

New FCPC report questions long-term viability of Canada's largest manufacturing sector

Research shows cost of placing food, beverage and consumer products on store shelves increased 22 per cent over five-year period

MISSISSAUGA, ON, April 24, 2019 - A new report by Food & Consumer Products of Canada (FCPC) is drawing attention to the growing competitiveness challenges of Canada's largest manufacturing industry. Findings reveal the food, beverage and consumer products (FCP) industry has been underperforming due to a number of key challenges, which could lead to job losses and higher food, beverage and consumer good prices for Canadians.

The FCP industry is an important contributor to Canadian jobs, supporting farmers and fueling the economy, but in recent years growth has lagged behind the overall rate of Canadian economic growth. Between 2013 to 2017, FCPC members' gross sales grew at an average annual rate of 1.45 per cent, compared to 2.12 per cent in Canada's real GDP.

Barriers to innovation

The report indicates that Canada continues to be a challenging environment for innovation and growth in the FCP industry. Key takeaways include:

- High growth in costs has outpaced growth in sales, which is dampening the likelihood of investment. The cost of placing a product on store shelves in Canada rose 22 per cent from 2013 to 2017, while remaining flat in the U.S.
- FCP companies expect this trend to continue due to the high level of consolidation among retailers, which is having a negative impact on the cost of placing and maintaining products on store shelves.
- Most product innovation does not take place in Canada. Eighty-three per cent of branded products sold on Canadian shelves were neither developed nor manufactured domestically.
- Compared to other manufacturing sectors in Canada, food manufacturers rank amongst the lowest in terms of a competitive operating environment.
- Not surprisingly, manufacturing capabilities have remained constant in Canada, with little to no change in the total number of plants.

"These ongoing challenges are having a negative impact on the future sustainability of our sector," said Michael Graydon, CEO, FCPC. "Coupled with the unpredictability with our most important trading partner, retaliatory tariffs on our industry, and labour shortages, I'm concerned that manufacturers may look to more attractive markets to invest – putting Canadian jobs, rural communities and the economy at risk."

Additional challenges include unprecedented levels of government intervention in how the industry makes, markets, packages and labels products in Canada. "No other manufacturing sector in Canada is

being asked to make all of these changes all at once. The cumulative and costly regulatory burden appears to be limiting innovation, deterring companies from expanding or entering the market,” said Graydon.

Capitalizing on opportunity

Despite these challenges, FCPC is optimistic about the tremendous opportunities that exist for the sector and looks forward to continuing to work with federal and provincial governments to overcome roadblocks to innovation and investment.

“We are pleased that the federal government has recognized the strategic importance and potential of our sector, and is committed to working toward making our industry more competitive,” said Graydon. “Steps are being taken in the right direction such as incentives to accelerate business investment, commitment to regulatory reform, targeted investments for our industry and support for skills development. We strongly support the government’s Economic Strategy Tables that support competitiveness, and urge the implementation of all of the reports’ recommendations,” he said.

The FCPC Industry Sustainability & Competitiveness Study is based on a five-year trend from FCPC members that account for approximately 40 per cent of total grocery sales in Canada.

Canada’s FCP industry by the numbers:

- The FCP industry employs more than 300,000 Canadians
- 16.7 per cent of all manufacturing jobs in Canada are in the FCP industry
- The FCP industry contributes approximately \$29 billion to Canada’s GDP annually
- FCP companies in Canada purchase 40 per cent of the food our farmers grow. Over 60 per cent of the industry’s output is sold to Canadians through grocery stores and restaurants
- In 2018, the value of food and beverage exports was \$35.8 billion, with products shipped to over 190 countries

To read the full FCPC report, visit <https://www.fcpc.ca/Industry-Resources/Industry-Sustainability-Competitiveness-Study>.

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