CAPI shares 13 food industry champions' recipes for success

Food manufacturing is Canada's largest manufacturing sector despite challenges

OTTAWA, April 3, 2014 — A new compilation of case studies shows that despite the challenges facing the Canadian food industry, food companies can succeed with strong leadership, global market savvy and entrepreneurial spirit. The 13 Canadian case studies demonstrate that the sector has the building blocks to be an even greater economic contributor but there needs to be greater recognition of the sector's importance, which is facing a large and growing trade deficit.



Food is one of Canada's most important economic drivers yet seems to earn the public's attention only when communities are under threat of plant closures and job losses. CAPI undertook this work because the food manufacturing sector is now the leading manufacturing sector by employment and GDP, larger than that of auto manufacturing. However, this sector faces a rising trade deficit – now at \$6.8 billion – and has suffered through some tough restructuring and ongoing challenges to compete.

"Not only do we need to understand what these companies are doing to be successful but we need to really get the business environment right so we can continue to enable food companies to invest, grow and compete," says Ted Bilyea, CAPI Chair. "Otherwise, companies will increasingly shift their investments outside of Canada."

Unprecedented in its scope of work, the Canadian Agri-Food Policy Institute (CAPI) has published 13 case studies that looked at companies across the country and authored by researchers from leading business schools. The cases examined a range of small and family-owned to long-established and larger Canadian firms and multinationals.

"These 13 case studies reveal the top factors that have allowed these companies to earn market prominence and competitive advantage. Despite the fact that the Canadian food processing sector has been coping with significant change and challenges in recent years, such as the retrenchment of many large U.S. food firms from Canada, we're seeing examples of impressive business success across the country", says David McInnes, President and CEO of CAPI. "It's time we recognize this industry's full importance and understand its future potential."

Competitive Canadian food companies share three key factors that set them up for success. A fourth factor enables the sector as a whole. Isolating what drives success is fundamental to helping other food companies position themselves for growth and to better support the sector:

• CEOs and senior leaders need a clear purpose – more than a simple mission statement. This unequivocal focus makes the company strategy come alive and helps to align

employees and other external partners to what is needed to succeed every day. For instance, British Columbia's Premium Brands, which owns 29 diverse food companies, is driven by maintaining the entrepreneurial spirit across these companies and avoiding commoditization. Quebec's Domaine Pinnacle's purpose is all about creating an international brand for ice cider.

- Success is also driven by creating layers of uniqueness from the quality of ingredients to delivering what consumers want. Quebec-based Bonduelle Americas does so by emphasizing its planning and forecasting of its vegetable supply in central Canada to ensure plant capacity. Saskatchewan's InfraReady produces unique grain products accredited to meet Kosher and Halal certifications, among many others. Ontario-based Ferrero mass markets unique and fresh chocolate products that are difficult to copy. The companies studied reveal multiple points of differentiation, each of which makes them more innovative and this is basis to be more competitive.
- Successful relationships are also vital. Prince Edward Island's Island Abbey Foods, relied on technical experts to assist in product innovation, and globally through a co-branding strategy with international partners. They are the world's only manufacturer of solid, 100% pure honey products. With access to pilot plant facilities and scientists from PEI BioFoodTech and the National Research Council Canada, the company has demonstrated impressive growth in a short timeframe. PepsiCo Foods Canada has forged strong relationships with growers. This is important given that all the oats for two Quaker Oats plants in Canada and the U.S. are sourced from eastern and western Canada. Such depth and breadth of relationships is a competitive advantage.

The fourth factor is supportive external conditions. While the industry has worked with government to create a relatively "open-for-business" approach, which has acted as a powerful magnate for capital and helped make Canada an attractive place for food companies to operate, globalization is forcing new thinking and a more proactive approach for retention and attraction is required. All levels of government are beginning to see the critical importance that growing companies and export mandates play in preserving vibrant communities. Access to high quality raw material from Canadian farms is a tremendous advantage for Canadian manufacturing and should be a more significant catalyst for new investment. The case studies capture observations about how to ensure business conditions continue to be attractive and enhanced, such as all three levels of government working together, and with the industry, to attract and retain investment in communities

Canada's economic future must include a robust and successful food sector. Communities across the country are involved. A substantial amount of our farm production is manufactured in Canada; retailers and consumers seek out quality "Canadian" food made with Canadian ingredients; and global consumers increasingly desire safe, good food, thus building Canada's export potential. They know the value of Canada's food industry. Does Canada?

About CAPI

The Canadian Agri-Food Policy Institute (CAPI) is an independent, unbiased policy forum that is dedicated to the success of Canada's agriculture and agri-food sector. CAPI is a catalyst. It identifies emerging issues, promotes dialogue and advances alternative solutions to issues with

stakeholders across diverse agri-food supply chains and among other food stakeholders. Based in Ottawa, CAPI was established as a not-for-profit corporation in 2004 by the federal government and is guided by a diverse Board of Directors and an Advisory Committee.

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