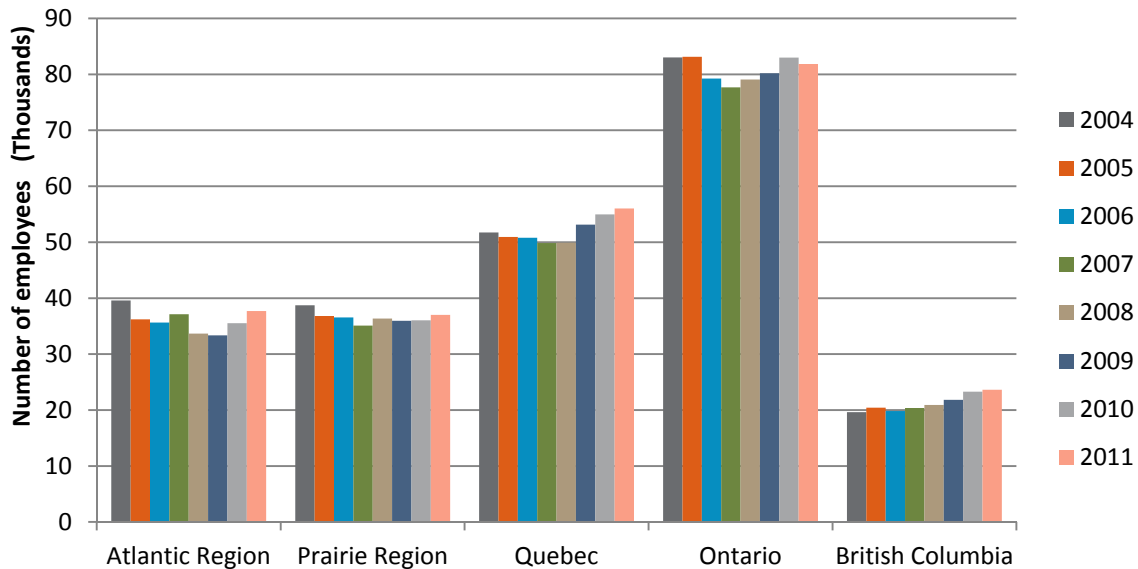
Figure 22. Regional food manufacturing revenue



Data Source: Statistics Canada CANSIM database from 2004 to 2011

Figure 23 shows the regional breakdown of employment in food manufacturing. Most regions experienced job losses from 2004-2007 and followed by some recovery. However, only Quebec and BC actually increased employment over the entire period.

Figure 23. Regional employment in food manufacturing



Data Source: Statistics Canada CANSIM database, 2004 to 2011

Implications for policy

The analysis in this paper reveals the remarkable resilience of Canada's food manufacturing industry. During the recent recession both revenue and employment in Canadian food manufacturing fared remarkably well compared to other manufacturing industries. This is an industry that Canada has been able to count on for both GDP and jobs. While it may not be as exciting as high technology and aerospace, in a recession being steady and unexciting is something to get excited about. Although performance varied among individual food manufacturing sectors, all showed considerable stability compared to other manufacturing sectors.

On almost every dimension of productivity and profitability the industry statistics stayed steady. Steady is fine but, in today's economic environment, Canada needs growth industries. Growth for Canada's food manufacturing industry has to include exports. From a policy perspective this means two things:

First, developing trade agreements and policy regulatory environments that support the export of Canadian food products must be a priority for governments. Trade can also be supported through government trade programs and by creating regulatory regimes that are aligned and coordinated with those of major trading partners.

Second, there is a role for governments in assisting the food manufacturing industry to become more globally competitive and export ready. For example, it was apparent that productivity in the industry has not been increasing and that creates concerns over the ability of food manufacturers to compete in the long term. Although the industry has increased its investment in equipment since 2010, the results are not yet apparent. It is obvious that more is needed. Programs which encourage investment in new technologies and more efficient processes can support and encourage industry investment in innovation and improve industry productivity.

Although food manufacturing is important to Canada's economy and farmers, it has received very little focus from policy makers. Attention needs to come, not only from agriculture and agri-food departments, but also from economic development, trade and industry focused ministries. Food is intrinsically linked to agriculture, but the business of food is first and foremost a manufacturing and marketing industry. Policies and resource allocations for food manufacturing should not be integrated with, and masked by, primary agriculture's business risk management policies which continue to be the primary focus of provincial and federal agri-food policy. With access to a wide range of farm products and large markets, revenue near that of transportation manufacturing and a consistent track record through economic downturns, food manufacturing can be – and should be – a powerhouse industry for Canada. Economic conditions are moving in favour of the Canadian food manufacturing industry, with the world slowly recovering from the recession and the Canadian dollar drifting lower. If Canada is to continue to reap the economic and employment benefits of a healthy food manufacturing industry government must take notice and act.

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Appendix

Figure a. Provincial breakdown Total food manufacturing revenue

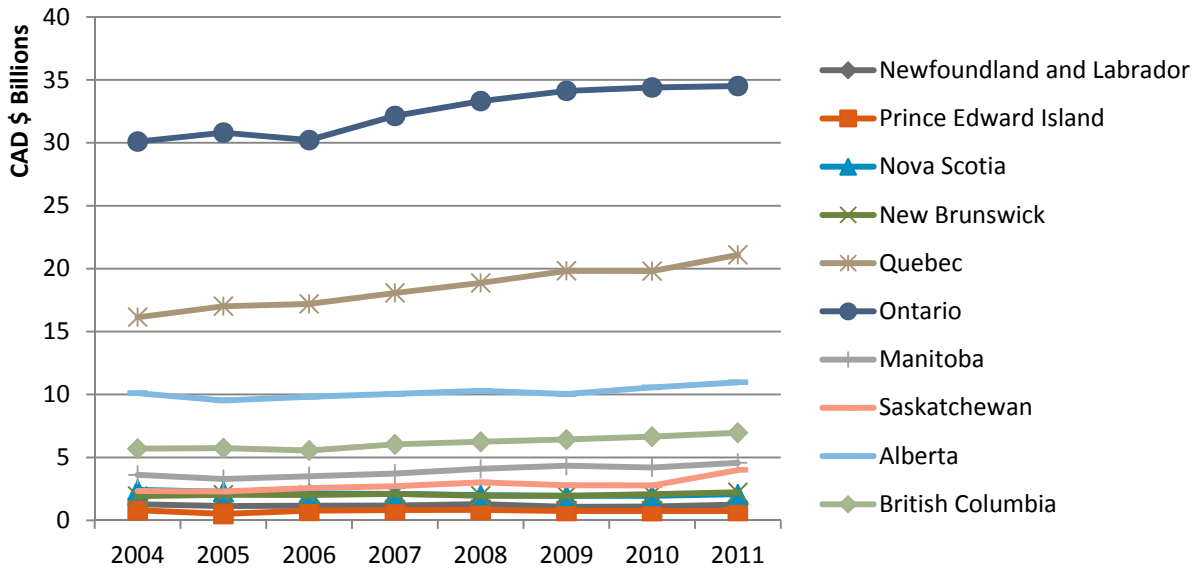


Figure b. Provincial breakdown Total Employment in food manufacturing

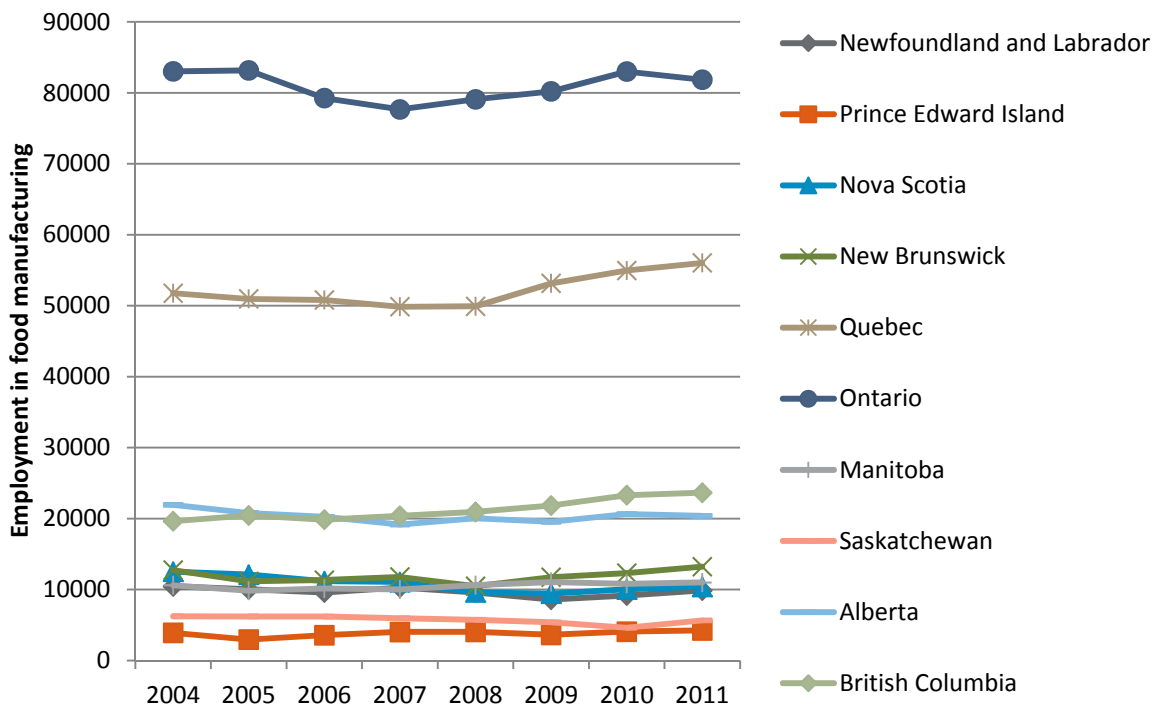
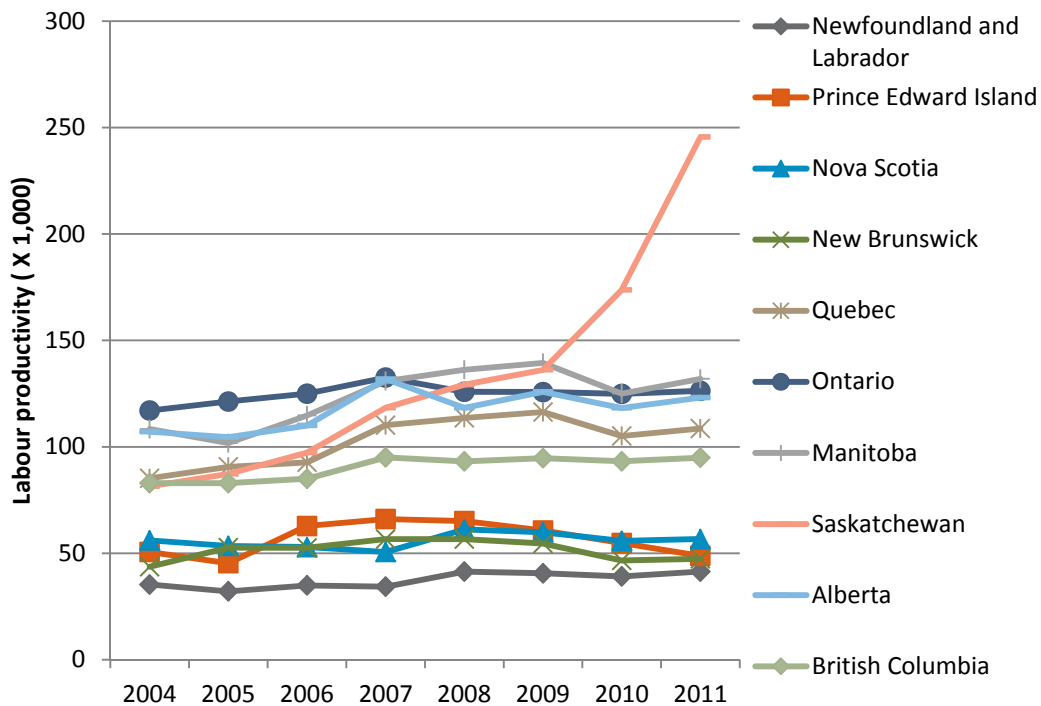


Figure c. Provincial labour productivity (manufacturing value-added per employee)



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