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# Agri-Food Processing Industry Consultations



**What We Heard Report**  
December 2018

## Purpose of the Survey

Manitoba Agriculture conducted a survey of members of Manitoba's food processing sector from April 4 to October 20, 2017. The purpose of the survey was:

1. To inform development of the Next Policy Framework federal/provincial/territorial funding program for agri-processors, now the Canadian Agricultural Partnership (CAP).
2. To provide an outreach opportunity:
  - to communicate the services offered by Manitoba Agriculture Food and Agri-Product Processing Branch (FAPP) to industry stakeholders
  - to provide FAPP staff the opportunity to learn about industry stakeholders, especially those with whom we've never interacted

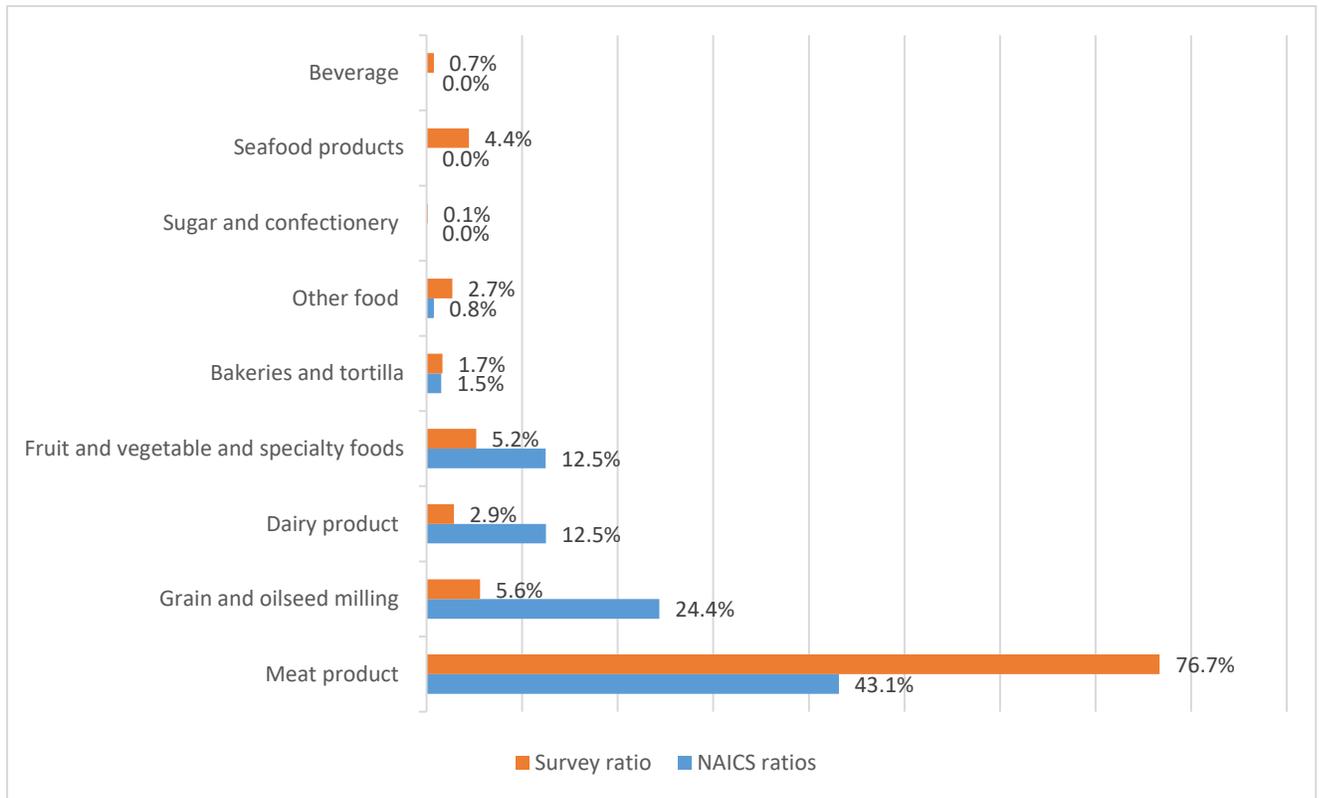
## Survey Sample

- There were 514 food processing firms in Manitoba as of May 2016.
- One hundred and ninety-five firms were randomly selected to participate in the survey.
- One hundred and twenty-four firms submitted completed surveys.
- The sales reported by respondents represent \$2.1 billion out of the \$4.4 billion value of Manitoba's food processing sector in 2017. Further detail as to the demographics of the participating companies follows.

## Survey Respondents Represented a Cross-Section of Manitoba's Agricultural Sector

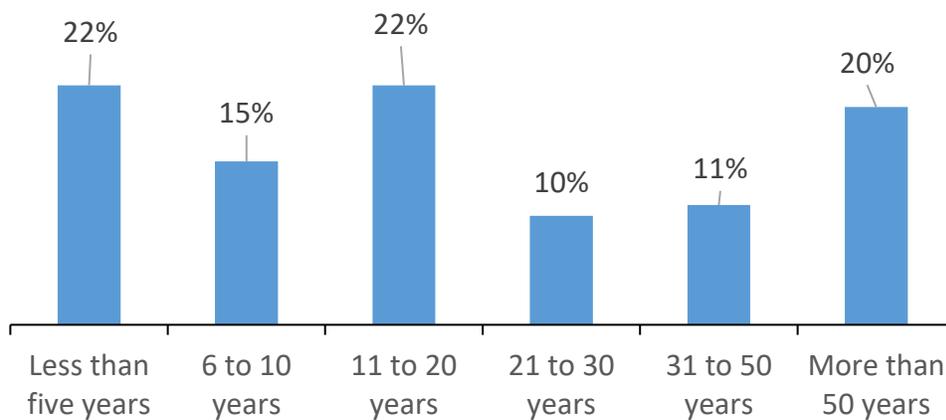
- StatsCan provides sales data for each sub-sector of Manitoba's food industry according to the North American Industry Classification System (NAICS).
- The chart on the next page shows the proportion of survey respondent sales for each NAICS sub-sector relative to the StatsCan data for Manitoba.
- All NAICS categories were represented, including sugar and confectionary, which do not appear on the chart, but represent two per cent of the total sales for the surveyed companies.
- The survey is more inclusive of Manitoba's entire food processing sector than the NAICS data, as the NAICS-categorized data suppresses sales for bakeries and tortilla, sugar and confectionary, and other foods.
- The survey captured a disproportionate portion of the overall meat product sector.

## About Survey Respondents

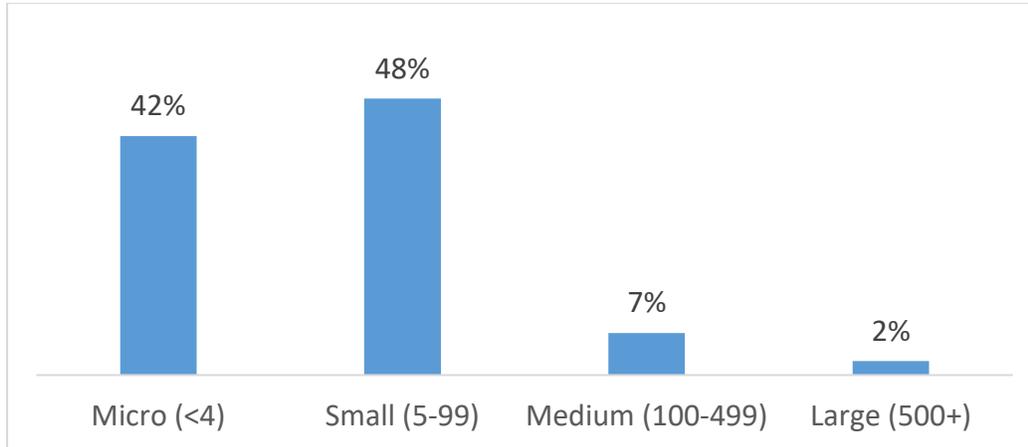


## Company Demographics

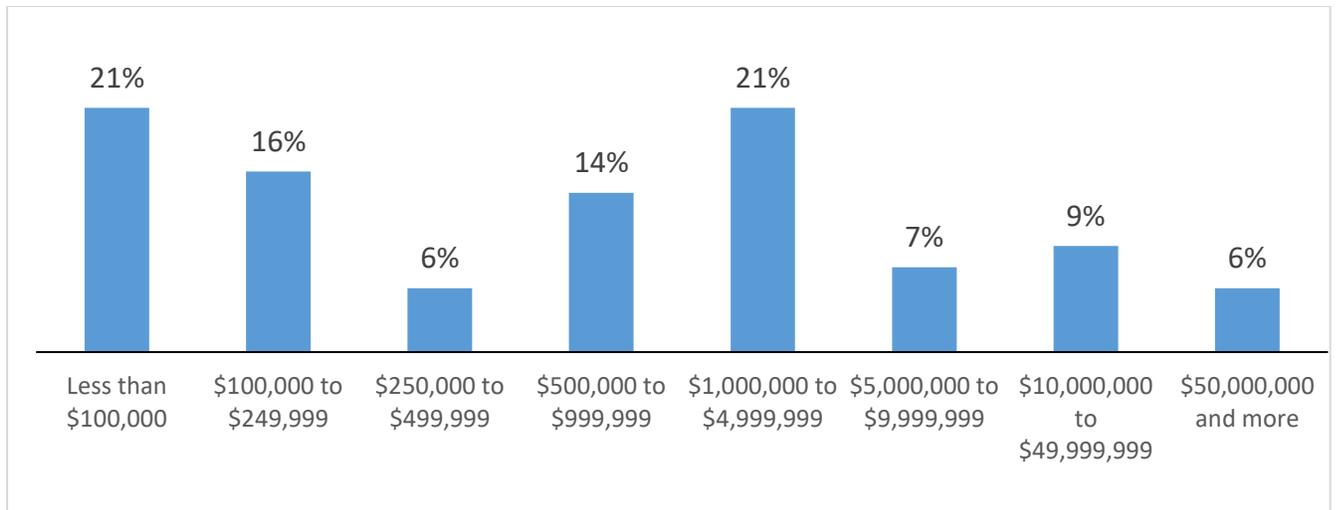
- The following chart shows the distribution, by age, of respondent companies.
- The proportion of companies that are less than five years old is significant, showing that Manitoba has a growing food-processing sector.



**This chart shows that 90 per cent of surveyed companies have 99 or fewer full-time employees.**

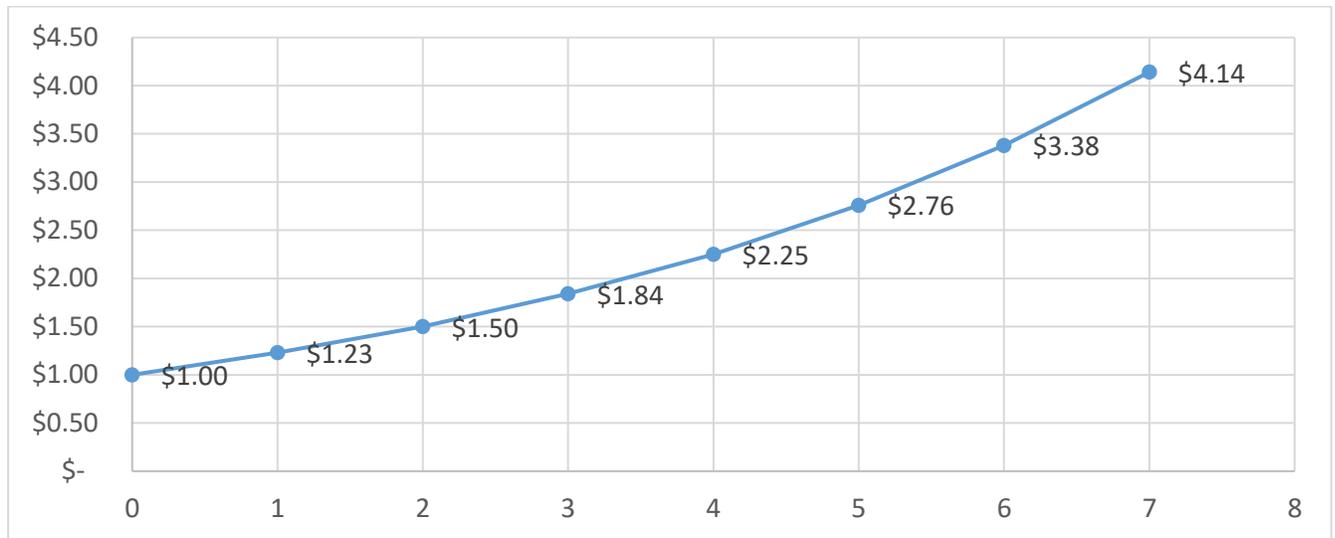


**This chart shows last year's sales of respondent companies.**



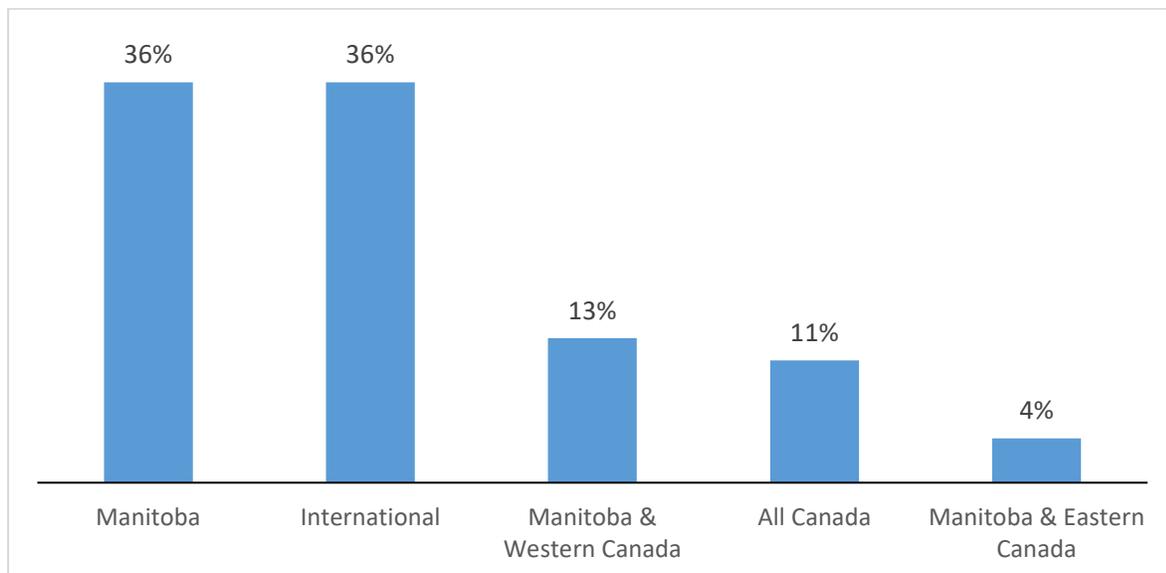
## Future Growth Optimism

- On average, firms expect a compound annual growth rate (CAGR) of 22.5 per cent over the next five to seven years.
- What this means is that for every \$1 of sales this year, respondents expect their sales to increase each year as illustrated in the chart on the next page:



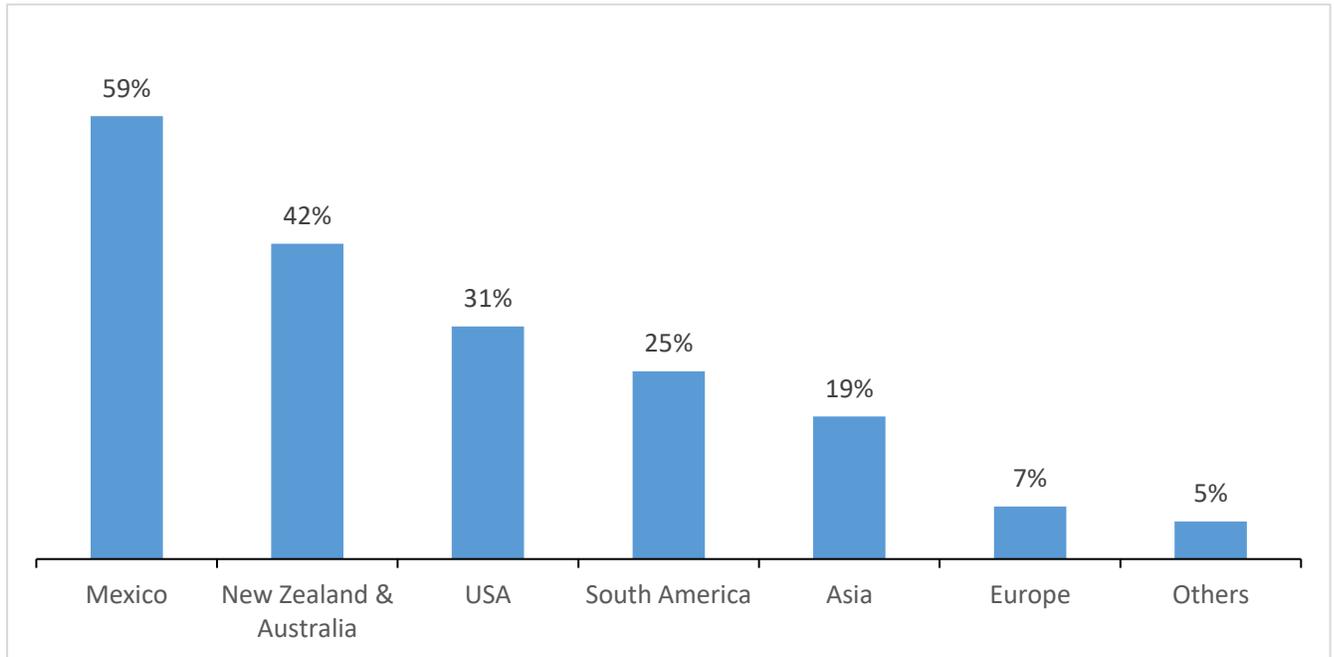
## Current Sales Geography

- Thirty-six per cent of respondents only sell their products within Manitoba and 36 per cent only sell to international markets.



## Current International Markets

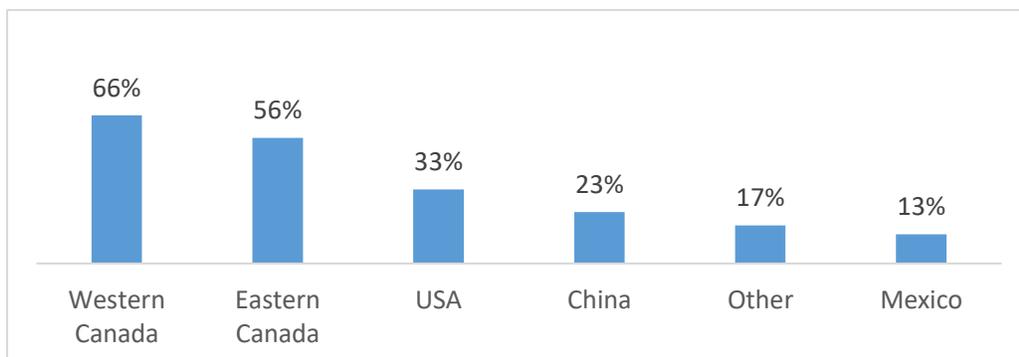
- Of those selling to international customers, the chart below shows where they are currently selling their products.



## Future Market Expansion Aspirations

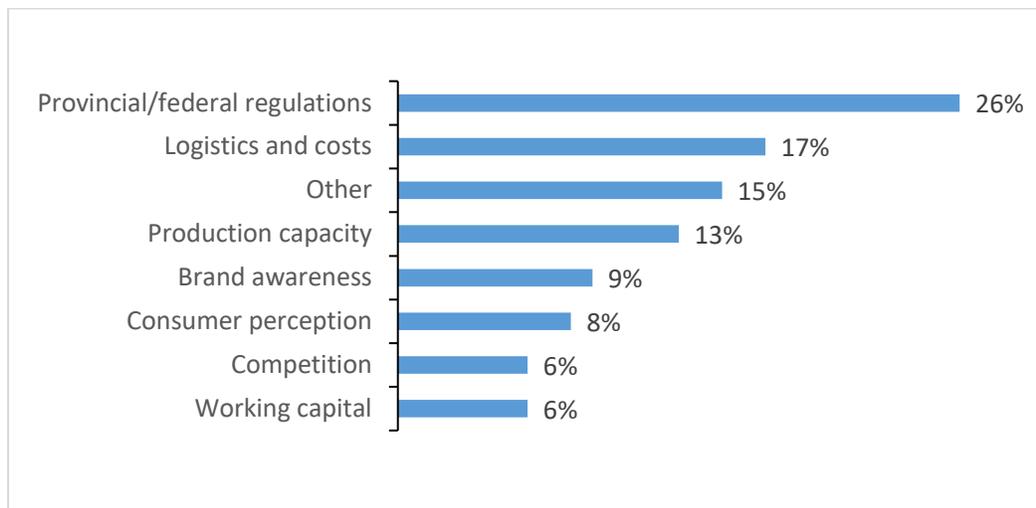
We asked respondents if they had any plans to expand their distribution over the next five years. Here's what they had to say:

- Seventy-five per cent plan to expand to other regions of the world.
- Sixty-six per cent plan to expand to Western Canada.
- Fifty-six per cent plan to expand to Eastern Canada.
- Other regions are identified in the chart below.
- These numbers total more than 100 per cent, because respondents were allowed to indicate more than one region to which they planned to expand distribution.



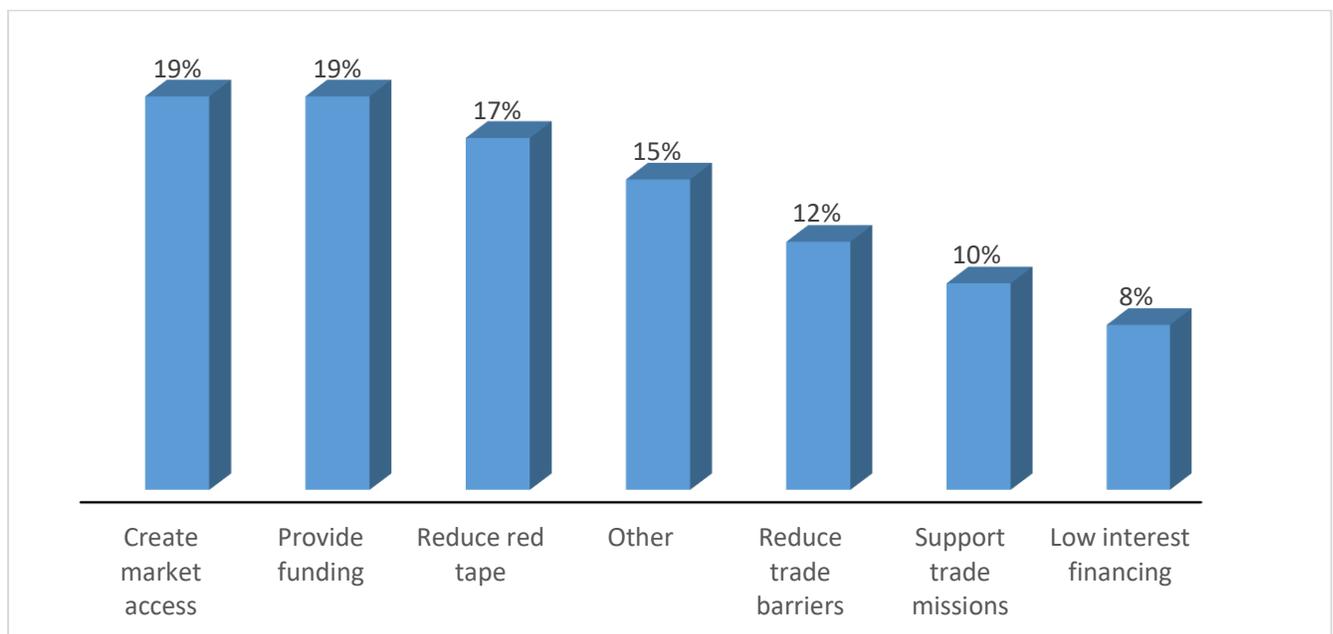
## Major Obstacles to Entering New Markets

- Twenty-six per cent indicate provincial and federal regulations are the major obstacle to entering new markets, with other obstacles identified in the chart below.
- The large “Other” category in this chart includes: getting paid, shelf life, lack of export knowledge, insurance premiums, NAFTA impact and ingredient availability.



## Entering New Markets

- Sixty-seven per cent indicate the provincial government has a large role in assisting business with entering new markets.
- The large “Other” response includes: providing advice, providing connections, path finding, distribution information and assistance, educating retailers, facilitating connections between producers, and providing funding for fish processing.



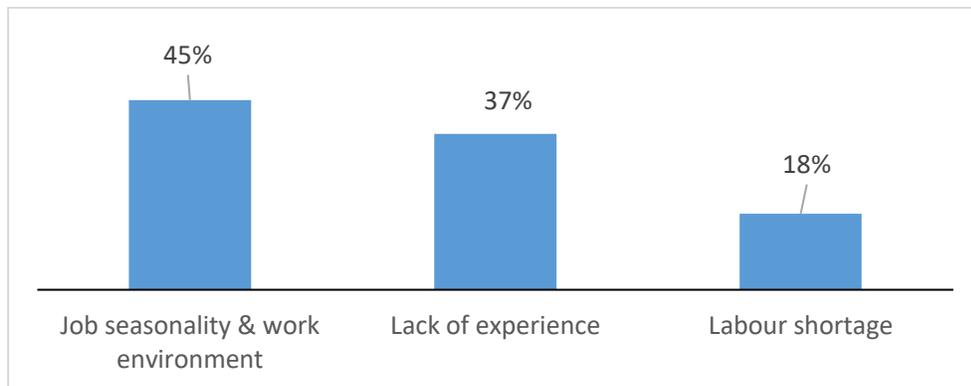
## Entering New Markets

When planning or preparing to enter new markets, we asked respondents to indicate their preferred source of market information. Here are their responses:

- Seventy-eight per cent prefer customer feedback at trade shows.
- Sixty-three per cent prefer feedback from retail and wholesale customers.
- Fifty-seven per cent prefer sales data.
- Twenty-eight per cent prefer market information from Manitoba Agriculture.
- Fourteen per cent Identified cold calling as most successful method to open new markets.
- Thirteen per cent identified advertising as the least successful method for opening new markets.

## Access to Labour

- Nineteen per cent said the biggest issue faced today is labour cost and availability.
- Thirty-three per cent expect it to be difficult or very difficult to find production staff in the next five years.
- Forty-four per cent think production staff will be the hardest to find in the next year.
- Sixty-seven per cent say technical skills represent the largest gap in the current labour pool.
- What things make finding production staff difficult?



## Access to Inputs

Inputs include raw materials and equipment for processing. We asked respondents to indicate the proportion of inputs that were being purchased outside of Manitoba.

- Fifty-eight per cent purchase inputs from outside of Manitoba.
- Sixty per cent of the inputs purchased outside Manitoba are ingredients.
- Seventy-one per cent indicate they purchase inputs from outside Manitoba because they are not available in Manitoba.
- \$80 million is the total value of input goods purchased from outside Manitoba, per year, by respondent companies.

## Access to Services

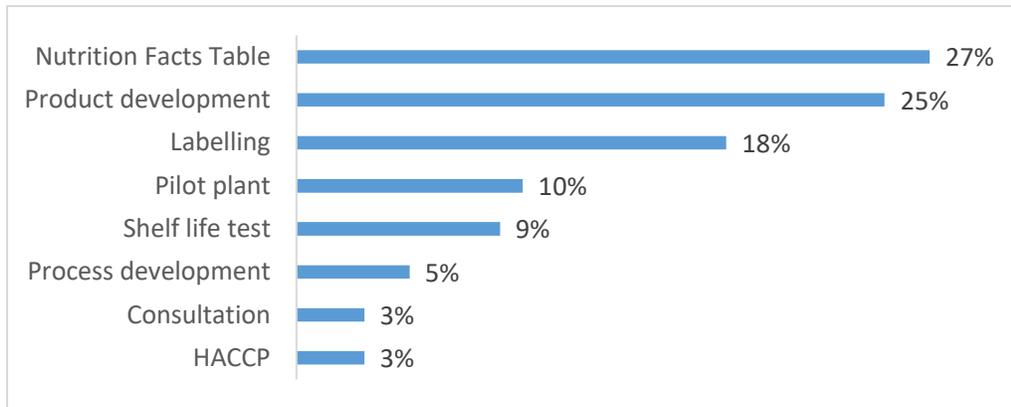
- Services typically include equipment installation and maintenance. Since most equipment must be purchased from outside of Manitoba, it is good to see that local service seems to be fairly available.
- Twenty-three per cent purchase services from outside Manitoba.
- Twenty-eight per cent identify no local support as the reason for purchasing services from outside Manitoba.
- \$963,000 is the total value of services purchased from outside Manitoba, per year, by respondent companies.

## R&D and Manitoba's Food Development Centre (FDC)

Manitoba's Food Development Centre (FDC) is a valuable resource to Manitoba's food processing sector through the services and infrastructure it provides towards food product innovation. We asked respondents to comment on their past and potential future use of the centre.

- Seventy-one per cent expect to invest in product or process research and development in the next five years.
- Seventy-one per cent expect to add entirely new product lines.
- Forty-one per cent expect to make formulation changes to existing products.
- Forty-six per cent plan to use internal resources.
- Twenty-eight per cent plan to use Manitoba's Food Development Centre to reformulate or add new products.
- Seventy-one per cent have used the services of Manitoba's Food Development Centre.
- Sixty-seven per cent are satisfied with FDC services.
- Sixty-four per cent would recommend FDC.

## Services used:



## Access to Capital

As part of their commentary about future growth plans, we asked respondents to comment on their need to expand their processing capacity and physical infrastructure, and the financial demands associated with that.

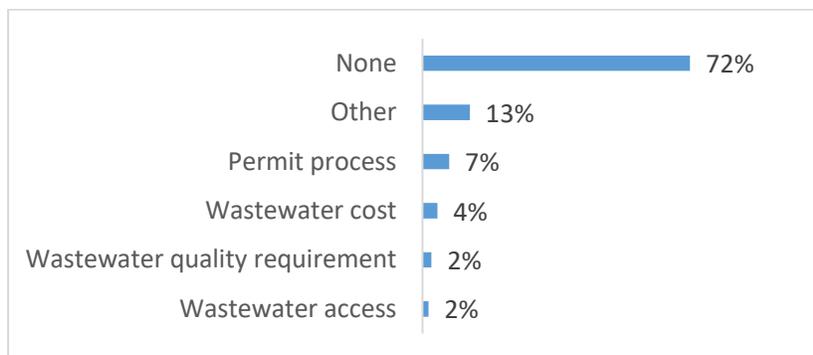
- Eighty-four per cent will need to replace equipment to modernize operations in the next five years.
- Eighteen per cent say the biggest issue faced today is access to capital.
- Sixty-five per cent want to or need to automate any of their processes in the next five years.
  - Twenty-nine per cent would like to automate processing.
  - Twenty-nine per cent would like to automate packaging and labelling.
- Sixty-one per cent expect they will need to expand their company's physical operation.
- The total anticipated investment among respondents over the next five years is:
  - \$324 million for automation
  - \$207 million for equipment replacement
  - \$15 million for new product development
  - \$3 million for product reformulation
- Eighty-two per cent say the most important form of funding support today is access to funds for capital equipment.
- Fifty-one per cent say the second most important form of funding support today is access to funds for marketing.
- Sixty-five per cent indicate that funds for the purchase of capital is the best way for government to provide funding support.

## Red Tape or Regulatory Issues

- Red tape reduction is an important topic for Manitoba, but it also helps to understand where respondents are experiencing red tape to help inform where and how to reduce it. We asked respondents to comment on red tape at the local, provincial and federal levels of government.

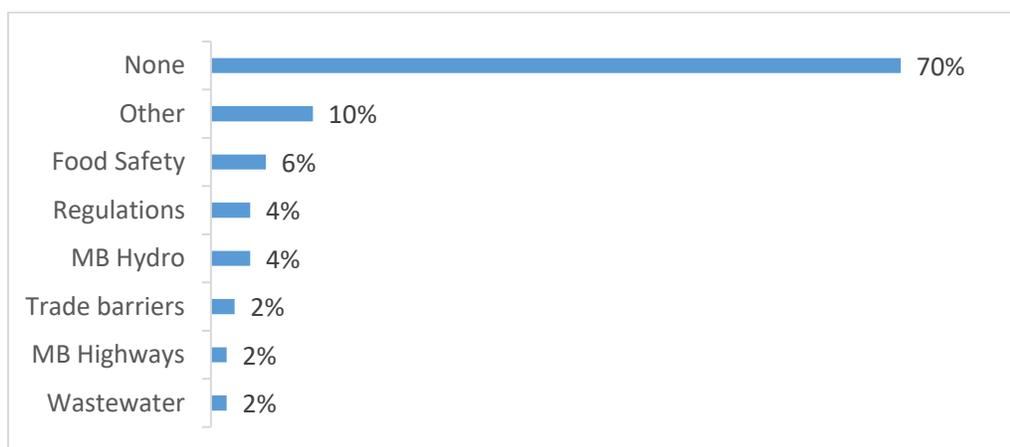
### At the local government level (city and rural municipality):

- Seventy-two per cent of respondents indicated they experienced no red tape issues at the local government level.
- Issues identified in the “Other” category include: inspector inconsistencies, property tax, zoning, power outages and hydro service.



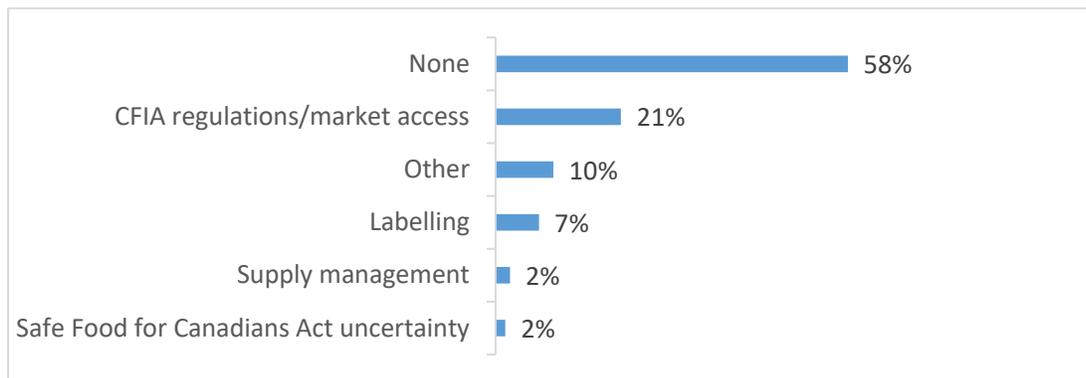
### At the provincial government level:

- Seventy per cent of respondents indicated they experienced no red tape issues at the provincial government level.
- Issues identified in the “Other” category include: Manitoba Sustainable Development, Manitoba Liquor and Lotteries, Office of the Fire Commissioner waiting times, and city and provincial regulatory inconsistencies.



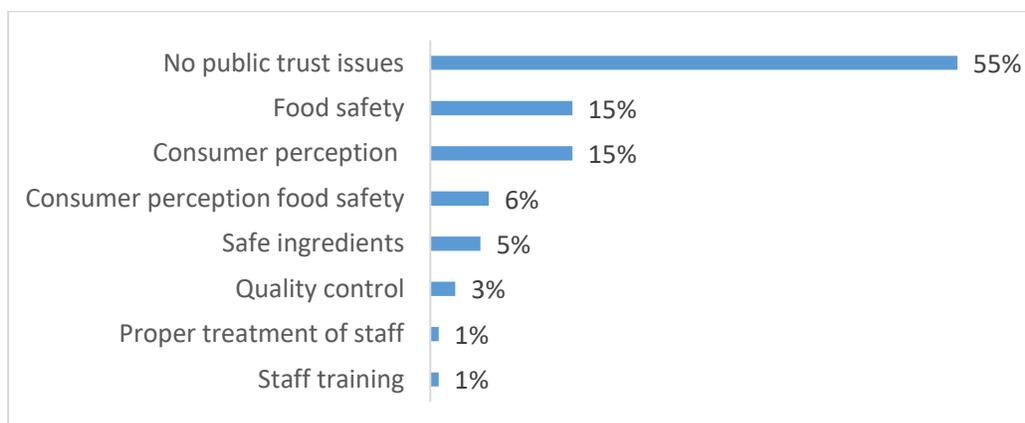
### At the federal government level:

- Fifty-eight per cent of respondents indicated no red tape issues at the federal government level.
- Issues identified in the “Other” category include: inconsistency of organic standards between Canada and the United States, excise tax, export regulation changes, and expensive halal and kosher certification.



## Public Trust

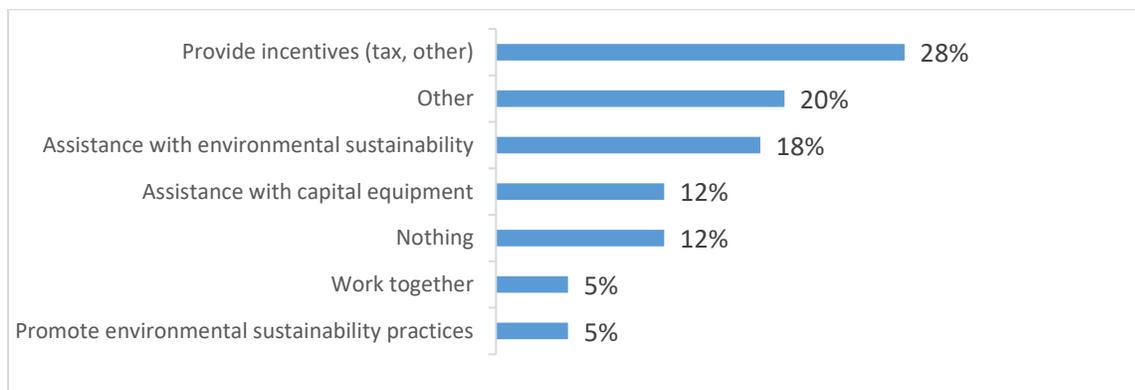
- At the time the survey was administered, public trust was a fairly new term that was being used. So the following definition was provided to respondents to ensure they fully understood what was being asked of them:
  - Stakeholders and communities see public trust in your products, food safety, your environmental practices, HR issues, etc., as a prerequisite to development and success in ongoing operations.
- Fifty-five per cent of respondents indicated they have no public trust issues at their business.
- The balance of responses are distributed as follows:



## Environmental Sustainability

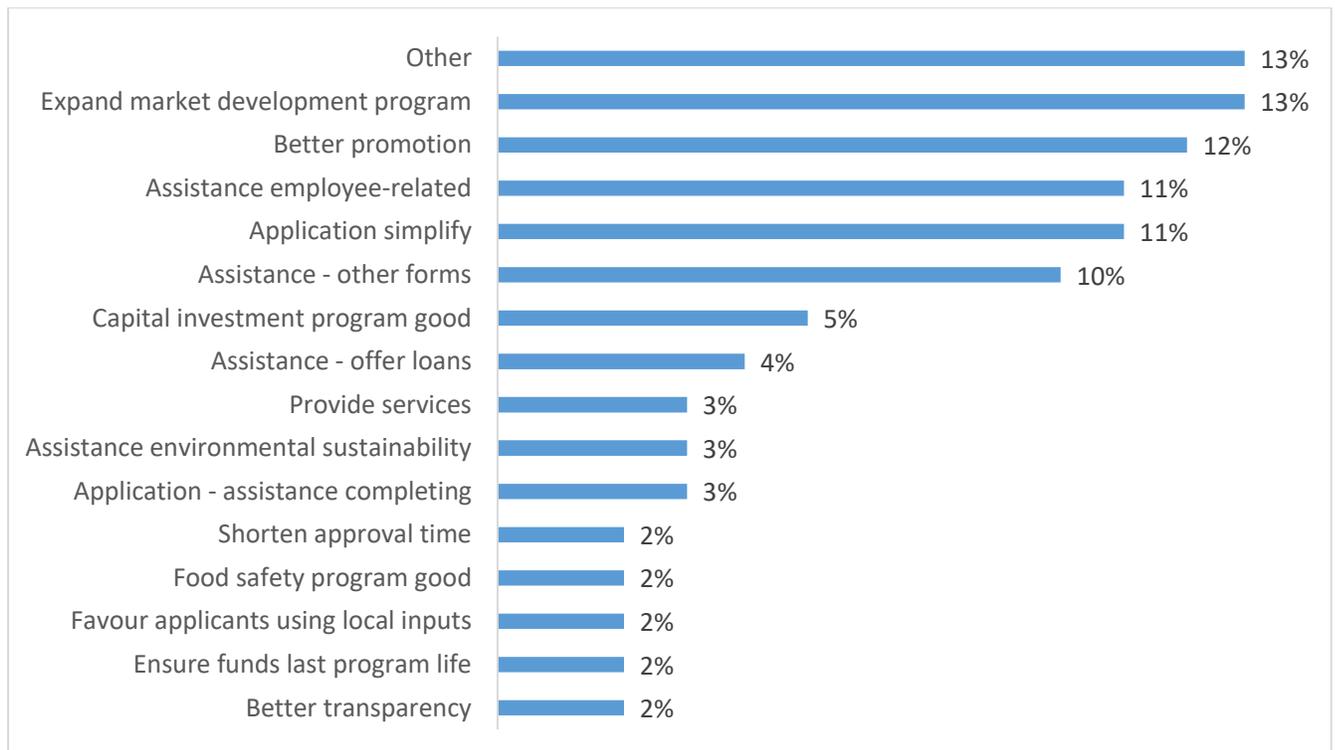
We asked respondents to comment on the degree to which environmental sustainability factors into their business decision making and the role they and government should take.

- Fifty-seven per cent say environmental sustainability plays a factor in business decision making.
- Fifty-five per cent believe they have a role in sustainability efforts.
- Sixty-five per cent had suggestions on how business and government can collaborate to support the sector's environmental sustainability.
- Issues identified in the "Other" category include: clarifying organic standards, collaborating with hydro, changing the land development process, composting food waste, and eliminating marketing boards and low tillage programs.



## Program Development Suggestions

- Respondents were asked to provide advice or suggestions on the development of the province’s next grant funding program.
- The “Other” category includes the following:
  - rural Internet improvement, and increased online access to the program
  - add programs for primary production
  - allocate funds based on a tiered system
  - higher cost share
  - increase funding for food safety
  - leave flexibility in program
  - lower minimum



## How the Ag Action Manitoba Program Responds

- The survey was undertaken to directly ask members of Manitoba's food processing sector about their needs with respect to a new federal/territorial/provincial funding program. These responses were used to inform development of the Ag Action Manitoba Program under the Canadian Agricultural Partnership.
- Respondents identified provincial and federal regulations as a major obstacle to entering new markets.
  - Ag Action Manitoba provides funding to facilitate market development for expansion within Manitoba and Canada. Federal CAP provides grant funding to facilitate foreign market access.
- Sixty-seven per cent of companies indicated the provincial government has a large role in assisting business with entering new markets, particularly by creating market access, providing funding and reducing red tape.
  - Ag Action Manitoba's market development activity area provides funding to help create market access, and to assist with costs associated with red tape, such as labelling and packaging and market access training.
- Seventy-one per cent of companies plan to make product additions.
  - Ag Action Manitoba response: under the market development activity area, FDC's services are eligible for adapting an existing product to new markets.
- Eighty-four per cent of companies will need to replace equipment to modernize operations in the next five years.
  - Ag Action Manitoba's response: capital equipment and asset, assurance, and market development activity areas address these needs. Budgets are proportionate to the client preference noted.
- Twenty-eight per cent indicated that government should provide incentives towards environmental sustainability.
  - Ag Action Manitoba's response: waste water and waste conversion projects are eligible under Ag Action Manitoba capital assets and equipment.
- Other program suggestions received:
  - Expand market development program – Ag Action Manitoba includes a dedicated activity area and funding for market development activities that includes trade show participation as well as market research, market access training, product development, scale-up production, labelling and packaging, and sensory and shelf life studies.
  - Better promotion – The new program was promoted in partnership with industry information events held by Agriculture and Agri-Food Canada and Food and Beverage Manitoba. The program was also promoted on Manitoba Agriculture's web site, and a live webinar was held in partnership with Food and Beverage Manitoba.



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## Contact us

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