

YOUR FUTURE IN FOOD

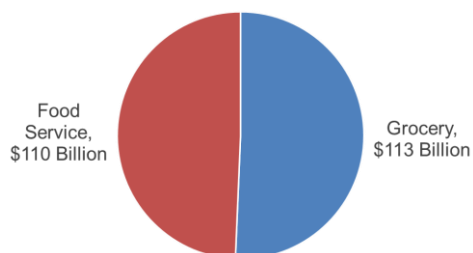
Logistics and Fulfillment within Canada

What it Means to your Food Business



If you are a food processor who has saturated the local market, then inter-provincial trade, in either grocery or food service, might be the next logical step to grow your business.

All Food Purchases, Canada, \$223B in 2023



Trading within Canada has its advantages:

- similar retailers
- ability to use existing retail relationships
- consistent rules of engagement with retailers
- familiar consumer dynamics and trends
- realistic scalability

When mapping out your plans to export outside the province, there are many considerations before getting started:



In-Market Presence

Recognize that your product isn't going to sell itself. You will need to be involved at the store level, whether that is yourself or a representative. Regular store visits are essential for:

- maintaining shelf presence/verifying product placement
- ensuring proper stock rotation
- building relationships with store personnel
- inventory management
- promotional execution

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There are also many promotional considerations when venturing into a new market. It is possible to run promotions remotely, with minimal store level interaction, but it could be expensive and ineffectual, without a more personal touch. Instead, consider working closely at the store level around:

- corporate-planned or in-store features
- coordinate bunk end / off shelf displays
- in-store demonstrations
- taking incremental orders to support promotions

There are a few options for maintaining an in-market presence, if it isn't practical for you to do it yourself. You can consider:

- direct employees
- brokers
- full service distributors
- shared resources with other companies
- virtual solutions

Of course, there are pros and cons to each of these approaches, so weigh your options carefully.

Regulatory Considerations

There are a multitude of federal Canadian Food Inspection Agency (CFIA) requirements for interprovincial food trading under the Safe Food for Canadians Regulations (SFCR).

- **Licensing**

Food businesses are required to obtain a license to process, which assures that they meet safety standards. This applies to importers, manufacturers, and distributors.

- **Preventive Controls**

Implement preventive control plans (PCPs) that identify food safety risks within your process, and outline measures to mitigate those risks. This includes proper handling, processing, and storage of food.

- **Traceability**

Maintain records that allow for tracing the movement of food products through your supply chain. This is crucial for effective recalls if there are safety concerns.

- **Labelling**

Ensure that all food products are labeled according to CFIA regulations, which includes providing information about ingredients, allergens, nutrition facts, and any specific claims (e.g., organic, gluten-free).

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- **Hygiene and Sanitation**

Implement practices for hygiene and sanitation within food handling facilities to minimize contamination risks.

- **Training and Competency**

Staff involved in food handling must be adequately trained in food safety practices to ensure compliance with the regulations.

- **Record Keeping**

Maintain detailed records demonstrating compliance with SFCR requirements, including production, sourcing, and distribution information.

- **Inspection and Enforcement**

The CFIA conducts inspections to ensure compliance with SFCR, and non-compliance can result in penalties or loss of license.

- **Product Category Restrictions**

Marketing/inspection-related restrictions may exist related to alcoholic beverages, dairy, and meat. Click [here](#) for more information.

Distribution Models

There are several distribution models you might consider before beginning to ship outside of the province, each with its own set of pros and cons:

- **Direct-to-Store Shipping**

- provides maximum control over product handling
- Is the best model for low volume or early market entry
- has high per-unit shipping costs and some complexities
- can be time consuming
- may not be ideal for interprovincial trade given the travel required

- **Warehouse Distribution**

- consolidates shipping and allows for bulk transportation to reduce costs
- ensures adequate stock in the target market and can improve inventory management
- requires careful inventory management
- may need multiple warehouse locations
- logistics and transportation required in shipping from warehouse to stores
- additional handling costs incurred

- **Third-Party Distribution**

- reduces operational burden by proprietor
- will receive and store pallet quantities
- will pick and deliver your deliveries for you

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- this type of service provides distribution only, no sales support offered
- **Independent Distributor**
 - reduces operational burden of proprietor
 - may add value by providing a sales component
 - higher upcharge
 - less individualized focus as distributor provides this service to other brands
- **Corporate Distributor (Chain Specific)**
 - reduced operational burden
 - smaller upcharge as compared to independent distributor
 - orders generated by stores within corporate chain
 - lower costs to access corporate stores
 - need to be regionally/nationally listed to qualify
 - may be subject to inside fees

Financial Implications of Interprovincial Trade

A careful cost analysis should be undertaken before embarking on any interprovincial trade venture. There are several factors to consider, including:

- **Transportation**
 - LTL (less than load) vs. FTL (full truck load) rates
 - last-mile delivery expenses (which can be half of the entire delivery cost)
 - fuel surcharges
 - intermodal/Cross-docking fees if using rail
 - multiple carrier options and service levels
 - seasonal rate fluctuations
 - backhaul opportunities
 - impact of product density on shipping costs
 - break-even points for different shipping volumes
- **Storage and Handling**
 - warehouse rental/fees
 - seasonal storage costs
 - labor and handling fees
 - public vs. dedicated warehouse options
 - inventory carrying costs (typically 15-25% of inventory value)
 - handling fees based on case pick vs pallet movement
 - special handling requirements (temperature control, temperature monitoring, fragile items)
 - impact of minimum storage commitments

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- **Market Presence**

- store visit programs – cost per store visit (typically \$75-150 per visit)
- sales representation – broker vs direct representation costs
- factor in trade spending requirements (typically 10-15 per cent of gross sales)
- include costs for market-specific promotional activities
- budget for customer compliance fees and chargebacks

- **Administrative Overhead**

- evaluate order processing systems and staff requirements
- calculate documentation management costs
- consider customer service infrastructure needs
- factor in returns and claims management expenses
- include costs for compliance reporting and audits

Increased Scale of Operations

Expanding your market reach carries more risk, and requires scaling-up to meet the challenges in areas such as:

- **Cashflow**

- increased cash required to sustain operations
- inventory held in multiple locations
- in all cases (except corporate distribution) you still own the inventory
- balancing trade terms

- **Insurance and Liability**

- consider temperature excursion protection and continuous monitoring needs
- coverage for loading, unloading, cross-docking, rejected shipments
- coverage for various modes of transport
- balancing trade terms
- business interruption protection for various scenarios

Operational Implications

Evaluating your existing operational capabilities and gaps is key.

- **Infrastructure**

- warehousing
- transportation
- cold chain management

- **Modern Technology and Systems**

- order processing and management systems
- documentation management
- real time inventory tracking

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- temperature monitoring
- integration with partners' systems

Supply Chain Mapping

Supply chain mapping is the process of documenting and visualizing the links between your suppliers, manufacturers, operations, distributors, and customers, and how it can be improved. Undertaking a mapping exercise can identify inefficiencies and risks, and opportunities for improvements in sustainability and regulatory compliance.

- **Steps in Supply Chain Mapping**
 - Identify key stakeholders.
 - Understand stakeholder relationships.
 - Visualize your supply chain.
 - Leverage technology.

Key Factors for Success

A slow and steady approach is critical in ensuring slow, steady growth in markets outside of your home province.

- **Strategic Approach**
 - Start with neighbouring provinces.
 - Build strong relationships with your partners and retailers.
 - Invest in quality control systems.
 - Develop scalable operations.
- **Understand the Market**
 - Research regional preferences.
 - Adapt products and packaging to suit the market.
 - Understand the local retail landscape.
- **Operational Excellence**
 - Attain proper certifications.
 - Develop robust logistics systems.
 - Maintain product consistency and quality.
 - Build efficient distribution channels.

Manitoba Agriculture can help you build your future in food. Our business development specialists offer consulting, pathfinding services, training and resources that will help you manage and grow your business.

Get support every step of the way.

Manitoba.ca/foodbusiness

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