



Final Draft Revision D

Eastern Ontario Food-processing Sector Competitiveness Study

Prepared for:

**Ontario East Economic Development
Commission**

with support from:

**Ontario Ministry of Agriculture and Food
The CanAdapt Program of the Agricultural
Adaptation Council**

**Ontario Ministry of Municipal Affairs
*and participating***

**Eastern Ontario Municipalities
*and***

**Community Futures Development
Corporations**

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Please note:

General food industry background data are derived from the following, unless otherwise specified:

- 'Ontario's Food Industry - We've got it all' published by the Food Industry Division of the Ontario Ministry of Agriculture and Food, 2003
- WCM Consulting Inc. files and previous private reports



A Executive summary

Introduction

Food-processing is the third largest manufacturing sector in Ontario, behind transportation and electronics. There are estimated to be at least 1,500 food-processing firm in the Province generating 290,000 jobs and \$30 billion in annual sales, of which one third are exported. Foreign controlled enterprises accounted for 40% of all sales in the 1990's, up from the 30% in 1980's. Annual food industry growth rates have been 4-5% since the mid-1990's.

The food industry is found throughout Ontario. This is important for local economic development, providing stable employment for relatively less skilled labour. The food industry has also proven to be stable during recessions: between 1991 and 1995, when general manufacturing's share of total employment declined, food-processing's share of manufacturing employment showed modest increases, consistent with overall population growth. The bulk of employment is in the larger firms, but absolute growth is strongest in the medium sized companies.

The food-processing industry in Eastern Ontario is a particularly important employer in that region. The Ontario East Economic Development Commission, with support from the Ontario Ministry of Agriculture and Food, the CanAdapt Program of the Agricultural Adaptation Council, the Ontario Ministry of Municipal Affairs and participating Eastern Ontario Municipalities and Community Futures Development Corporations, has commissioned this study and report. The objective is to develop a profile of food-processing and food-related suppliers in eastern Ontario in order to identify barriers to and opportunities for retention, expansion and new investment activities.

Key Findings

The study has identified that the food industry in Eastern Ontario has a far higher proportion of large multinational firms than in any other food-processing cluster in Ontario. At the same time, the number of medium size firms is less than average. In fact, the ratio of large to medium size firms is four times as great in Eastern Ontario than for the rest of Ontario.

The relative lack of medium size firms is most readily explained due to the low population density in most of the region. Small firms evolve to serve the local community and are limited in growth to the local population growth. To evolve into a medium size firm, higher population densities are required and, for the most part, such centres of population density are rare in Eastern Ontario.

While the relative abundance of larger firms has many historical reasons, the continued existence of these firms and their apparent thriving performance indicates, that the area has attributes that permit the retention of such large, multinational enterprises. These same attributes may also enable certain areas of eastern Ontario to successfully attract new, similar investments in food-processing. Some of these key attributes are as follows:



- Industrial plant operating costs are presently up to 30% lower than some higher cost jurisdictions in nearby U.S. states and 10% lower than competing Ontario food-processing clusters.
- Pay rates for production workers are up to 20% lower than in Toronto. This is coupled with a workforce that is regarded as being both loyal and productive, with much lower employee turnover rates than are experienced by firms in Toronto.
- Direct jurisdictional costs are very competitive compared to other jurisdictions in Ontario and nearby U.S. states.
- For those areas of Eastern Ontario so located, the transportation routes are excellent to permit the rapid and economical distribution of materials and products to and from the plants.
- The presence of Loyalist College with, arguably, the most effective and tailored food-processing training curricula in the Province, is a definite advantage in helping to retain the larger firms and spur their growth. This can also be an added factor when attracting food-processors to locate in Eastern Ontario.
- The relatively low price of world-market raw sugar available in Canada, in comparison to U.S. prices, has long been a factor in the development of the Ontario food-processing industry

However, there are some concerns:

- Relatively little raw material is sourced from Eastern Ontario. This is one less tie to the region and it also implies an opportunity that could be exploited if the economic factors make sense.
- The future decline of the working-age workforce, due to the out-migration of young people (under-44's), may lead to loss of the competitive advantage of an available and stable workforce. This is exacerbated by the relatively high level of employment dependency on the food-processing industry in Eastern Ontario.

Overall, the food-processing industry in Eastern Ontario will continue to be a relatively stable employer. On average, smaller firms will continue to exist at a level that grows only with the local population, with some failing, while others emerge. Medium size firms, few in relative number, will continue to be hampered in growth by local population limitations and some may either choose to move closer towards larger urban centres, or they may be acquired by other companies for strategic purposes.

Larger multinational subsidiaries are projected to be stable and experience a slightly decreasing rate of employment but many unpredictable factors can affect this projection. The major events that will cause significant up or down swings will be the acquisition or loss of a product mandate by one of the large multinational subsidiaries; in either of these events the change in employment, upwards or downwards, may be significant. The extreme case would be the arrival of a new large multinational or the complete closure of an existing one.



Key Recommendations

Of all existing food-processing clusters in Ontario, certain locales in Eastern Ontario have, probably, the best opportunity to attract a large multinational food-processing investment. Coupled with this, is the imperative of retaining the existing large firms and, where possible, assisting them to grow. At the same time, the smaller and medium size companies already in the region should not be ignored.

The body of this report contains detailed recommendations for the economic development community in the region and for their colleagues in the senior levels of government. These recommendations focus on, amongst others:

- Mitigating jurisdictional impacts for all food-processors
- Stimulating growth in the small and medium size companies
- Attracting food-processing companies and target selection
- General interactions with companies
- Creation of an investment Business Case
- The posture of existing firms, testimonials and references
- Linkages between EDOs in other jurisdictions, OMAF Client Account Officers (CAOs) and Agriculture and Agri-Food Canada
- Creating linkages between the smaller food-processor and the regional tourism sector



B Background and purpose of the initiative

The Ontario food-processing industry

Food-processing is the third largest manufacturing sector in Ontario, behind transportation and electronics. There are estimated to be at least 1,500 food-processing firms in the Province generating 290,000 jobs and \$30 billion in annual sales, of which one third is exported. Foreign controlled enterprises accounted for 40% of all sales in the 1990's, up from the 30% in 1980's. Annual food industry growth rates have been 4-5% since the mid-1990's.

Core food industry activities include food-processing, warehousing and distribution, retailing and food service. While directly generating significant economic activity and employment in the Province, the food industry also has a multiplier effect that generates growth in related industries serving, or ancillary to, the sector. These include packaging, production of food industry equipment, biotechnology, agriculture, specialized storage and transportation (i.e. refrigerated), architecture, industrial and graphic design, civil, industrial and environmental engineering, food science and others.

Slightly more than a quarter of the food-processing companies in Ontario have sales in the \$5 million to \$50 million range and include firms with a broader market and some of the smaller multinational subsidiaries. The largest operations, with annual sales in excess of \$100 million, are mainly the multinational subsidiaries, serving markets well beyond the boundaries of the Province and often outside Canada.

The food industry is found throughout Ontario. This is important for local economic development, providing stable employment for relatively less skilled labour. The food industry has also proven to be stable during recessions: between 1991 and 1995, when general manufacturing's share of total employment declined, food-processing's share of manufacturing employment showed modest increases, consistent with overall population growth. The bulk of employment is in the larger firms but absolute growth is strongest in the medium sized companies.

Purpose of the initiative

The Ontario East Economic Development Commission, with support from the Ontario Ministry of Agriculture and Food (OMAF), and various municipalities in Eastern Ontario, various Community Development Corporations (CDCs) and the CanAdapt Program of the Agricultural Adaptation Council, have commissioned this study and report. The objective is to develop a profile of food-processing and food-related suppliers in eastern Ontario in order to identify barriers to and opportunities for retention, expansion and new investment activities.

The geographic area under consideration is shown below:



Key project deliverables are:

- An analysis of current business climate issues, expansion needs, barriers to investment, growth opportunities, etc.
- An analysis of comparative advantages and disadvantages in the food-processing sector of eastern Ontario versus Ontario/Canada/north-east USA
- Identify food growth opportunities founded upon regional strengths; consider linkages, import replacement, etc.
- Develop a series of practical recommendations for OMAF and Ontario East to better retain and attract food investments
- Write an implementation plan to specifically address the gaps and opportunities found in the data analysis
- Provide information, as available, to OMAF to permit them to update their Maximizer database and to augment a current database/information source of Eastern Ontario food-processing firms



C Methodology

Project Team

The Ontario East Economic Development Commission convened the project team, which included OEEDC representatives and staff from the Ontario Ministry of Agriculture and Food and Ontario Ministry of Municipal Affairs. A list of Project Team Member is included in Appendix III.

Data gathering

The data gathering to create the findings, have two main components:

Existing sources

These were existing reports, periodicals, statistics reports, Internet sources, educational institutes, governments, organized labour papers and other sources of information in which summarized findings were available and conclusions already drawn. These sources provided much ‘backdrop’ information in which to frame the report and without which, much of the larger context would be missing.

Industry survey

Current industry data were obtained by the consultants through a survey of the food-processing industry in the Eastern Ontario region, conducted over the period June through September 2003. Included in the survey were:

- Medium and large size Eastern Ontario food industry companies were the primary target respondents, Medium and large size firms are a more reliable barometer of general economic competitiveness than the smaller firms. The latter will always exist to serve the local market, almost independent of the local economic competitive position. Firms with markets extending well outside of the local area, are better indicators since they can locate in many different jurisdictions but will tend towards those that are considered to have the lowest overall real cost of doing business.
- Local economic development professionals

The survey data obtained were recorded in detail and then analyzed for consistencies, trends and exceptions. To ensure confidentiality for the respondents, only aggregate information is reported. Many data were collected which were later determined not to have relevance to the subject; this can only be assessed after it has been collected. This report presents only that data which were found to be relevant to the project.

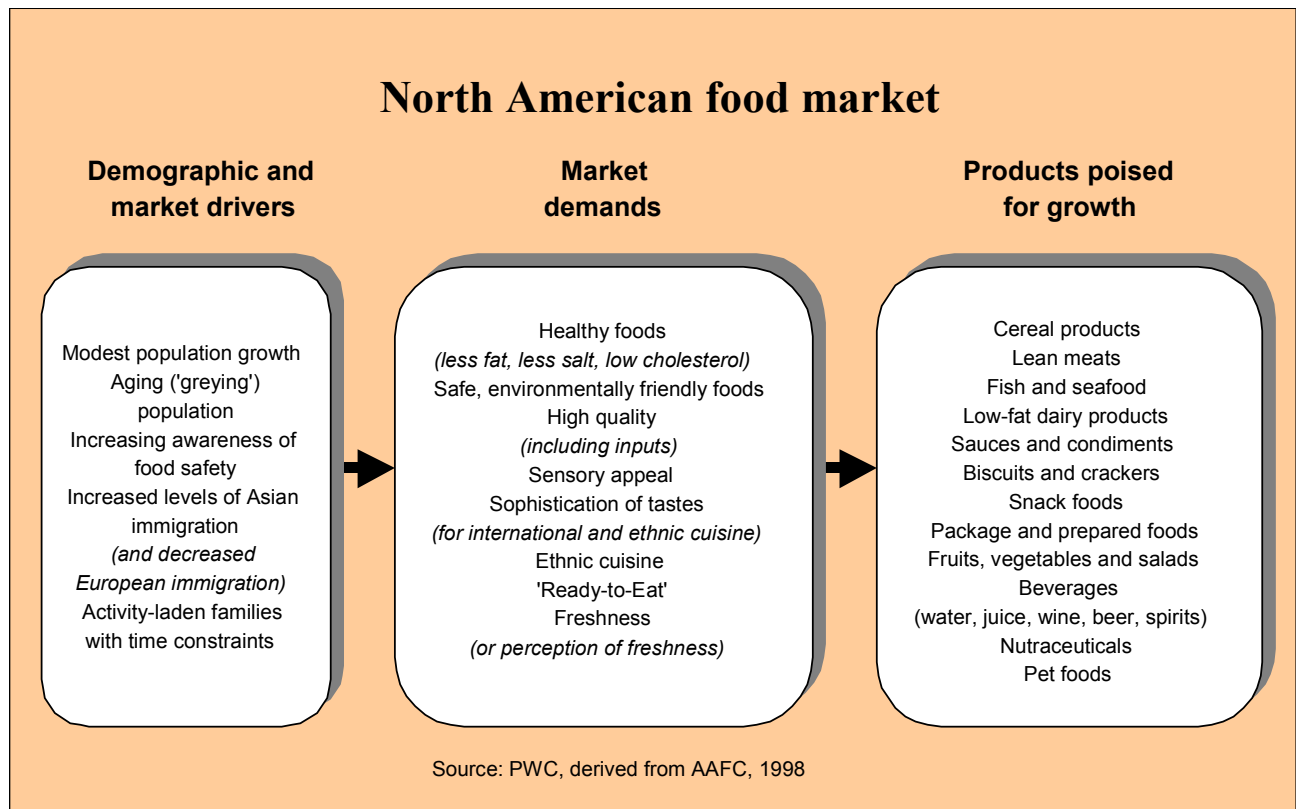
Throughout, reference is made to ‘small, medium and large’ firms. The definitions used are consistent with past studies conducted by OMAF:

- Small:* *Less than \$10 million in annual sales*
- Medium:* *From \$10 million to \$200 million in annual sales*
- Large firms:* *Greater than \$200 million in annual sales*

D Findings

Food industry trends

The following chart illustrates some of the factors influencing the food market, and hence the food industry, in North America.



Global competitiveness

Global jurisdictional competitiveness is of vital importance in determining where food-processors will locate their operations. The overall determination of competitiveness is an amalgam of a variety of jurisdictional characteristics. Examples of these characteristics are the size of and proximity to the major markets of the food-processor, the distance to raw materials sources and the relative transportability of both raw materials and products. Coupled with this are the availability of the required human resource skill sets at a competitive wage, services and utilities at a competitive rate and the relative cost of all local taxes.

These factors will have different degrees of weight in the decision-making processes of a company. Some impacts will vary significantly with the type of product produced and the utilities or services required by that firm. Others, such as local taxes, will affect most relatively equally.

In some cases, where the product is fresh, or caters to a specific niche market and *must* be produced near to that market, the location decision-making process is moot. In these cases, the decision is whether they have a viable business rather than where it is to be located. This factor applies predominantly to the smaller enterprises.

Large multinational subsidiaries represent the other end of the decision-making spectrum. Most often these plants had their genesis prior to the Canada-US Free Trade Agreement of 1988 and were intended to specifically serve the larger local markets and overcome the then tariff barriers. The multinational operations in Ontario are no exception. In the post-free trade arena, such subsidiaries in all manufacturing sectors have endeavoured to attract regional or continental product mandates from the parent company.

Such mandates open up continental or global markets to a higher volume of focused products for the plant, permitting more economies of scale and more efficient production. These mandates have been critical to the survival of the subsidiaries since, without the mandate, the market originally served by the plant can be readily served from other manufacturing locations, often in the United States. In industries other than food-processing, the failure to attract the mandate has caused a considerable number of closures of manufacturing operations in Ontario.

In the food industry, the nature of the product has tended to increase the regional, rather than continental, nature of such mandates. Food has a relatively low value to weight ratio (especially where there is significant liquid content) and shipping costs are relatively high for such products.

Often multinational plants are the largest facilities in the food industry with much installed capital equipment and supporting infrastructure. As a function of plant revenue they often employ the lowest percentage of staff, although this will number several hundred people in each case.

Although this is very dependent upon the currency exchange rate between the Canadian and U.S. dollars in effect at any given moment, presently, Ontario has an advantage in jurisdictional costs compared to neighbouring U.S. states.

Multinational company restructuring or consolidation

Trade globalization has permitted multinational manufacturers to obtain economies of scale through the dedication of each plant location to one (or a very few) product lines. This is referred to as a 'product mandate'. This reduces the complexities and costs of multiple product lines and processes and permits the installation of higher capacity and 'lower-cost-per-unit' automation. Hand in hand with this change, the demand for labour decreases.

This would be a limited effect if the extent of multinational operations restructuring were to cease there. A second, and much more dramatic effect, comes into play. The largest gain that a multinational can realize is the consolidation of two or more plants into one. Not only are more efficient mass-production lines now feasible in the ‘mandate winning plant’, but the entire cost of the ‘losing’ plant, infrastructure and supporting staff can be eliminated. This has happened frequently in many industries since the Canada-U.S. Free Trade Agreement of 1988; food manufacturing has suffered somewhat less due to transportation economies and regional tastes but the same phenomenon has occurred. Although the rapid spate of such ‘rationalizations’ has diminished since the mid- 1990’s, such events are always a possibility as the strategies and emphases of the parent company change.

Other forms of consolidation

Over the past twenty years, joint ventures and alliances between both complementary and competing firms have become much more common, especially in those parts of their operations considered to be non-core or not critical to their individual competitive edge. This is especially true in multi-tiered supply chains, such as in the automotive industry. Once more, economies of scale may be obtained that would not be achieved with the demand volume of a single Customer.

Import pressures from regions with lower labour costs

This is not a new phenomenon and it is unlikely to abate in the future. Jobs that require lesser skills have been migrating to regions with lower labour costs for many years. Certainly, the value that labour brings (rather than just cost), is the real deciding factor but that only accrues as an advantage, when the output obtained warrants the higher cost of the skilled labour. Lower skilled requirements jobs are not a good vehicle by which to demonstrate that value.

Outsourcing of jobs

Again, for those parts of their operation not considered to be critical to their competitive edge, many firms are outsourcing parts of their manufacturing effort. This often takes the form of buying whole sub-assemblies from manufacturers specializing in those processes, required to produce the necessary parts. This same specialist manufacturer may produce very similar parts for many different Customers and can then afford to invest in the automation necessary for a more cost-effective operation.

Formerly, each of the Customer operations would have devoted a portion of their own manufacturing efforts to that which is now outsourced, albeit less efficiently.

Technological change

As lower skilled jobs are replaced with automation or are relocated to regions with significantly lower labour costs, those requiring higher levels of technical skills fill the ‘vacuum’ of jobs created.



This is placing enormous pressure on the lesser skilled or older worker, who, in many cases, are being replaced with younger workers more comfortable with the new technologies with which they must work on a daily basis.

Characteristics of the food industry as an employer

Over the years the food industry in Ontario has been characterized traditionally by low, but steady, growth. However, in comparison with other industries, it is a labour intensive sector, most especially in the smaller companies. It is therefore difficult to compare the projected employment growth in the food industry with that which might occur in other industries. Sectors such as transportation equipment, electronics, information systems and plastics can, over short periods, experience many times the growth of the food industry and will often create high demands for technically trained employees. These industries are also more subject to economic variables, such as relocating production elsewhere, severe economic downturns, etc. This is typical of products that are ‘discretionary’; most consumers *want* them but they do not *need* them. Food is *always* needed.

The growth rates of individual food sub-sectors firms will vary over time as people move from a preference for meats to grains, then to vegetables and back to meats, or dairy. The actual employment variations of individual firms will show an even greater variation. Regardless, *overall*, the rate of employment growth will be limited, in large part, by the numerical growth of the population that it serves.

The exception to this rule occurs when a firm starts, or increases the ‘export’ of product outside of the local population region. Most often this will occur to a modest extent as a medium-sized firm starts to look beyond its local market in order to grow the business. It will occur to a much greater extent when a large multinational subsidiary acquires a new product mandate for continental or global production.

Job distribution within the food-processing company

For a typical medium-to-large food manufacturer, the breakdown of the jobs in the operation may be as follows:

- 60-80% of the jobs are production line ‘general labourer’ or ‘operator’ positions of relatively low skill requirements
- 5-10% of the jobs are in technical trades such as mechanics and laboratory technicians
- The balance are generally administrative and management functions



Production worker pay rates

Apart from certain niche, specialty foods, the industry is a low margin commodity industry. In the smaller companies, with less automation, the level of labour required to manufacture the product is relatively high, as much as 30-40% of the revenue obtained by the company. This makes the firm very sensitive to the wages paid and a rise of 10% in these wages can impact an already slim profit line by as much as 4%; this may represent the total expected profit for some enterprises.

In the larger manufacturers, where automation is much more prevalent, the labour content might be from 3-7% of the revenue of the firm. Here, the sensitivity to wages is less, with the same 10% change in pay having only a 0.3% to 0.7% impact on the profitability of the plant. This is reflected in the relative average wages paid by firms of different size. Generally, the smaller the firm, the higher the labour content and the lower the wage. The opposite is true of the larger firms.

Ontario food-processing industry overview

All firms surveyed claimed to be performing relatively well and project a positive future with modest, but continued, growth into the future.

Firms expect to see more intense and broader-based competition in the future. This is especially true of the medium and larger sized operations that are ‘exporting’ beyond the local geographic region.

Companies report an increased use of technology, such as computers and more automation. All state that this evolution will continue, and will be characterized by ever more rapid changes.

A much more complex regulatory environment is accepted as a ‘necessary evil’ and firms expect to cope with this, given that the demands are clear and practical. Food safety issues are of paramount concern and are a continuing prime focus for many of the firms surveyed.

The multinational subsidiaries surveyed expect continued restructuring due to globalization. This means that they will continue to have to prove their relative competitive value within the structure of the parent company. Failing this, they may be ‘rationalized’ and their production load shifted to a sister plant, most likely in a foreign jurisdiction. The converse to this scenario is that, due to their superior competitive performance, they win the product mandate and obtain even higher rates of production and, to some lesser extent, higher employment.



The following table illustrates the industry characteristics and employment trends in the major food manufacturing sub-sectors across Ontario:

Ontario food-industry characteristics and employment trends

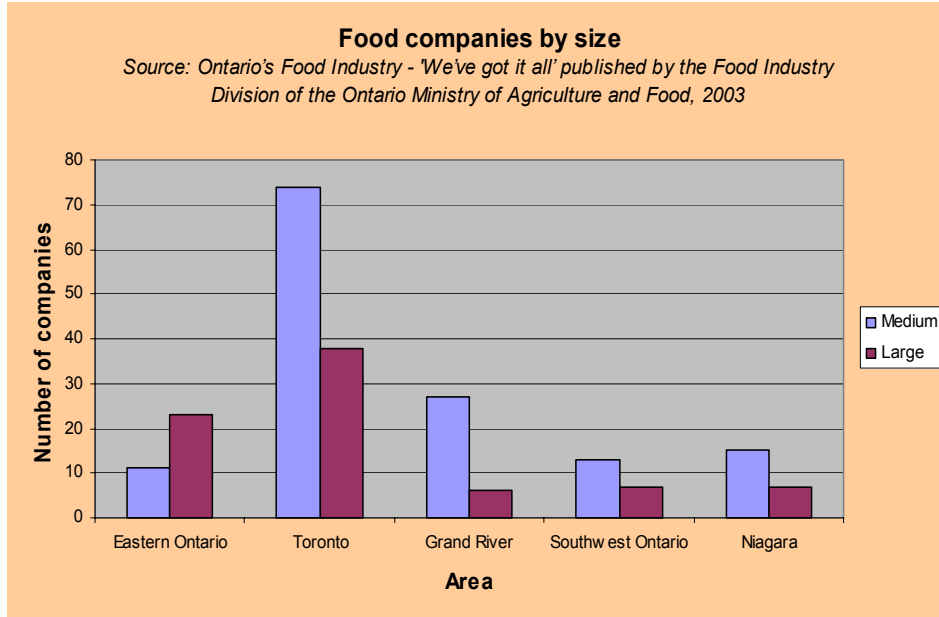
Sub-sector	Sub-sector characteristics	Employment trends
Meat	<ul style="list-style-type: none"> ➤ Mature sector ➤ Modest growth ➤ Value added further processed products ➤ Specialty meats such as elk, bison, emu, etc. 	<ul style="list-style-type: none"> ➤ Will continue to be labour intensive ➤ Minimum automation ➤ New jobs in quality and HACCP (Hazard Analysis and Critical Control Points) as most firms eventually are federal inspected ➤ High turnover among small firms: lower wages, difficult working conditions, repetitive work on high speed lines
Dairy	<ul style="list-style-type: none"> ➤ Flat growth due to mature products ➤ Highly automated ➤ Some growth in value added products (yogurt, specialty cheeses, etc.) ➤ Has undergone considerable consolidation 	<ul style="list-style-type: none"> ➤ Low turnover ➤ New jobs will be in product development, running automated equipment, processing efficiencies, etc.
Grains and Oilseeds	<ul style="list-style-type: none"> ➤ Stable, mature sector ➤ Heavily automated 	<ul style="list-style-type: none"> ➤ Relatively low turnover ➤ Will continue to need employees with technical qualifications in product development, production and sales
Beverage	<ul style="list-style-type: none"> ➤ Flat and stable in all categories, especially breweries ➤ Bottled water will continue to grow but will undergo consolidation 	<ul style="list-style-type: none"> ➤ Relatively low turnover ➤ Industry is highly automated and production can be increased without significant employment increase ➤ Sales positions expected to increase as sales/distribution are the most important functions



Sub-sector	Sub-sector characteristics	Employment trends
Bakery	<ul style="list-style-type: none"> ➤ One of the fastest growing sub-sectors major population centres ➤ Consumers, especially new ethnic groups, want specialty baked products ➤ Frozen dough products in high demand to replace in-store bakeries 	<ul style="list-style-type: none"> ➤ Still labour intensive ➤ Some automation increases expected ➤ Will require production workers
Confectionery	<ul style="list-style-type: none"> ➤ Despite health concerns about sugar, this sub-sector continues to grow ➤ Canadian sugar cost advantage is vital ➤ Dominated by multinational enterprises ➤ Some medium sized firms 	<ul style="list-style-type: none"> ➤ Multinational mandates are critical to future growth and stability ➤ Heavily automated ➤ Very stable sub sector with little turnover ➤ Moderate employee growth expected
Fruit & Vegetable	<ul style="list-style-type: none"> ➤ Low growth sector ➤ Exception is fresh-cut produce which has experienced double digit growth ➤ Fresh-cut produce will grow but will also automate significantly 	<ul style="list-style-type: none"> ➤ Fruit and vegetable sub sector is largest employer of immigrant labour ➤ Will continue to be labour intensive ➤ Will continue to experience high turnover ➤ Automation will create need for more technically qualified employees
Fish	<ul style="list-style-type: none"> ➤ Small niche ➤ Growing steadily due to health concerns and ethnic demand for fish meals and products 	<ul style="list-style-type: none"> ➤ Will continue to be highly labour intensive with some growth in jobs ➤ Some turnover expected but labour force is ethnically oriented and culturally close-knit

Distribution of food-processing firms by size across Ontario

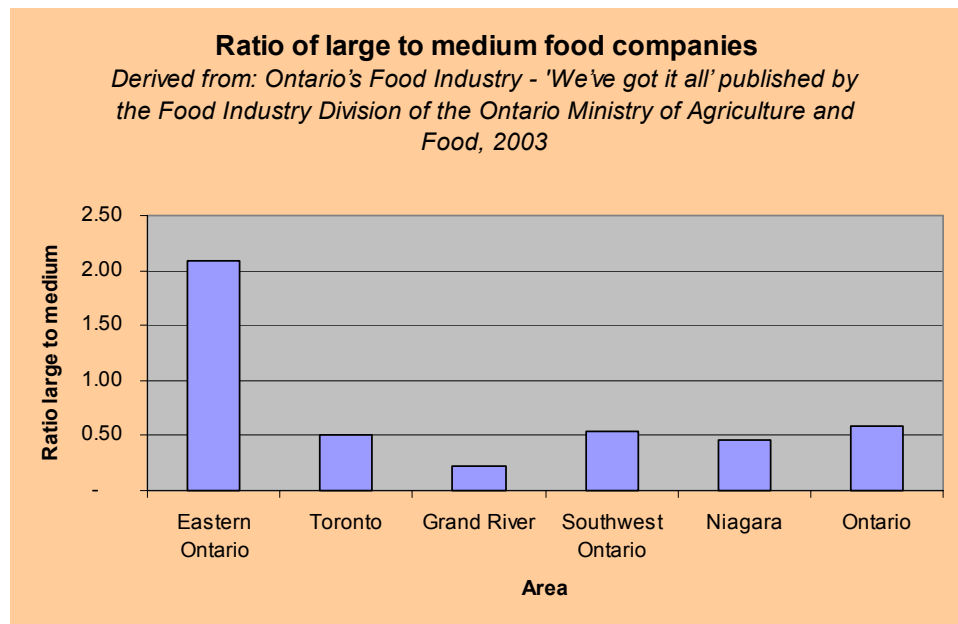
Ontario is considered to have six main food-processing clusters and these are represented in



the chart. The number of large and medium size food-processing firms is shown. Note that, in most clusters, there are more medium size than large size firms. A 'normal' distribution would see many smaller food-processors, a number of medium-size

firms and relatively few large firms. This same type of distribution would appear, generically, for many other industries as well across most geographies.

Eastern Ontario shows a different result. Here, there are a higher number of larger firms than medium size; *this is very significant and the implications are important to the development of future strategies.*



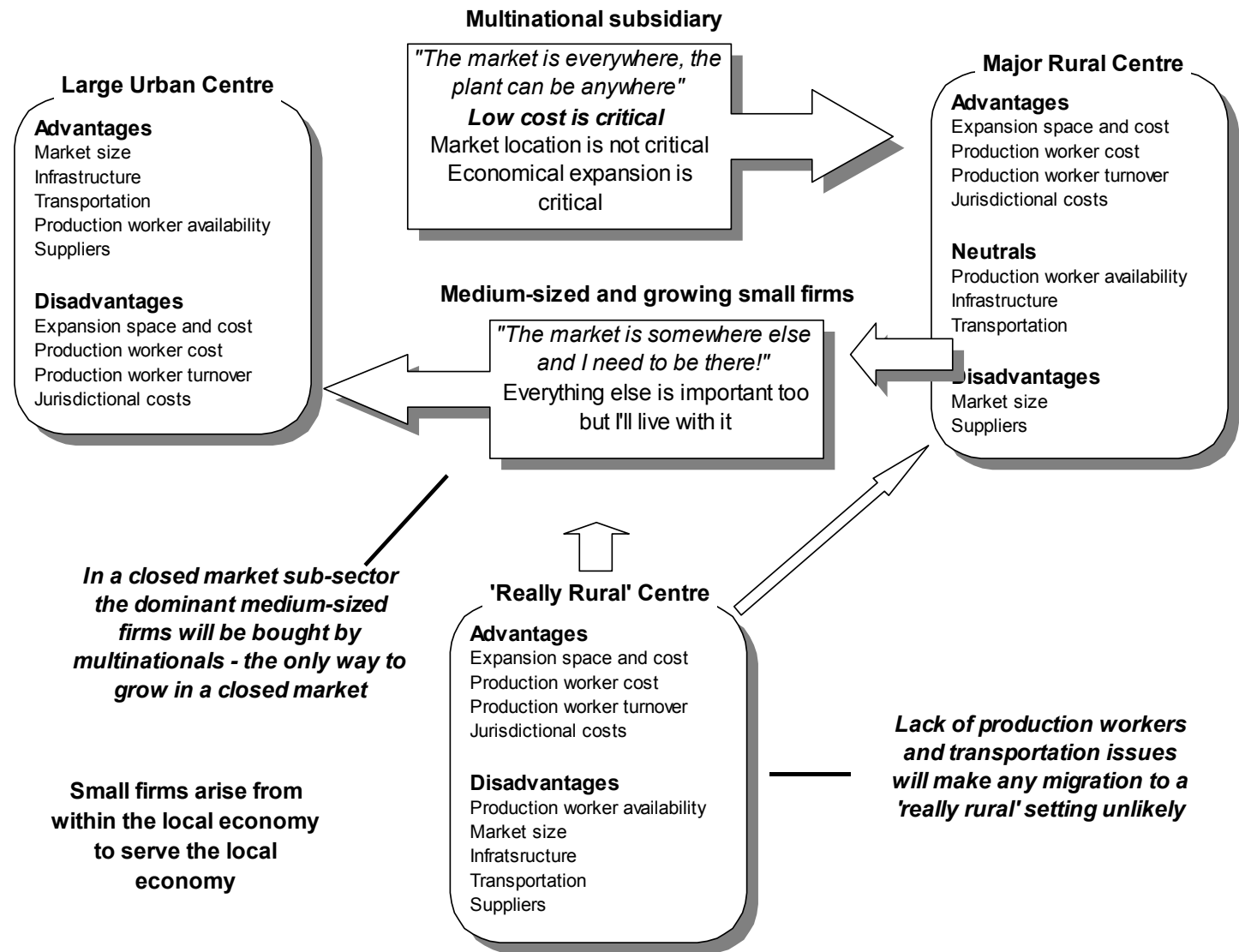
The next chart explains the expected migratory patterns

of food-processing companies with respect to their size and the characteristics of the jurisdiction, which they may find to be the most advantageous in which to locate.

Migration patterns of food-processing firms

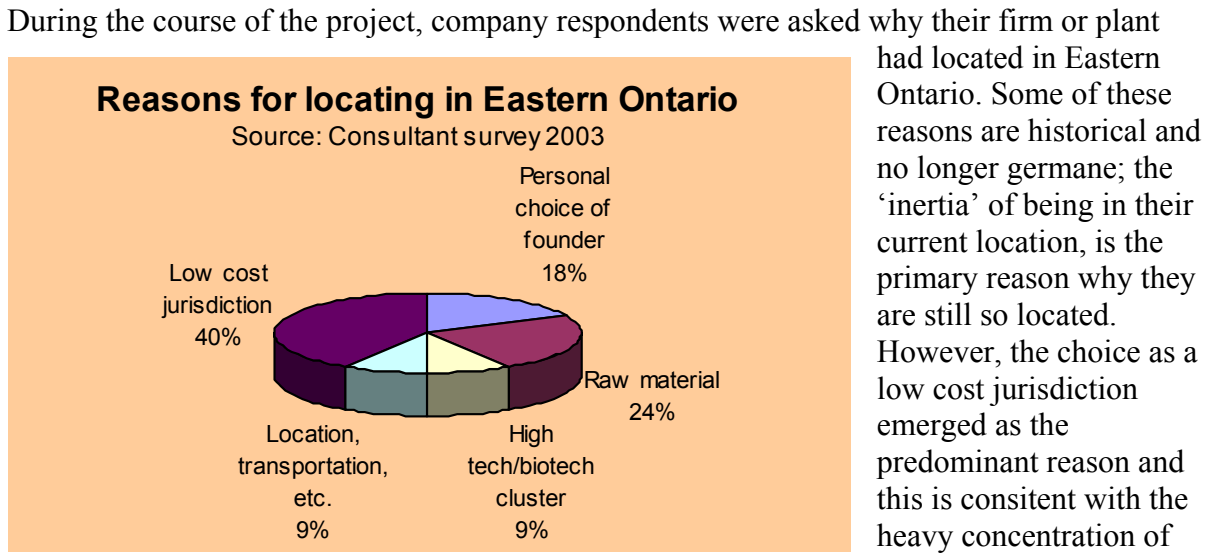
The diagram illustrates the usual migration patterns of food-processing firms according to their size strata.

Despite the often-higher jurisdictional costs, large urban centres are magnets for the growing small to medium-sized firms, due to the overriding need for market population in order to grow the business. Conversely, major rural centres, well positioned on transportation routes, provide a better solution for the larger multinational since market proximity is less important and lowest possible cost is critical when competing global



While the lack of a concentrated population base can explain the scarcity of medium size firms in Eastern Ontario, it does not explain the relative abundance of larger multinational subsidiaries. Many factors may come into play and these are explored further in the balance of this report.

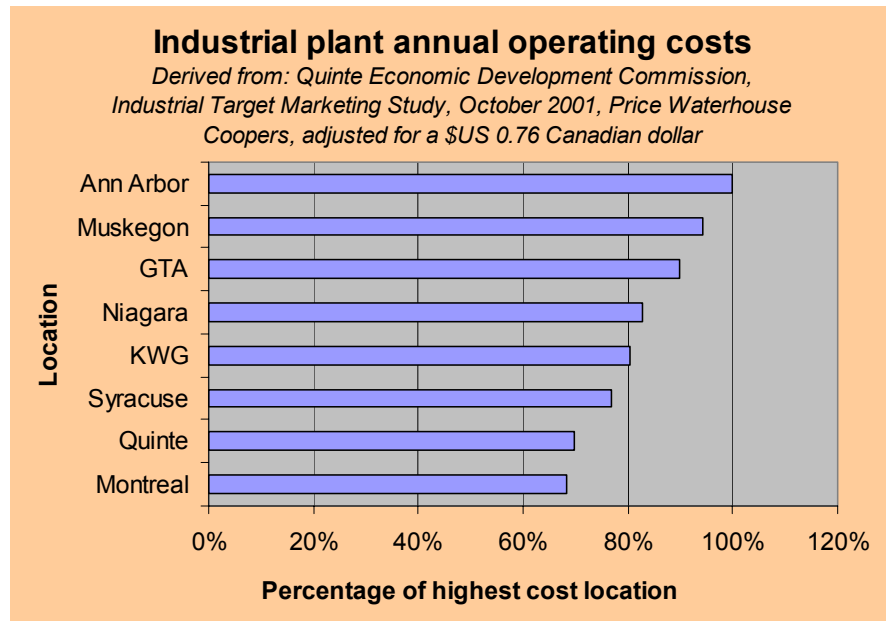
Reasons given for locating in Eastern Ontario



multinational subsidiaries that seek such jurisdictional advantages.

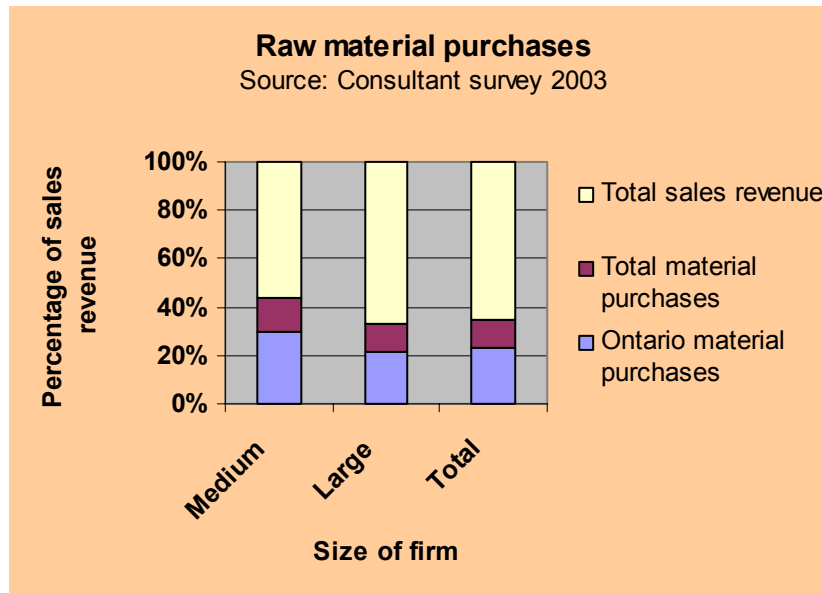
Industrial plant jurisdictional operating costs

The chart shows examples of average composite annual plant operating costs in various jurisdictions. The data show that the Quinte area, as a surrogate for Eastern Ontario, is very competitive compared to nearby US jurisdictions and the Greater Toronto Area. The reader should bear in mind that such relative trans-border cost comparisons are likely to be greatly affected by exchange rate variations.



Raw material purchases from Ontario sources

The chart shows the relative amounts of raw material purchased by different size strata of firms. The data shown describes the dollar value of the purchases as a percentage of the estimated revenue of these firms. Ontario sources are shown compared to total purchases.



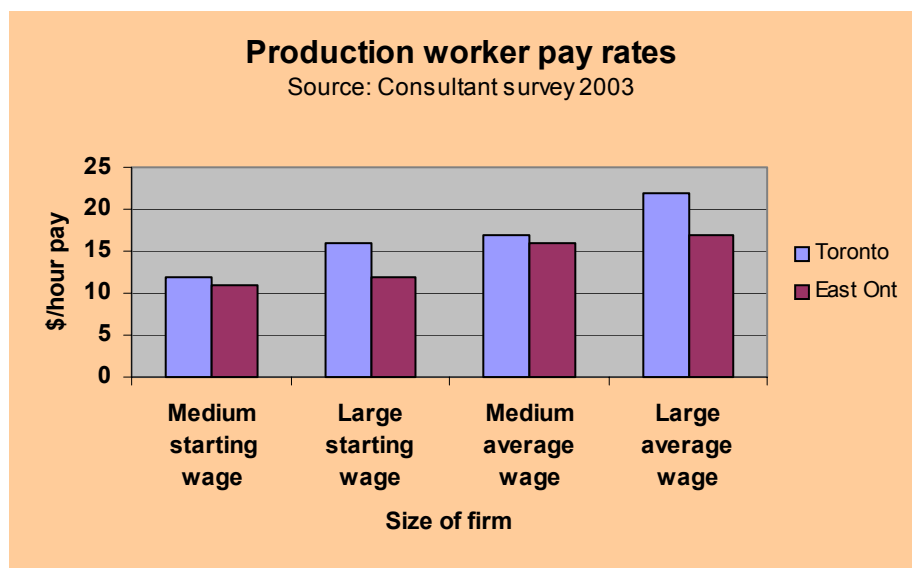
Some opportunities exist for Ontario firms to sell more to these food-processing companies but, overall, Ontario vendors are well represented.

The data for Eastern Ontario sources are not tabulated. Few firms could provide specifics of this information and suggested that sourcing from Eastern Ontario was not a priority. Anecdotally, the respondents suggest that Eastern Ontario today is

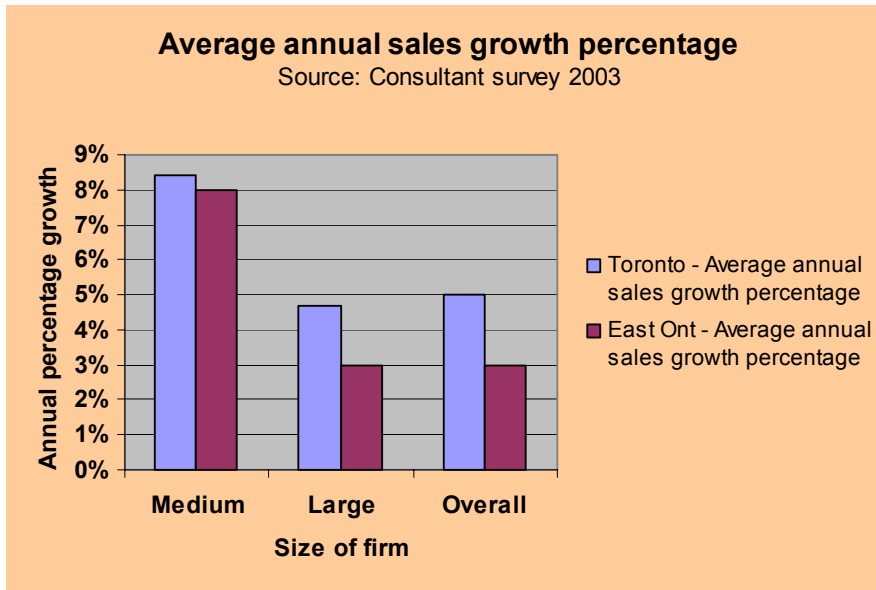
not a significant source of food industry raw material. For example, in the past, Eastern Ontario would have been a larger source of raw vegetables.

Production worker pay rates

Starting and average pay rates for food industry production workers are compared, for Eastern Ontario and Toronto, for both medium size and large size firms. The data show that, in all cases, Eastern Ontario offers lower cost production workers and this differential is more pronounced for the larger firms.



Average annual sales growth

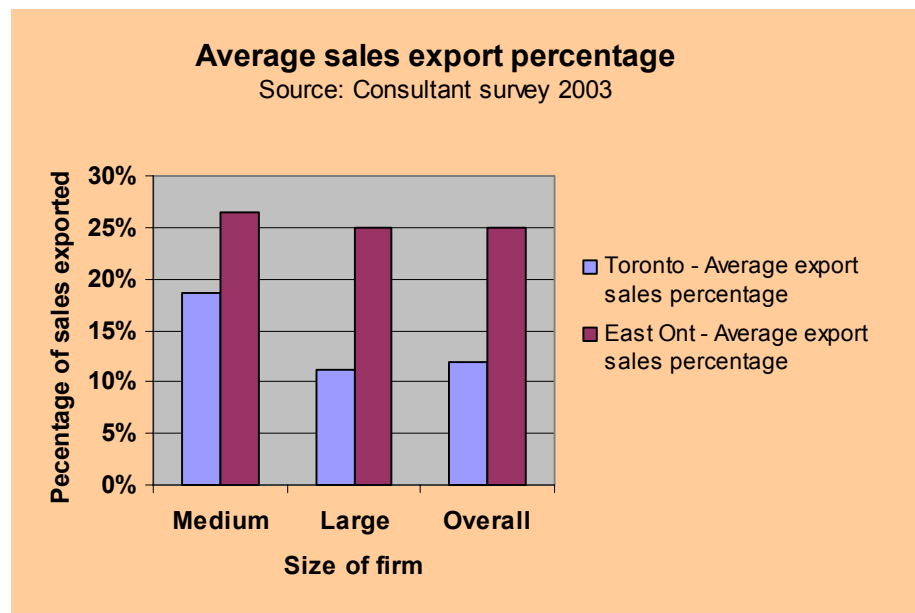


As expected, the medium-size firms project higher rates of growth and this is a reflection of their relative freedom in attacking new markets. The larger firms do not generally have that degree of freedom, since they sell their products through the parent operations and not directly to the marketplace.

The difference between the expected growth in the two geographical areas is not significant for either size strata of firms.

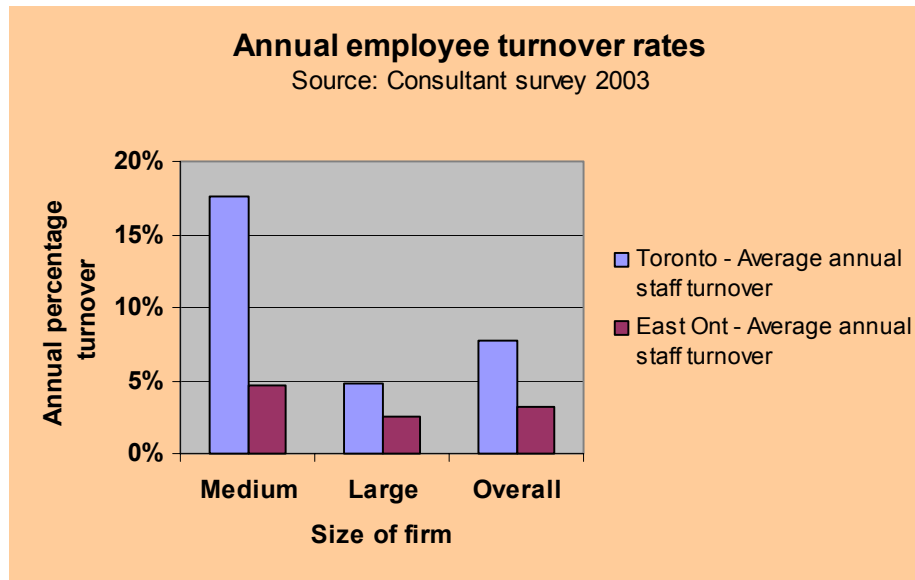
Average sales export percentage

These data illustrate the differences between food-processors located in a rural centre and those located in Toronto. Although both export to some degree, the Toronto market still dominates the sales from those plants. Without that population concentration, the rural based firms must, and do, export



to a much larger degree. Clearly these Eastern Ontario based firms are not so located due to the size of the local market and jurisdictional advantages are once more highlighted.

Annual employee turnover



There is a very significant difference between the employee turnover rates, between Eastern Ontario and Toronto based food-processing firms. First, turnover in larger firms, regardless of geography, tends to be less; this is due to higher rates of pay and benefits and, in some cases,

better working conditions and professional employee relations programs. The latter are often absent in the medium size firm.

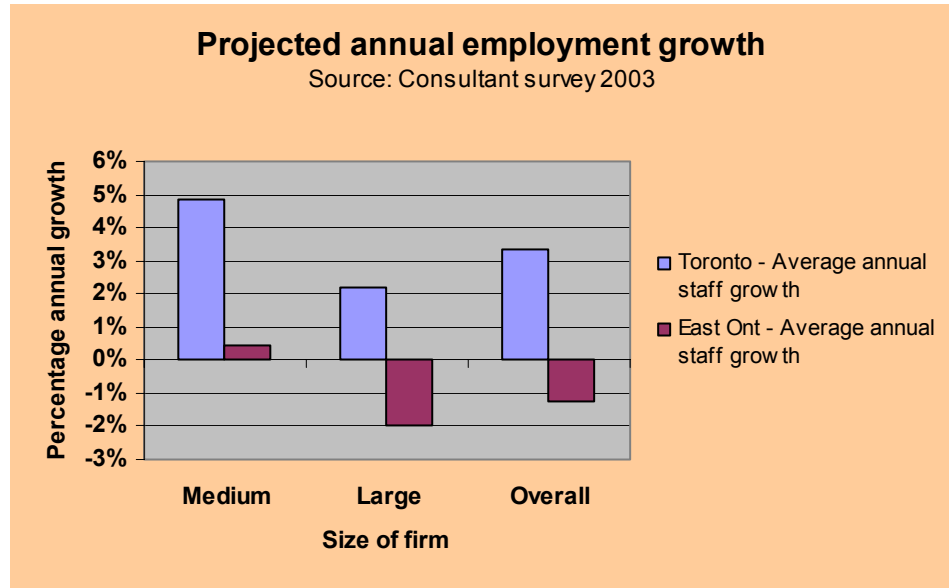
When considering geography, employees in larger urban centres have more employment alternatives and, if dissatisfied with their present employment, may move on more readily. The same choices are not afforded to the employee in the rural centres and, consequently, turnover is reduced.

Additional factors may come into play as well, such as local demographics. Large urban centres are the usual first destination for new immigrants. Some new immigrants are over-qualified for their first jobs, but cannot always find employment in their chosen fields when first arriving in their new country. In addition, new language skills may need time to be developed. Both factors contribute to turnover in the larger urban centres.

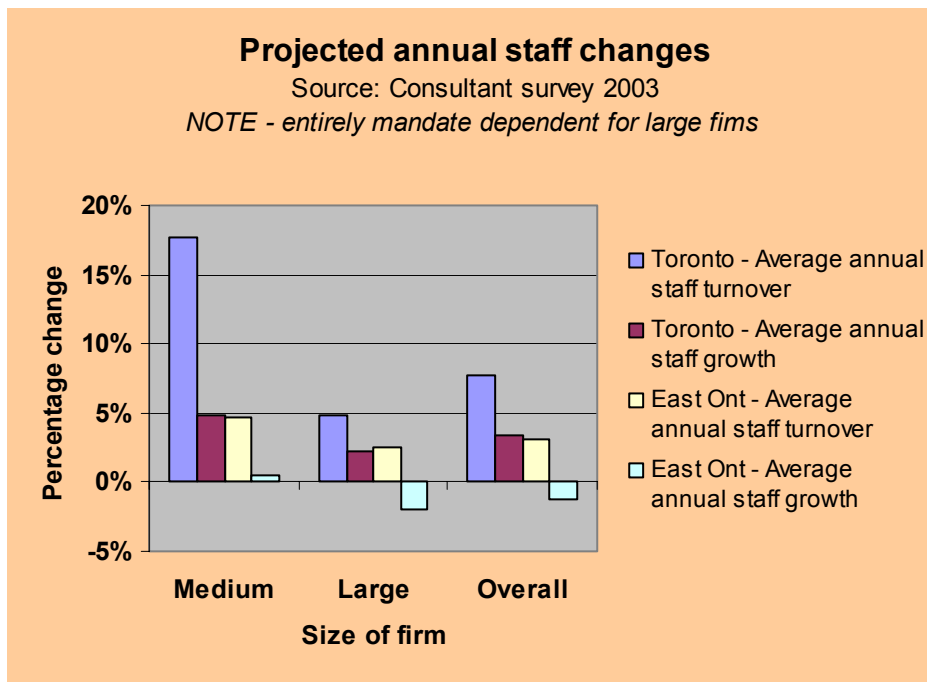
Annual employee growth projections

Based upon historic and expected growth rates, coupled with efficiency gains, *net* employment growth is forecasted to be low in the Toronto region, and negative in Eastern Ontario (net job loss). Bear in mind that the acquisition or loss of a product mandate in multinational subsidiary, or the

arrival or departure of same, will have a much more pronounced positive or negative effect on employment than will incremental annual gains due to internal company growth.

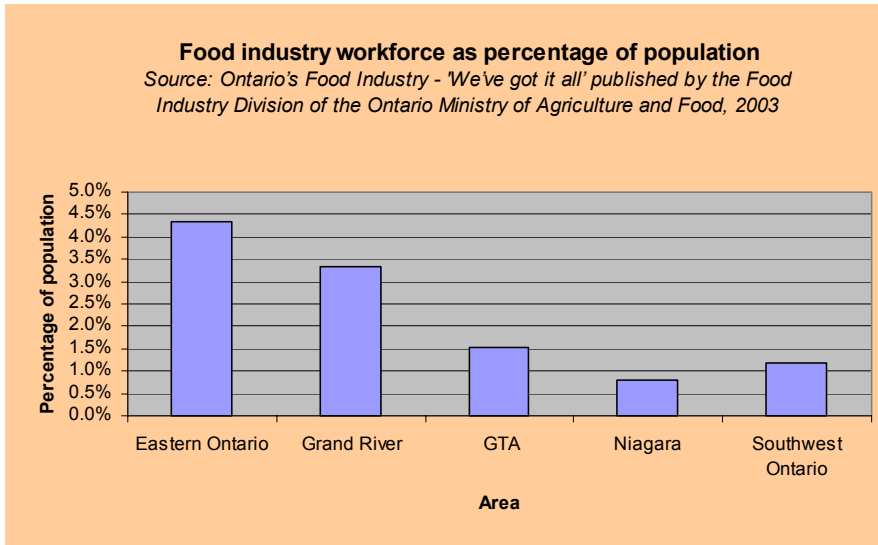


Overall staff changes



Combining staff turnover and growth, the net result is that, while food-processing companies *will* seek new employees, the large majority will be to replace employees who have left, rather than to service growth, most especially in the medium size companies.

Food industry employment distribution in Ontario and Eastern Ontario and population demographics

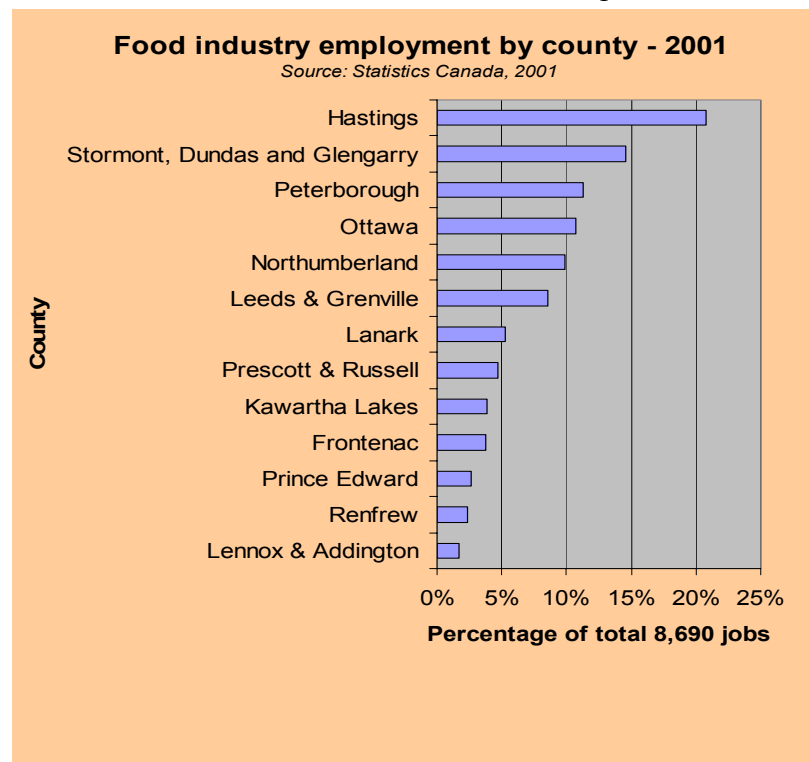


There is clearly a high level of dependency on the food industry in Eastern Ontario when compared with the other recognized clusters. This is consistent with the relatively large number of larger plants and the relative lack of other major industrial employment sectors. This dependency should emphasize the

importance of the industry to local jurisdictions in Eastern Ontario, and underscore the vital need to assist these firms to maintain their competitiveness.

The distribution of food industry jobs in the Eastern Ontario region is as shown. Some clustering is evident and the relative concentrations form a common pattern with a handful of predominant geographical areas.

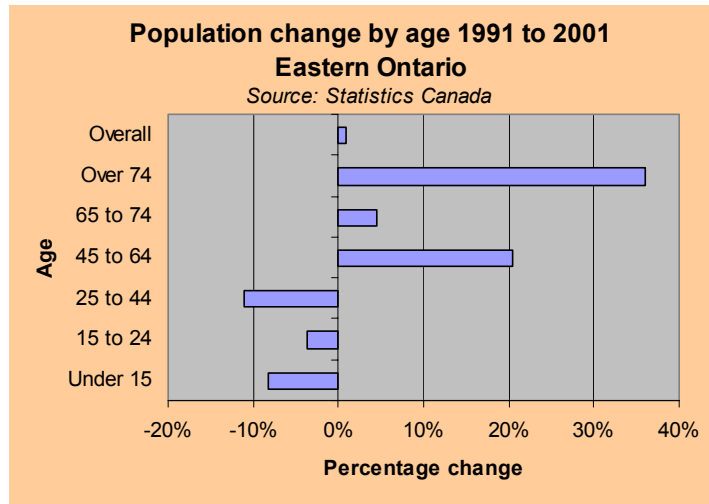
The demographics of Eastern Ontario are changing with fewer younger people and more retired persons in the last ten years. Younger people are leaving the





area for larger urban centres to find work that is more appealing and that offers more opportunities for advancement.

This is of some concern, since the ‘baby-boomers’ of the region will be retiring in the next 10-15 years and the existing local food-processing companies may find that recruiting replacement production workers is not an easy task.



E Conclusions

The Conclusions are drawn from the Findings described in an earlier section of this report, with experience and commonsense added to the mix. At this point, the analysis portion of the initiative is presumed to be complete and the implications of these facts can be examined. More general economic development experience is brought to bear for this synthesis. In the next section, recommendations are created in order to address the implications derived.

Overall

The food industry in Eastern Ontario will continue to be a relatively stable employer. On average, smaller firms will continue to exist at a level that grows only with the local population, with some failing, while others emerge. Medium size firms, few in relative number, will continue to be hampered in growth by local population limitations and some may either choose to move closer towards larger urban centres or they may be acquired by other companies for strategic purposes. Larger multinational subsidiaries are projected to be stable and experience a slightly decreasing rate of employment, but many unpredictable factors can affect this projection.

The major events that will cause significant up or down swings will be the acquisition or loss of a product mandate, by one of the large multinational subsidiaries; in either of these events the change in employment, upwards or downwards, may be significant. The extreme case would be the arrival of a new large multinational or the complete closure of an existing one.

Eastern Ontario as a jurisdiction for food-processing

Direct and indirect jurisdictional advantages

As is borne out by the strong presence of multinational subsidiary food-processing plants, Eastern Ontario had, and in many cases, still has, jurisdictional characteristics that are attractive to the multinational food-processor serving national, continental and global markets.

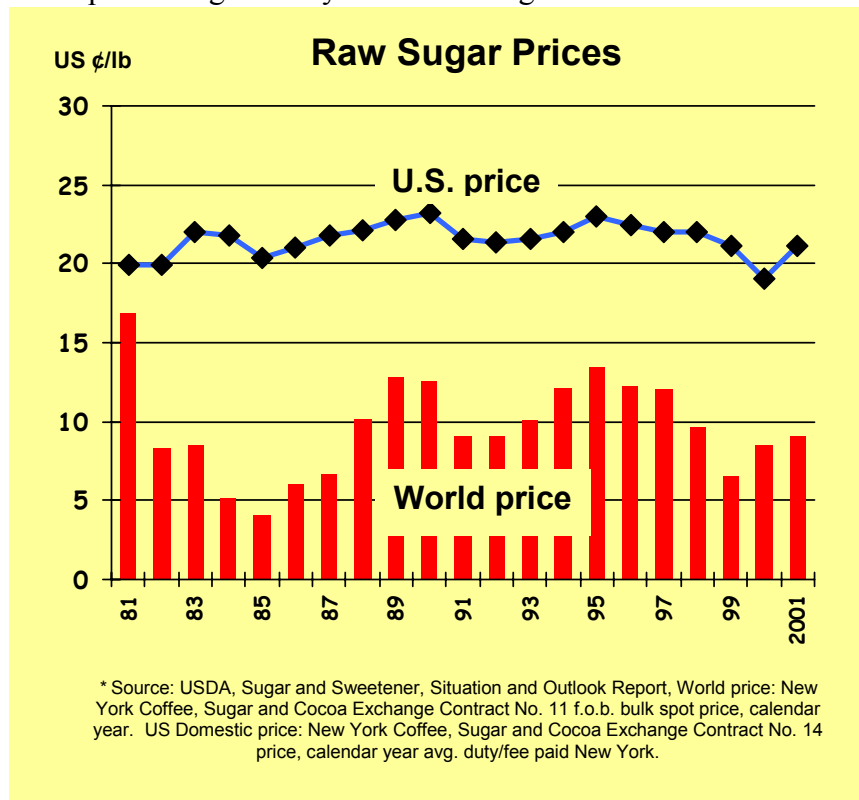
For example:

- Labour and benefit costs for production workers are some 10-15% lower than in the Toronto region and may be among the lowest available in the food-processing clusters within Ontario. Food-processing is a dominant employer in the Eastern Ontario region; the corollary is that there are few other industries of scale in the area to compete with food-processing for the available workforce.

The Toronto region, The Niagara region, Grand River and Southwestern Ontario each have other dominant industries that compete for the workforce; trending pay rates higher. While such labour costs make up a relatively small percentage of overall plant operating costs, they can make a significant difference when fractions of a percentage gain in operating efficiencies are important to plant growth and survival.

- Due to the longevity of many of the companies, the workforce is experienced and workforce productivity is reported as good, from studies performed over recent years.
- Direct jurisdictional costs are very competitive in Ontario and compared to nearby U.S. states. Overall industrial plant operating costs (including land, property taxes and electricity rates), have been catalogued as amongst the lowest in the north-eastern portion of North America.
- The relatively low price of world-market raw sugar available in Canada in comparison to U.S. prices, has long been a factor in the development of the Ontario food-processing industry. This advantage continues and can be used as the main

thrust to gain the attention of food-



processing companies, using a significant amount of sugar in their product. When combined with the other jurisdictional advantages, this makes a particularly compelling case for Eastern Ontario when attracting such sugar-dependent firms.

- For those areas of Eastern Ontario so located, the transportation routes are excellent to permit the rapid and economical distribution of materials and products to and from the plants. Highways such as the 401, the rail links and the access to Lake Ontario shipping all contribute to this. Less significant but nevertheless an advantage, while being remote from many of the cost influences of the larger urban centres, many of the Eastern Ontario rural centres find themselves well positioned to service the cities of Toronto, Montreal and Ottawa, as well as centres in the north-eastern United States.
- The presence of Loyalist College with, arguably, the most effective and tailored food-processing training curricula in the Province, is a definite advantage in helping to retain the larger firms and spur their growth. This can also be an added factor when attracting food-processors to locate in Eastern Ontario. Smaller enterprises should also be encouraged to make use of the expertise so developed.

Direct and indirect jurisdictional DIS-advantages

- The relative lack of usage of local raw materials is a disadvantage in two ways. First, the region is not gaining the additional economic benefit of the production of raw materials for local use. Second, this can serve as an ‘anchor’ to retain firms. However, despite this, there are other factors that create a positive aspect for Eastern Ontario, and this ‘disadvantage’ may be best regarded as an opportunity that could be exploited, over time.
- Some raw materials, such as milk, are priced high in comparison to U.S. sources. However, as long as this raw material is regulated then the impacts are restricted to the inability to export. Within Ontario, this is not a relative disadvantage.
- Despite the excellent transportation links, Eastern Ontario is still remote from the larger urban centres. Inherently, some products, with very low value-to-weight characteristics, destined primarily for a singular, larger urban centre, such as Toronto, will experience a transportation cost disadvantage, compared to plants located nearer to Toronto.

This disadvantage can be turned to an advantage when the relatively central location of Eastern Ontario allows products to be produced for several such centres - Toronto, Montreal, Ottawa and nearby U.S. centres for example. When considering the location of a new large-scale facility to serve multiple markets then the proximity to any one is much less critical and Eastern Ontario is well positioned to serve many and with lower jurisdictional costs.

Concerns and threats

- Local water treatment costs were perceived as being high by some respondents but this had been expressed in general terms rather than in direct comparison to other jurisdictions. Such *perceptions* will affect some food-processing sub-sectors more than others, depending upon the nature of the products and processes.

To counter this, a 2003 comparison of water treatments costs in Ontario, conducted by the Ontario Ministry of Agriculture and Food, shows that three Eastern Ontario municipalities (Cornwall, Peterborough and Kingston) were amongst the top ten *lowest* water treatment cost municipalities in Ontario.

- Multinational firms expect jurisdictions to be more ‘creative’ in helping them to thrive – this relates to infrastructure costs, rail links, water treatment, etc.
- There is a general perception in the multinationals that attraction is more important than retention, to the jurisdiction - ‘the new guy gets a better deal’. Serving the existing firms with the same level of attention and assistance as for the potential investor will eliminate this perception.
- The multinationals have a great dependency on the parent for technology investment and most investment decision-making is outside country or plant – including whether to expand it or close it. This is difficult to address directly, and working with the local plant manager is essential if some influence is to be leveraged.
- The future decline of the working-age workforce due to the out-migration of young people (under-44’s) may lead to loss of the competitive advantage of an available and stable workforce. This is exacerbated by the relatively high level of employment dependency on the food-processing industry in Eastern Ontario.

Food-processors by size

Smaller food-processors

The smaller food-processor evolves to serve the local market and, unless they expand beyond the boundaries of the local population, will always be constrained by the local market. Although they cannot be taken for granted, for the most part they will continue to exist and will grow with the local population. Small food-processors often experience considerable turbulence in the early days of the business, and failures are not uncommon.

Some of these smaller firms may become medium-sized by ‘exporting’ beyond the local region. Niche, unique products may sell further afield, but there will be few such companies and the niche nature of their products will keep them relatively small

Growing smaller firms may migrate to the nearby larger urban centres in order to expand their markets, especially for products that do not travel well, such as fresh items or those that have a relatively low value-to-weight ratio.



Medium size food-processors

These are few and far between in Eastern Ontario, primarily due to the low population concentration. They have evolved, in most cases, from small firms that have expanded beyond the local market.

Some of these may consider moving to nearby larger urban centres to gain further market growth. The largest may be bought by multinational company, especially in 'closed, supply managed' markets

Large, multinational subsidiary food-processors

These Eastern Ontario plants operate largely independently of a singular market location and seek jurisdictions where the total operating cost is the lowest possible. This includes the cost of transportation to the markets served and many will seek to position themselves centrally with respect to these markets. These plants are under continuous and extreme cost pressures from parent organizations, and compete less with other firms than with sister plants of the parent company, located in other jurisdictions. By inference, the respective jurisdictions are also in competition with each other.

Due to their relative size limitations, many Eastern Ontario plants have lower economies of scale compared to U.S. sister plants, but they are more flexible than U.S. sister plants. This means that they can produce a relatively broad range of products and assist in new product introductions, or the production of lower volume niche products. Such a capability can be highly valued in multinational corporations.

The decision to locate in a given region is not taken lightly; nor is the decision to move. However, such plants cannot be taken for granted. They must be assisted in their continued efforts to be more cost effective.



F Recommendations

This section provides:

- **Recommendations to address existing food-processor by size:**
 - Small and medium-size
 - Large, especially multinational subsidiaries
- **Recommendations for the attraction of multinational food-processing subsidiaries**
- **General recommendations for the economic development community**

Retention and expansion of all food-processors

The EDO can perform at least two fundamental types of activity to assist food-processors in the region. The first, applicable to all food-processors of any size, are those activities that address barriers and other negative impacts, created by the local jurisdiction and/or senior levels of government. The second is applicable primarily to the small and medium size food-processors and involves those activities that stimulate growth and expansion directly.

Mitigating jurisdictional impacts for all food-processors

In the first area, mitigating or removing barriers and other negative impacts is an activity generally welcomed by industry of any type and of any size; such activities are expected of the EDO by many firms and the EDO is seen as their advocate in local government affairs. The conflict arises when the jurisdiction, at any level, must act in what it believes to be the best interest of the community and when such actions are not always in the best interests of the local companies. This constant trade-off, waged at all levels of government, emphasizes that the goals of the private sector and those of the public sector are not always aligned, especially in the short to mid-term.

At least, the EDO should consider the impact of pending changes in relation to their flock of companies, and discuss these with a representative sample, when some negative consequences are predicted. If the potential impacts are significant then a more rigorous analysis is called for with more consultations with the potentially affected firms. Feedback on these issues should be written up in a complete but concise manner, and the key players in the jurisdiction made aware of the concerns and the implications.

Such activities may not always result in mitigation but it *will* heighten the awareness with the governing jurisdiction, that there are impacts of some changes and that these are not always without consequence to the business community and, by extension, the local economy. The EDO has a prime role in being the collector and conduit of such information.



Stimulating growth in the small and medium size companies

The EDO can take a more pro-active approach by helping the small and medium-size food-processor, to find and enter new markets outside of the locale. On the surface this is a beneficial concept but it is not easy to implement. Whereas companies are generally prepared to assist in removing tangible costs and barriers, the prospect of entering new markets brings with it the up-front costs, distractions from the core day-to-day business and the uncertainty of that investment of time and resources.

It is not for all companies and efforts here by the EDO must be in concert not only with the clear aspirations of the business owner and/or management, but also with the *timing* of this effort. Other more pressing concerns will generally over-ride tentative market explorations, unless the business is sufficiently large so as to dedicate competent resources to the task. More often than not, in the small-to-medium size companies, these competent resources are restricted to the owner or close associates/family and much of their time is, necessarily, consumed with current activities.

Further, to be of real value, the EDO must have a reasonable knowledge of the food industry as a whole, and few local jurisdictions can afford an EDO largely dedicated to a single industry. This does not mean that progress cannot be made but the company must be willing to devote the time and effort, make the running and help to guide the EDO in whatever role is agreed upon. It is very difficult for the EDO to be effective with an unenthusiastic private sector partner in tow.

The CanAdapt program of the Agricultural Adaptation Council, and other provincial and federal programs that support business development, can assist businesses in several ways, especially relating to new market development. The EDO should ensure that full advantage is being taken of such programs by local food processors.

Attracting food-processors

Firm size

In most instances *small food-processing firms* are not so much attracted, but *evolve* to meet *local* population needs. *Medium size firms* require a larger and more concentrated population base to thrive and, with few exceptions, this is not a characteristic that will attract them to Eastern Ontario; the relative lack of such firms in the region is some evidence of this.

The main opportunity lies in attracting the larger, multinational subsidiaries, where the lack of local market population is not a deterrent, where access to excellent transportation is important and where the lowest jurisdictional costs are critical.



Attraction potential for larger food-processors within the Eastern Ontario region

It can be argued, all things considered, that the Eastern Ontario region may be amongst the best positioned in all of Ontario to attract multinational food-processing plants. However, not *all* regions of Eastern Ontario are likely to experience equal success in this regard and this is illustrated in the table:

Eastern Ontario location factor	Easier to attract multinational firm	Harder to attract multinational firm
Transportation	Along the 401 corridor or with easy access to that corridor for: <ul style="list-style-type: none"> ➤ road ➤ rail ➤ 'seaboard' ➤ U.S. border access 	Away from the 401 corridor or with no major links to that corridor
Population base	<ul style="list-style-type: none"> ➤ Industrial area with a labour pool of more than 50,000 within 30 minutes 	<ul style="list-style-type: none"> ➤ Smaller rural centre ➤ Industrial area with labour pool of less than 50,000 within 30 minutes
Proximity to large urban centres	<ul style="list-style-type: none"> ➤ Close enough to ease transportation costs with a central location relative to several markets ➤ Not so close as to lose employees to higher paying jobs available in these centres - a minimum 60 minute drive 	Closer to the larger urban centres, with the consequent competition for workers seeking higher paying job opportunities
Existing multinational subsidiary presence as 'proof of propaganda'*	Strong, multiple existing multinational subsidiary base	Isolated, singular or weak existing base
Demonstrable jurisdictional advantages	<ul style="list-style-type: none"> ➤ One or two ADVANTAGES, rather than being simply 'COMPETITIVE' - better than others ➤ Has a good answer to the question 'why would they come here?' 	<ul style="list-style-type: none"> ➤ 'COMPETITIVE' only - as good as others ➤ Must ask themselves the question 'why would they come here?'
Industrial Park	<ul style="list-style-type: none"> ➤ 'Investment -ready' parks - zoned, serviced, utilities capacity 	<ul style="list-style-type: none"> ➤ Lack of 'ready-to-go' industrial land or utilities infrastructure

*Note that the presence of an existing multinational subsidiary is not *actual proof* that the local area is *currently* well suited to such firms. That subsidiary may have located in the region decades ago and may have made that decision for reasons that are no longer valid. Essentially, the *'inertia factor'* described later is keeping them in place. However, it is at least some testament that such an operation can perform in the area, and it is stronger evidence than simply an empty lot of land waiting to receive a new building.

Investment attraction opportunities in an essentially limited market

Food-processing is not an overall high growth industry. The food consumer presents an essentially limited market to all aspects of the food industry. While food is not a discretionary purchase and there will always be a demand, that demand is always at, or close, to saturation. Generally growth is limited by population increases in the continental market, with significant changes occurring in only two modes:

- One mode of significant change is when one type of food declines in popularity and the consumption of another increases; a given sub-sector may then thrive but it is often at the expense of another and, again, the net 'continental' economic gain is minimal. Similarly, one jurisdiction, with the ascending food-processing operation, will benefit while another will lose.
- The second mode is when an existing plant in the area wins an additional product mandate (the production 'rights' on behalf of the parent corporation), to produce the continental or global demands of a product or line of products.

Target selection

In theory, all multinational food-processors can be targets for attraction but, practically, some characteristics will imply a better chance than others will. It is important to bear in mind that none of these characteristics, in isolation, will be overwhelming but that the more that can be accrued, the better. Most of this is commonsense and some are discussed here.

- *Where the food-processing sub-sector is already established in the region through existing, well performing plants*

This is a clear statement that such plants can thrive in the geographical region and this overcomes a fundamental concern of any potential investor.

For Eastern Ontario, cereal processing and sugar-using plants are major components of the local food industry, and this fact can be used in building the investment case for others.

- *Where there is an existing Ontario plant of the target firm that may relocate or be closed within the next decade*

Realistically, such plants may be found in larger urban centres. The projected replacement plant might be located anywhere on the continent or become a consolidation into a pre-existing North American plant. However, the fact that an operation has existed in Ontario implies a familiarity and degree of comfort within the parent for a similar operation located in a different region of the Province.

- *Investors from outside North America*

Within North America, U.S. firms have tended to retrench back into the U.S. unless the Canadian operation has a significant advantage, or the costs to consolidate are too great. Canadian investors are already aware of Canada and will have an existing operation in the country in some location. Therefore, investors from outside North America *who have not already established some North American base of manufacturing* may represent the best overall opportunity to establish new operations in Canada.

Realistically, Western European firms in countries with strong food-processing industries and Japanese firms will be close to the top of this list. It should be noted, however, that many Western European firms are now looking in ‘the other direction’, towards a developing Eastern Europe. The latter represents a much under-developed market within relatively easy reach across no natural barriers and is an obvious focal point for the next decade or two. This is especially so where lower pay scales and other costs can encourage the development of local processing facilities.

Inertia and the large food-processing facility

This applies to all industries but it is especially true for any form of processing facility, and food-processing has some added characteristics that contribute to inertia.

Inertia is a force that resists movement. In the case of large food-processing operations, the inertia is the cost impact of moving, and it is considerable. When most large food-processing plant move, there are several major costs to be considered:

- The physical cost of building the new facility or refurbishing an existing building that has been newly purchased. While assets, such as processing equipment may be moved, infrastructure, such as feeder pipes, electrical and gas connections and, in many cases, customized inter-processing conveyance equipment, will be lost and must be replaced in the new building. Costs will vary widely but will amount to tens or hundreds of millions of dollars.



- The lost production time and lost opportunity cost attached to this move. Unless the new facility is built and prepared for production *in parallel* with the continued operation of the existing building (implying even more cost attached to replacing *all* processing equipment), then the operation will be out of commission (partially or completely) for the full duration of the move. This may take several weeks or months and represents a considerable financial impact. If a plant with annual revenues of \$600 million is out of commission for just one month, then the lost revenue will be \$50 million and the overall financial impact may be 40-60% of this figure.

All told, it is safe to estimate that a bottom-line impact of at least \$100 million may be encountered and it could be two or three times that amount. This must be contrasted to the bottom-line savings that such an operation can gain from relocating. In most cases these will be relatively insubstantial in comparison to the cost, and the time required to regain the cost is very long. This is the inertia factor that tends to keep large processing facilities in place, long after the original decision to so locate was made, and long after the reasons that made the jurisdiction so attractive have evaporated.

Jurisdictions may sometime use this inertia to their advantage. Believing that such plants will not readily move, it is tempting to pay little attention to their issues and, in some cases, to take advantage of that position, to the eventual detriment of the competitiveness of the operation. In the short term this may not create a backlash that the jurisdiction must absorb but, in the longer run, the processing facility will be lost to the region.

Contrast this with attempting to dislodge a subsidiary from its present location with attractive jurisdictional features, such as lower taxes and lower cost labour. The low cost labour example might be as follows:

- Assume a plant with 500 production workers each making an average wage of \$15 per hour (excluding benefits and fringe costs) in a large urban centre. Such a plant might be expected to have an annual production of output valued at \$200 million to \$400 million, and might face a total move cost of some \$100 million (new facility, lost plant infrastructure and lost production output).
- This would mean an annual production payroll of:
 - (500 staff x \$15 per hour) x
 - (40 hours per week) x
 - (52 weeks per year)
 - = \$15.6 million
- Assume now that the competing major rural centre has an average production pay rate of \$12 per hour for comparable jobs in comparable plant operations. If the plant in Toronto were to move to this location, following the same basis of calculation, it would realize a not insubstantial saving of just over \$3 million annually.

- Yet, compared to the cost of executing that move, the savings would have to accrue for well over thirty years, without considering the cost-of-money impact, to return the \$100 million of move cost. This is a poor business decision and directly targeting existing multinational subsidiaries to encourage them to move due to labour savings alone, is not likely to result in great success.

The real opportunity comes about when factors *force* the multinational parent company to consider establishing a new plant; either to replace an existing plant that has no space to expand or that is too old to renovate, to start a new business division or to expand an existing one. If the present location(s) cannot handle the increase, or it is uneconomical to introduce the new process into that existing plant, then the parent will look for a new location. Now, this represents an *entirely zero-based analysis* for the parent - that is, they will start from scratch and consider all possible locations for the new entity. The fact that the existing plant may be located in a particular jurisdiction will help the case of that jurisdiction (existing suppliers, services and trained staff are present), but these may not be the overriding factors. *Overall cost will be the likely criteria in most cases.*

The attraction of a new multinational subsidiary is a rare event in the food industry but, once it has occurred, the inertia inherent in such investments will tend to create a long-term economic benefit to that jurisdiction. One new multinational food-processing plant attracted to Eastern Ontario in 3-5 years would be ‘good going’ indeed. Much more likely will be the expansion of an existing facility when it gains a product mandate.

Decision-makers in the multinational corporations

In the case of the multinational subsidiary it is imperative to approach the right targets when attempting to encourage the location of a new plant into a particular region, and ways must be found to access, become familiar with and influence these key people.

If there is an existing plant in the locale then such an approach to the parent should be carried out through the local plant manager. If the local manager does not agree with the approach then the merits of proceeding should be weighed *very carefully indeed* before going against such wishes. The local plant manager has a first obligation towards the investors of the parent company and is seldom in a position to be completely open with a third party on all issues and concerns. If the plant manager seems indifferent or unwilling to support such a direct contact ‘up the ladder’ then this may be due to pressures and concerns about the plant that they may not disclose. In such an instance any highlighting of the plant at that time may do more damage than good. On the other hand, such an approach may be beneficial but the local plant manager may not see it that way; judgment at the time and in the particular circumstances is the only solution, but it must be applied with extreme care.

Where there is no existing plant in the locale then direct contact must be made with the most senior person possible in the target organization. There is no guarantee of success, but there is a guarantee of failure, *and that is to not even try.*



‘Top-to-top’ discussions are a valuable end result, but these should be prefaced or supported, by significant behind the scenes work by the EDO and associated economic development organizations in the senior levels of government, such as OMAF and AAFC. This work should have laid the ground for the investment case in the region and it should have resulted in a positive response from the decision-makers in the parent company. If this preparation is not done ahead of time then organizing such a meeting will be very difficult in the first instance and, apart from glad-handing, serve very little purpose. Remember that, despite what firms may cite as their reasons for investing in this or that locale, when they cut the ribbon, the real reason is that they expect to make more money.

General recommendations for the economic development community

General interactions with companies

Most firms will want the EDO to be available when they need them and relatively inconspicuous when they do not. Where agreeable to the firm, establish a regular visit routine but also offer to do so by telephone on a regular basis. The effort can always be upgraded to a visit if opportunities and issues so demand.

The advent of E-Mail offers a convenient and non-intrusive mechanism by which to make contact. A simple one or two line E-Mail to ask how things are going, and whether the company has a need to meet with the EDO, is easy to prepare and will not distract the recipient from their busy schedule. If there are items of interest these can be attached to the E-Mail for reading at the leisure of the recipient. It is also polite to state that the EDO is simply staying in touch and that no reply is needed.

Above all, when there *is* a need, then be available and responsive to the demands.

Creation of an investment Business Case

If at all possible the EDO should place themselves in the role of the company or private sector investor, and determine what is important to the company. Then create the business case that shows how the region can meet those needs and how much better the region is compared to competitors.

The KPMG methodology is very solid and the EDO should ensure that they understand the principles behind this and that they can reproduce such a work for their local area. Gathering local data such as transportation costs, utility costs, etc. is required but the comparison data are already available from KPMG.

These business cases can be created initially in the form of generic menus, from which a particular case, targetted towards the specific Client and their needs, can be developed easily. These should be prepared, once the full needs and emphases of the prospective investor are clearly understood.



These are not glossy brochures to be printed in the thousands, Keep a few generic copies on hand, but print as needed on a high quality colour printer located in the EDO office. Such low volume printers are readily available at a low price. This enables the EDO to customize the business cases and make later changes as required.

Preparing the business case *in the language of the prospect* shows that you are serious and care about their needs.

The posture of existing firms, testimonials and references

Existing firms in the region are the most important reference that the jurisdiction has available and it is vital to cultivate these references. Overall, the factors will vary from location to location and will depend heavily on the attitude of the particular plant manager or owner. Bear in mind that the existing firms in the region may or may not welcome the advent of new large-scale operations into the area. This is especially true for regions with a smaller population base. In large urban centres where there is, generally, a plentiful supply of labour, this may not be such an issue.

Site location experts

Site location experts are often consulted by companies seeking new investment locations. Being on their radar screen is vital if the region is to be considered and a visitation program is recommended, including attendance at site location conferences, exhibitions and trade shows.

Sale of an existing small-medium sized food-processor to a large multinational

This was a much more common occurrence in Canadian industries in the pre-Free Trade environment, since it represented one mechanism by which to increase market share in an otherwise essentially closed market. The alternative was to build a new plant in the country. This is still a valid business tactic in those sub-sectors that are controlled by legislated, non-market forces, such as dairy, and, most often, the take-over target is a medium-size, privately owned Canadian plant with a significant market share.

The immediate impact comes when there is an already existing similar plant owned by the same ‘taking-over company’ in the supply-managed region. Then the intention may be to simply ‘buy the quota’ and transfer the production to that existing plant. In this case the local region plant will likely be closed or scaled back. The same can apply if two such medium-size firms are bought either at the same time or within a few years of each other by the same multinational. Consolidation of the two, or absorption into an existing larger facility, is an obvious financial gain for the buying organization.

Even more impact is likely if the supply-managed sub-sector is later opened to market forces wherein products manufactured outside the country may now be imported without restrictions or tariffs. At that time, unless the local subsidiaries have achieved significant economies of scale, or unless there are significant advantages in the local jurisdiction, then the production may be transferred to the larger, often more economical, production operation in another region or country.



This is not an issue of preventing such initial takeovers. The key is in how to react once it has been accomplished. At that time, the plant must be encouraged and assisted to become extremely efficient in order to justify its long-term role in the parent organization, even when exposed to market forces.

Linkages between EDOs in other jurisdictions, OMAF Client Account Officers (CAOs) and Agriculture and Agri-Food Canada (AAFC) officers

Cooperative linkages between EDOs and the agencies of senior government, such as OMAF and AAFC, are essential if the maximum service is to be provided to the food-processing firm. Naturally, the senior levels of government have a greater depth in expertise in specific areas while the EDO must have a more general breadth across more industries. *Working together is the most effective and efficient approach.*

While the EDO may be the first interface to the firm, once a specific need has been identified, then senior expertise may be contacted. Direct contact between the firm and, for instance, OMAF, may often be necessary. As long as either the EDO or OMAF 'has the ball' at any one, time then the Client will receive good service; it behooves the organization currently in contact with the Client to positively pass that Client back to the other body to ensure continuity.

OMAF should maintain a list of experts, with contact information, for use by firms and EDOs alike. These should be made available on the web-site at OMAF. AAFC experts could also be included or otherwise linked.

Some EDO officers have developed niche expertise in various facets of doing business - export markets may be one such field of expertise. Maintaining such a list of EDOs and their particular expertise in the office of each EDO in the region, as well as the list of OMAF and AAFC experts, will broaden the value of the EDO function regionally. Of course, the home jurisdiction of the particular EDO must agree that such a use of time is beneficial overall, even if not directed at the home jurisdiction. *If complementary skills are developed than each jurisdiction will benefit in the long run.*

Senior levels of government

To a greater or lesser extent, the senior levels of government engage in investment attraction initiatives and will be in contact with potential foreign investors. In some cases the potential investor already has a set of target jurisdictions and areas, and the senior levels of government will generally not oppose this preference, unless the potential investor has made a clear error in assessment.

However, when there is no preference shown, the senior government must then determine where to best direct the investor. Frequently, the investor may be considering several different geographic locations sometimes within Canada and sometimes in North America as a whole. In such a competitive situation the most obvious choice is to direct the opportunity to those geographic regions with the best advantages for the investor, encouraging them to select Canada/Ontario over a competing jurisdiction.



While identifying the region with the most apparent advantages may increase the chances of success, at least two other factors can come into play. Note that the consultants have observed all at one time or another and are recording, rather than judging, these and their impacts:

- The imperative in senior governments of being seen to be even-handed in directing these opportunities to various geographies within Canada/Ontario.
- Policies that may direct investment to under-invested areas of the country or province.

These two factors will tend to diminish the chances of investment success unless, by coincidence, these same areas offer the best advantages for the investor. If one criteria for attraction is a vibrant economy, with successful examples of existing identical or similar firms, then such a jurisdiction is likely a ‘have’, rather than a ‘have not’ region of the country or province. Yet such a region may also not be the best target if one or both of the policies above are in effect.

The local EDO must understand and accept these facts of economic development life. One solution is to step up the direct active investment-seeking activities of the jurisdiction, essentially by-passing the reliance upon senior levels of government. This is clearly a relatively expensive proposition and, regardless, the number of opportunities coming the way of senior governments is likely to be much higher than any local jurisdiction could reasonably achieve. Therefore, some reliance upon senior governments is inevitable.

The following is not known to reflect policy or any particular branch of dealings with senior governments; instead they are based more on addressing the human relations of successful cooperation. The key is to be on the ‘call-list’ of the officer in senior government, when opportunities are to be passed down to local jurisdictions. Then following may help the EDO to maintain a presence, perhaps near the top end, of such a call list:

- Maintain a positive face at all times
- If by-passed on an opportunity that you thought would be ideal then discuss it to learn why but never complain. Nor have the local elected officials complain; discourage this even if they are insistent. Far better to raise the topic with the local member of the senior government in a positive and understanding manner and ask what might be done locally to have the opportunity filter through next time.
- Always put on the best show possible; the officer of senior government will want to ensure that their prospect deals with top-flight professionals who have something to offer the prospect.
- Stay in touch with the officer from senior government to keep them informed of what the local jurisdiction is doing and to learn of new developments that the other party may be aware of. Invite them to visit you informally whenever they are able. In other words, invest in the relationship *without the prior need* for an opportunity to be on the table. This develops mutual trust that, ultimately, is likely to be repaid.



Awareness of and application to government assistance programs

Making the smaller and medium size companies aware of assistance programs is a valuable service. If available, a link on the jurisdictional web-site could re-direct the business to the appropriate government web-site link, from which to obtain information and application forms.

An even greater service can be rendered by the EDO interpreting the program and providing an assessment of the value to the company. The value is really the product of

{POSSIBLE BENEFIT OBTAINED} times

{THE PROBABILITY THAT THE BENEFIT WILL BE OBTAINED} divided by

{THE EFFORT REQUIRED}

Understandably, from the public sector perspective, most programs are surrounded by a seemingly complex set of barriers and conditions, as well as caveats and exclusions, none of which will encourage usage by the private sector. The EDO can simplify this, based upon their own experience, to permit the business to decide whether it will be of value to apply.

Assistance in completing applications for government programs

Some applications require information to be filled in that, at first glance, may seem to be unnecessary or even intrusive. While the larger firms will find staff to complete most of this, the medium size and smaller enterprises will not have the same resources and often the owner will be the key person to do this. With a business to run and an uncertain return on the effort involved, that business owner may never complete the task. Nor are all business owners creative and articulate writers, and when asked to describe their business and opportunities in depth, they may find this to be a daunting task that they do not enjoy. Language barriers may also apply in some cases.

The EDO can serve well by becoming proficient in completing these forms based upon information obtained from the business. The EDO should use a 'question and answer' technique to gain the required information and then present this back to the business owner for review and correction. This is also an excellent way to learn about that business and to build good relations. It does take considerable discipline and effort, however, on the part of the EDO.

Where a local industry association is lacking, in an even more pro-active approach, the EDO can step into this role and provide the necessary focus and drive to achieve a successful application. The EDO can identify industry sub-sectors and groups of firms that might benefit from such assistance. Promoting the benefits of the program to such a group, recruiting participant firms and coordinating the application, can bring benefits to multiple companies in the area that might not have been eligible individually.



Creating linkages between the smaller food-processor and the regional tourism sector

Areas of Ontario and some locales with Eastern Ontario have successfully promoted linkages between the smaller food-processor and the local tourism sector, since they can offer mutual synergy in economic development. Both industries have a direct and immediate connection to people and can be ‘sampled’ at the same time.

Maintaining lists of available buildings

Although the availability of a building at a low cost is not an overriding factor, it can make the difference in selecting between two jurisdictions that otherwise offer similar conditions. Bear in mind, however, that the older a building is, the less suitable it will be for immediate use as a food-processing facility, even if it was originally used for such a purpose. A recent study in Toronto found that the cost of refurbishing older buildings, and bringing them up to current food safety and inspection criteria, was almost as high as starting afresh from empty land.

Marketing such buildings actively is not likely to result in a successful attraction, unless the target is already interested in the locale to some extent; at that time this card can be played for all that it is worth. The list maintained can be informal and serve as a reference document for the EDO community when opportunities arise to play that card.



Appendices

Eastern Ontario Food-processing Sector Competitiveness Study

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Appendix I Data and information source techniques

The essence of this project was to gather data, discard what is not relevant and then analyze what remains to determine facts (or information). From these facts conclusions may be drawn and recommendations determined based upon knowledge of the objectives of the project. Key in this is the identification of potentially relevant sources of data to feed into the analysis process. Definitions of the data sources to be used for the purposes of this proposal are:

Secondary (or indirect) sources of data

These sources usually provide data already distilled into information; *indirect information* is, perhaps, a more accurate description. These data are not of merely secondary importance and are most often obtained *before or during* the first stages of primary data source collection. These data are used to frame and place the information derived from the primary sources into a proper context. They form the backdrop for the core of the report. Of greatest importance, they guide the initiative into areas of issues and concerns that should be further explored with the primary sources of data.

Secondary source data often have some or all of the following characteristics:

- Sources are limitless - books, periodicals, reports, previous studies in the same or related areas, the Internet, etc.
- The data were obtained originally from primary sources using a broad and comprehensive data collection approach
- The data are generally not current and may be several years old
- They may not directly address the areas under examination but will contain these areas as a subset of the broader information displayed
- They usually statistically significant and will have been derived, with care, to be such
- The consultant must screen these data carefully before applying them to the particular area under examination, always declaring the assumptions made and often using only portions of the data so obtained.

Primary (or direct) sources of data

Data obtained from a primary source comes directly from a current participant in the industry, be they companies, associations, government, labour organizations, etc. Primary source data often has some or all of the following characteristics:

- The data are current and recent
- The data may not be complete from each source and they may have biases and emphases particular to the source
- Individually the data not usually are not statistically significant and must be combined with data from many such direct sources and distilled into a cohesive form of information



- The sources are the most immediate source of issues, opportunities, threats and ideas

Survey guides are essential in order to execute an efficient data gathering process and to ensure a consistency in the data obtained. Survey guides are always designed with a purpose in mind; the key is to understand this purpose and assemble a structure that meets all of the needs before attempting to “fill in the blanks”.

There is also the danger of ‘data bias’ in any survey. The information and intelligence to be derived is dependent on the data collected; that is, by collecting only certain data a biased picture can be built (unintentionally). This does not imply that data should be collected with no forethought as to the usage; however, it is essential that the data assumed to be relevant be part of a larger set of data to be collected.

Often the full value of the data obtained is not clear until after they have been collected and an analysis started. Frequently, new and unasked points are identified as being valuable but too late to be included. Therefore, it is better to consider the entire set of data which might be of use (even if not apparent before the process starts) and collect it. For a given survey guide structure, the inclusion of, say, 10%-20% additional data collection points would result in little additional cost.

Appendix II **Creating and using industry growth projections**

It has been said that the accuracy of an industry growth projection is good, on average, to no more than 1% per month from the date that the projection was made. In other words, projections for 12 months out may be +/-12% accurate, 24% for 2 years, etc. This statement may raise eyebrows at some companies but is probably not unrealistic, on average.

Model precision and input data accuracy

There are two major variables in the process of projecting any performance:

- The precision, or 'granularity', of the model with which the projections are made
- The accuracy of the assumptions and predictions that feed the model

A very precise model may be used to create the projections but, if the assumptions that feed that precise model are not accurate, then the result will be inaccurate. Conversely, if only a rough method is used for projection modelling then, no matter how accurate the input data, the resulting projection will be little better than an educated guess. Twenty years ago, 5-Year Plans were 'de rigeur'; today, such long-term projections are ridiculed and most executives will concede that even 3-Year Plans are a stretch beyond the first 24 months.

The attached diagram provides a view of a precise projection model, a discussion of some of the inaccuracies used in feeding that model and a comment on how many companies, especially smaller owner-operator enterprises, really devise projections.

The reality of growth projections in the food industry

There is always the real possibility that ego will cause the respondent firm to overstate their projections, or modesty to understate them, or fear for commercial security to cause them to misdirect the projections. Apart from these issues, some factors come into play.

Three characteristics of companies are considered:

Those supplying only the local market (non-exporters)

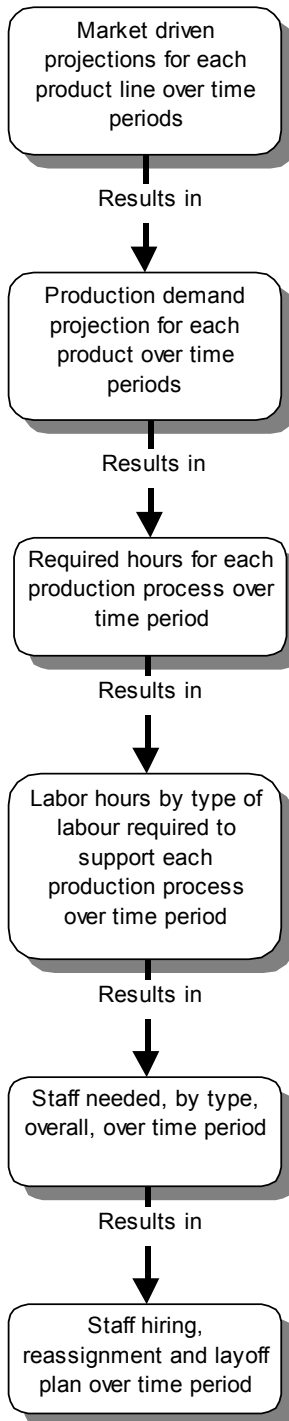
If each is asked separately, a projection of 5-10% annual growth is not uncommon. What they are really saying is that, within that geographical market, they expect to be able to increase their market share by that amount; the corollary is that some other similar firm in the same survey population will *lose* some market share.

In fact, unless people start to eat more within the population of the market served, the overall growth will be limited to population growth or thereabouts. Therefore, simply taking an average of the projections for growth of each company might overstate the overall reality by as much as two or three times.

This may be one reason why smaller companies are cited often as being the major growth engines of the future. Most of these do not export and simply combining their projected growth rates overstates their real amalgamated potential.



Precise process



Inaccuracies in assumptions

Market projections may be incorrect, especially beyond 24 months
Multinational subsidiaries are mandate dependent
Exporters are exchange rate dependent
Unexpected product successes and failures

Pure arithmetic calculation

Inaccurate assumptions regarding processing times
Cost reductions implemented without prior planning
Production process failures

Pure arithmetic calculation

Pure arithmetic calculation

Long-term staff will be carried during relatively short downturns
Staff will work overtime for relatively short peaks in demand
Seniority will determine layoffs in organized labour firms, with entry level staff being laid off
Non-organized plants will keep experienced workers and also lay off entry level workers
Staff will be promoted from within in upturns, with entry level labour back-filling

Less precise process

About x% per year, give or take

About the same number of people more or less
OR
Varies with sales volume

About the same number of people more or less
OR
Varies with sales volume



Those 'exporting' outside of the local survey region

The set of 'real' exporters, those shipping outside of the major jurisdiction, will have the best opportunity to achieve projected results. Here, in theory, there is no conflict for the same market share, since all companies in the survey set could increase sales by exporting outside of that region and achieve growth not limited by the local population.

However, the impact of exchange rate fluctuations can have a dramatic effect on export sales and this is not controllable within the industry.

Multinational subsidiaries

These are a special case and growth or shrinkage is largely 'mandate dependent'. The continuation of a mandate for a plant or a product line within a plant does not always respond in an obvious manner to the ups and downs of the market.

The more obvious case is when there is a downturn in the economy and one of two plants is no longer required to produce product; then one or other may be closed.

The less obvious case is that this may also occur in an *upturn* of the market, as follows. If strong projected demand occurs for a multinational product line then it may be more cost effective to build a new, modern facility with more capacity, than to try to expand one or more existing plants; the latter may well be older and considered less efficient. This will lead to the closing of one or more of the existing plants and the location of the new plant will be in the most cost-advantageous jurisdiction available, all factors considered.

Therefore the longer-term projections of multinational subsidiaries may be fraught with unexpected uncertainty. The impact of relying upon specific predictions of multinational subsidiaries is exacerbated since, in the Canadian food industry, they dominate the statistics in many sub-sectors and a modest change in their performance can swamp the contributed effects of the collective small and medium sized companies.

Firms are generally most unwilling to disclose projected large negative swings in the labour force for fear of creating an exodus of people before the layoff occurs. If a positive upturn is projected then disclosure is more likely in advance but this would generally not be known until just months before the event.

All in all, the chances of obtaining an accurate projection of sales, and hence jobs created, is not as high as the supposed 'from the horses mouth theory' would have us believe.



The use of projection data

If projections are used only to provide trends as general indicators then the consequences of inaccurate projections are relatively limited. However, if potentially costly decisions are to be made based upon these projections then it is as well to take into account the high level of inaccuracy that they carry with them.

When using projections of companies to warrant the creation of programs or similar initiatives requiring an investment on the part of the jurisdiction, it is prudent to consider that the projections should be taken as a broad indicator, rather than as probable future fact. In the Information Technologies sector for example, in which staff is deployed across many other different industrial sectors and with no obvious limiting constraint, overall growth figures will be a reasonable guide as to labour force demand growth.

On the other hand, in the case of the food industry, the assumption that a given sub-sector will behave as the projections indicate might be more perilous whereas, for the entire food sub-sector, the broader projections will likely be quite valid.

Therefore, designing programs or initiatives that are of value across, for example, all food industry sub-sectors, will 'hedge the bet' rather than taking a risk by investing more heavily in only one or two specific sub-sectors. Better still if the investment made can be generically applicable across more than the one related sector, such as food industry, food service and tourism. In general, the more specific the target of a program or initiative, the greater the risk that it may 'miss' the target.

Practical methods for creating projections – in the food industry

Methods can be used that are fraught with their own inaccuracies but which, overall, may provide a reasonable estimate with less effort. In economic development, while it would be very desirable to know of the precise and accurate plans of all companies in the region, most projections are concerned with the overall impact of the amalgam of firms. Some individual inaccuracies are likely to average out and this advantage can only be obtained at that amalgamated level.



Growth projection element	Reasonably accurate method
Small and medium sized <i>non-exporting</i> firms	Use the local population growth rate as the annual sales growth factor.
Small and medium sized <i>exporting</i> firms	Export sales levels across all firms, or firms within a sub-sector, must be obtained or estimated. Use the local population growth rate as the annual sales growth factor for non-export sales.
Multinational subsidiaries	Export sales levels across all firms, or firms within a sub-sector, must be obtained or estimated. Use the local population growth rate as the annual sales growth factor for non-export sales. History suggests a conservative 2-3% annual growth in sales overall unless a new product is introduced.

Correlation between projected sales growth and production labour demand in the food industry

Sales growth projections, accurate or less so, may be used to forecast some element of labour demand but considerable thought and care must be applied.

There are two factors that contribute to labour demand in any industry:

- Demand due to turnover replacement
- Demand due to growth

Labour demand due to employee turnover

Labour demand due to turnover will vary by sub-sector; pay rates and work environment are two factors. Turnover replacement appears to vary from the same level to up to 3 to 5 times as much as hiring due to growth and it occurs in a more or less steady fashion. Thus we could conclude that the real driver for labour demand is turnover and that the demand from growth may be a superimposed rider.

Labour demand due to growth can be predicted, if growth occurs as the company forecasts; turnover labour demand, at first glance, is less predictable and forecasting specific classification demands due to turnover may be tenuous.

Unless turnover can be ascribed to particular job classifications, the demand must be assumed to be at all levels but turnover may be higher in the lower or less experienced classifications, due to an unwillingness to stay at the job.



Labour demand due to sales growth projections

If a company expects sales to increase by 10% per annum this does not translate, necessarily, into an expected 10% growth in production labour force. The following illustrates some of the reasons:

Smaller firms

Certainly these firms will exhibit the closest correlation between sales growth and labour growth. At first glance, an increase of 5% of sales per annum for a company with 40 production staff would net two new jobs due to growth. Most often, people simply work faster, work overtime or find more efficient ways to do the same job as before.

Further, as sales grow, the small firm may also take their first steps towards batch automation. While this may not reduce the number of jobs it will certainly stunt new job growth for some time to come.

A reasonable rule of thumb might be that the job growth would occur at a rate of 60% to 80% of the sales growth in the smaller firm.

Medium sized firms

These firms will exhibit less correlation between sales growth and labour. All of the same factors will apply as for the smaller firm but, with more automation already in place, the increase in labour force may be less than expected.

If automation is increased due to sales growth then it is quite possible that there may be a reduction in labour force until sales demand reaches a new level that counters the effects of automation.

A reasonable rule of thumb might be that the job growth would occur at a rate of 40% to 70% of the sales growth in the medium sized firm.

Multinational subsidiary

These can be harder to factor. There will be already significant automation in place so that factor may have less impact. Overtime will be used and the overall lower sales growth rates projected will allow time for more efficient methods to be developed. Certainly, over the longer-term, more automation will be introduced with the same effects as for the medium sized firms.

A reasonable rule of thumb might be, over the longer-term, that the job growth would occur at a rate of 20% to 50% of the sales growth in the multinational subsidiary.

Overall labour demand projections

Given some reasonable estimate of labour demand due to both turnover and growth, a reasonable estimate can be generated for overall labour demand, by sub-sector, in the food industry.

Further, if the current mix of production job classifications are recorded for that sub-sector, the turnover and growth projections for labour could be applied, in a very broad sense, to each job classification and a demand for each projected accordingly.

However, for production level jobs in the food industry, firms almost always hire at the entry level. In the larger firms with organized labour, ‘bumping-up’ practices often demand that the new hire be at the entry level or ‘general labourer’ classification.

Little more than basic skills are required the new hire. Every task is then trained, well or otherwise, as the employee learns on the job. The more mechanically adept hires may be routed directly to ‘machine operator’ positions or these may be evolved from the previously hired, and now more experienced, ‘general labourer’ position.

Essentially, all job openings due to turnover and growth above the entry level are hired *from within* and the resulting gap is back-filled with entry-level hires. Therefore, predicting the precise classifications of openings that may occur cannot be used to great effect in ensuring that such people *are* available in the labour pool. The labour pool demand is for *entry level*. At least, that is the present mode of the food industry, whether efficient, or not.

Practical projections of labour demand

If the above arguments are accepted, what is a practical approach and what data are essential to arrive at a reasonable projection for labour demand in the food industry?

A credible projection

Overall entry-level ‘general labourers’ demand for the food industry in the region

Possible extrapolations may yield:

- Sub-sector labour demand for the food industry in the region
- A differentiation between ‘general labourers’ and ‘machine operators’
- A differentiation between labour required due to turnover and that due to growth, although the practical value of this is not certain, outside of the company

Required data

- Local market population growth rate
- Average annual turnover rate by sub-sector
- Percentage export by sub-sector (food industry as a whole would be usable, but somewhat less accurate)
- Either census data stating the number of people in various job classifications by sub-sector or an extrapolation of data obtained directly from the industry, can be used. ‘Sales per employee’ figures for the sub-sector for different strata of firm size can also be used to estimate the probable number of employees, given that the sales figure is known.

Modelling

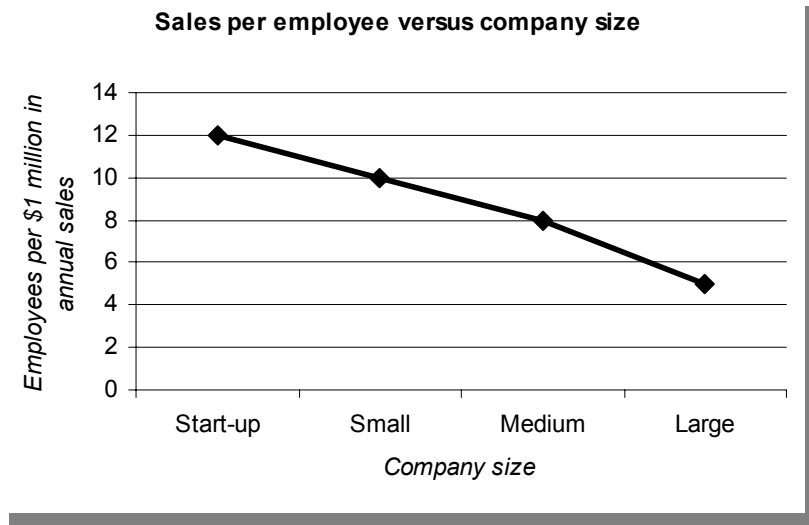
A sophisticated model *can* be built that takes the current characteristics and applies the various factors described above. Given the uncertainty inherent in the process and input data, this may not be worthwhile. Large but simple spreadsheet models have been used wherein the above factors have been applied with business growth and downturns occurring randomly.

The results show that the food industry will experience slow employment growth (1-2% annually) on a long-term basis but that the growth will be consistent, given no extended anomalous excursions, such as those caused by BSE and similar agents. Such results are not surprising since this has been the trend over the past decade. Apart from years where employment declined, the rolling 10-year employment growth averages have never exceeded 3% per annum and have generally been between 1% and 1.5%. The demand for labour due to turnover *may be to three to five times higher*.

Sales per employee and skills profile of employees

The larger the company the higher the ‘sales per employee’ ratio or the fewer employees are required to produce a given volume of sales. An illustration is shown in the chart.

This results in the common finding that the rate of ‘employment gain’ is less than the ‘sales gain’, when considered across a broad range of company sizes. Within *small increments* in sales there may be a corresponding increase in employment but, as the company evolves, the degree of automation will increase resulting not only in fewer additional employees being



required but changing the *skills nature* of the new employees. For example, less food preparation crafts are required in many larger firms but experienced equipment maintenance staff are in great demand.

Exceptions to the above may be found in niche, market dominant firms.



Two examples are:

- *Beef trimming at the pre-retail level:* this function, in many respects, still requires the dexterity of a person since machines cannot yet cope with the many variations in cuts and the relative lack of uniformity of the product being cut. In contrast, poultry is of sufficient uniformity that automatic evisceration lines are now commonplace.
- *High-end dessert preparation for food-service* where the variety of hand-crafting is key to the value of the product.

In both of these cases the rise in employment level of particular skill sets *will* rise with a greater correlation to sales increases.

As companies grow in size, many of the skill requirements trend towards the skills requirements in companies of similar size, of *different* industries. Again, automation and the need to develop and maintain the equipment are the common driving factors in this merging of skills requirements. The difference in requirements between the medium and larger firms has been found to be relatively small with scale being the main differentiation



Appendix III List of project participants

The consultants would like to thank the Eastern Ontario food industry participants, the participating members of the Eastern Ontario economic development community and the Project Team for their input, ideas and guidance.

Food-processing companies interviewed	Location	Interviewee
Abbott Laboratories/Ross Nutritional Products	Brockville	Sandra Klatt
Baskin Robbins Ice Cream (Allied Domecq Retailing)	Peterborough	Ken Butcher
Bioniche Life Sciences	Belleville	Gail Garland
Brum's Dairy	Pembroke	Daniel Fleury
Canadian Organic Sprout Company	Belleville	Dennis Barker
CJC Bottling Inc.	Port Hope	John Corcoran
Coca-Cola Ltd.	Peterborough	Richard Daynes
CPI Inc.	Cardinal	Colleen Litton
Delta Foods International Ltd.	Brockville	John Hyndman
General Mills Bakeries and Food Service Ltd.,	Trenton (Tate Road)	Paul Blacklock
General Mills Bakeries and Food Service Ltd.,	Trenton (Dufferin Avenue)	John Innes
Hershey Chocolate Ltd.	Smiths Falls	Rene Alberts
Hospital Foods Services Ltd.	Ottawa	Renso Vettoretti
Ivanhoe Cheese Inc.	Madoc	Paul McKinley
Kraft Canada Inc.	Ingleside	Jeff Reed
Kraft Canada Inc.	Cobourg	Bob Ludoph
Mariposa Dairy Inc.	Oakwood	George Zekveld
Midtown Meats	Belleville	Dale Willard
Morrison Lamothe Foods Inc.	Ottawa	John Pigott
Natunola Health	Winchester	Dr. Nam Fong Han
Nestle Canada Inc.	Winchester	Marcia Dion
Parmalat Canada Ltd.	Winchester	Steve Wilson



Food-processing companies interviewed	Location	Interviewee
Parmalat Canada, Black Diamond Cheese Division	Belleville	Bob Mitro
Pepsico Foods Inc. Quaker Oats	Trenton	Fred Robertson
Pepsico Foods Inc. Quaker Oats	Peterborough	Scott Baker
Prince Foods Inc.	Cornwall	Roger Heroux
Proysoya	Ottawa	Rajentra Gupta
Reid's Dairy Ltd.	Belleville	Steven Quikert
Santa Maria Foods Corporation	Belleville	Antonio Pistilli
Sensient Flavours Canada Inc.	Cornwall	John Poirier
Sprague Foods Ltd.	Belleville	Roger Sprague
Trenton Cold Storage Inc.	Trenton	Eben James
Unilever Canada	Belleville	Rodger Blair
Unilever Canada	Peterborough	Allan Laverty
Weetabix Canada	Cobourg	Paul Whitehead
Wellington Mushroom Farm/Highline Produce	Prince Edward County	Glen Martin
Weston Bakeries Ltd.	Cobourg	Betty Ann Myre
Whattam Fisheries	Prince Edward County	Leonard Whattam
World's Finest Chocolate Canada Company	Campbellford	Ken Tulley



Economic Development Organizations	Participant
Quinte Economic Development Commission	Chris King
Prince Edward County, Economic Development Office	Dan Taylor
City of Brockville, Economic Development Office	David Paul
City of Ottawa, Business Development Branch	Ian Duff
County of Lennox & Addington, Economic Development Office	Paul Blais
The Municipality of Port Hope, Economic Development Office	Rebecca Goddard Bowman
Kingston Economic Development Corporation	Shelagh McDonald Donna Tregunna
Rural Leeds/Township of Rideau Lakes, Economic Development Office	Ian Johnston
Greater Peterborough Area Economic Development Corporation	Jay Amer Lance Sherk
City of Cornwall, Economic Development Office	Mark Boileau
Stormont, Dundas and Glengarry Community Futures Development Corporation	Derrick Moodie
Township of Champlain	Jeanne Charlebois
Prescott and Russell Business Development Corporation	Daniel Gigault
Grenville Community Futures Development Corporation	Heather Lawless
County of Renfrew, Economic Development Office	Alistair Baird
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1000 Islands Community Futures Development Corporation	Kim Benson
Valley Heartland Community Futures Development Corporation	John Doherty
Frontenac Community Futures Development Corporation	Ann Prichard



Project Team Members	Organization
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Jay Amer	Greater Peterborough Area Economic Development Corporation
Derrick Moodie	Stormont, Dundas and Glengarry Community Futures Development Corporation
Ann Prichard	Frontenac Community Futures Development Corporation
Rita Byvelds	Ontario Ministry of Municipal Affairs
John Swan	Food Industry Competitiveness Branch, Ontario Ministry of Agriculture and Food
Martin Bohl	Food Industry Competitiveness Branch, Ontario Ministry of Agriculture and Food



Appendix IV Bibliography

This bibliography identifies the key secondary research references used by the consultants in the completion of this project.

Data bases

Industrial Directories for Eastern Ontario Municipalities
Maximizer Database of the Ontario Ministry of Agriculture & Food. 2003
Rural Economic Development Data and Intelligence (REDDI) - Ontario Ministry of Municipal Affairs
Statistics Canada
Agriculture & Agri-Food Canada Food Exporter data bases

Web-sites of the following organizations

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Canadian Institute of Food Science and Technology. www.cifst.ca
Food and Consumer Products Manufacturers of Canada. www.fcPMC.com
Food Processors of Canada (formerly Food Institute). www.Foodprocessors.com
Guelph Food Technology Centre. www.gftc.com
Industry Canada - Strategis Site. Strategis.ic.gc.ca
Institute of Food Science & Technology - (U.S.) www.lfst.org
Loyalist College, Belleville, Ontario. www.loyalistcollege.com
Ontario East. www.onteast.on.ca
Ontario Investment Service. www.2Ontario.com
Ontario Ministry of Economic Development and Trade. www.ontariocanada.com
Ontario Ministry of Agriculture & Food. www.gov.on.ca/omaf
Ontario Ministry of Municipal Affairs. www.mah.gov.on.ca

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- Area Development Magazine, 2000-2003. Published by Site Selection Resources
- Food in Canada, 2000-2003. Published monthly by Business Information Group, Rogers Media
- Food in Canada. 2000-2003. Annual Buyers Guides. Published annually by Business Information Group, Rogers Media
- International Food Ingredients, 2000-2004. Published monthly by United Business Media, U.K.