



# Sectoral Profile

## Food, Beverage and Tobacco Product Manufacturing

Ontario

2016-2018



Sectoral Profiles provide an overview of recent labour market developments and outlooks for some of the key industries in various regions of the country

### FOOD, BEVERAGE AND TOBACCO PROCESSING REMAINS A KEY INGREDIENT OF ONTARIO'S MANUFACTURING HEARTLAND

- Food, beverage and tobacco processing is one of the largest areas of manufacturing in many regions of Ontario with deep roots in rural communities
- Manufacturing sales in this industry have grown steadily over the last several years in the province
- Although the industry is rather competitive, producers may find opportunities as consumers push for locally-sourced food
- Labour market conditions should remain positive in the food, beverage and tobacco product manufacturing industry over the 2016 to 2018 period

Ontario is the top food-processing region in Canada and the third largest in North America. It is home to many of the country's biggest producers in food and beverage along with numerous homegrown establishments. In 2015, Ontario employed close to 40.0% of Canada's workforce in food, beverage and tobacco product manufacturing (FBT).<sup>1</sup> The vast majority of Ontarians in this industry work in food processing with a smaller number in beverage and tobacco production. The food processing industry is broken down into nine categories based on the type of goods produced. Bakeries and tortilla manufacturing, and meat product processing employ nearly half of the labour force in the province.<sup>2</sup> Meanwhile, seafood product manufacturing, animal food processing, and grain and oilseed milling have the fewest number of employees.

The FBT processing industry is a vital part of the provincial manufacturing base, especially in southern Ontario. It is the second largest employer across the manufacturing industry after motor vehicle, body, trailer and parts production. In addition to food manufacturing clusters in some of the core urban centres, FBT processing has a significant footprint in rural regions. Growth in this industry has a ripple effect in the economy because it supports activities across multiple industries such as transportation, packaging, retail and food services, and

<sup>1</sup> Statistics Canada. Survey of Employment, Payrolls and Hours (SEPH), CANSIM Table 281-0024

<sup>2</sup> Ibid.

food science. However, one of the strongest ties is with Ontario's farmers as the FBT product manufacturing industry buys nearly two-thirds of all locally grown produce.<sup>3</sup>

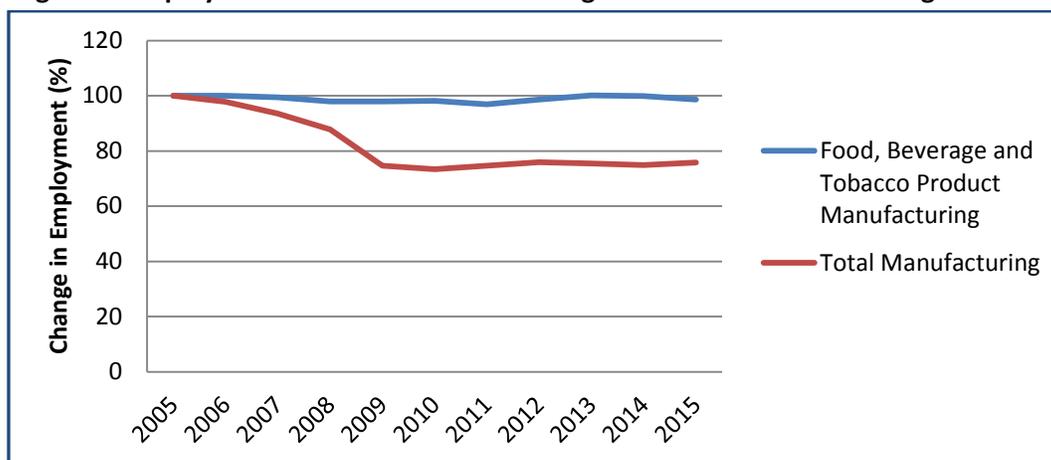
### Outlook: Employment should remain positive in the food, beverage and tobacco processing industry

Over the 2016 to 2018 period, the FBT product manufacturing industry should experience moderate job growth in Ontario. Despite some high-profile closures in recent years, the industry has received several investments to open, expand or upgrade processing facilities. There are also new avenues for food manufacturers to fill niche markets and satisfy consumer preferences for local and sustainable food.

### Labour market conditions in food, beverage and tobacco production continue to stand out

Employment in FBT processing has been a bright spot for the manufacturing industry in Ontario.<sup>4</sup> While employment in the total manufacturing industry took a sharp fall in the province over the last decade, FBT processing was quite steady. Employment in food manufacturing has been stable since 2010 and beverage and tobacco manufacturing has increased each year since 2012.

**Figure 1: Employment Growth in FBT Processing versus Total Manufacturing in Ontario**



Employment is based on an index with a base year of 2005 = 100  
Estimates from: Statistics Canada, Survey of Employment, Payrolls and Hours

### FBT product manufacturers seek new skill sets as the industry expands

As FBT product manufacturing continues to shift, there has been some concern about matching job seekers with the right skill set for the industry.<sup>5</sup> To help support employers and workers there are specialized training institutions in Ontario. The Institute of Food Processing Technology (IFPT) at Conestoga College provides up-to-date training in food manufacturing and targets new entrants and students into this field. Meanwhile, the NSF-GFTC in Guelph offers services to food and beverage manufacturers on food safety, quality control and advanced technologies to increase efficiency. There is also dialogue on creating additional apprenticeship programs in food processing to help companies recruit and train employees.

<sup>3</sup> Ontario Ministry of Agriculture, Food and Rural Affairs. Ontario's Local Food Report: 2014-15 Edition

<sup>4</sup> Statistics Canada. Survey of Employment, Payrolls and Hours (SEPH), CANSIM Table 281-0024

<sup>5</sup> Seguin, B. & Sweetland, J. Drivers of Canadian Food Processing Competitiveness-Macro Factors and Micro Decisions. The Canadian Agri-Food Policy Institute

### *Key occupations in the FBT product manufacturing industry*

The FBT product manufacturing industry supports thousands of jobs across Ontario in various fields. Some of the key occupations in the industry are:

- Supervisors in food, beverage and tobacco processing (NOC 9213)
- Process control and machine operators in food and beverage processing (NOC 9461)
- Industrial butchers and meat cutters, poultry preparers and related workers (NOC 9462)
- Testers and graders in food and beverage processing (NOC 9465)
- Labourers in food, beverage and tobacco processing (NOC 9617)

With the move to advanced manufacturing, job seekers with experience in robotics, computer-controlled equipment and manufacturing software may fare better in the labour market. In addition, those with post-secondary courses in agriculture, food science and culinary arts may have an edge. Food safety is a top priority for many manufacturers so some positions in the industry may require knowledge of safety protocols such as the Hazard Analysis Critical Control Point (HACCP) principles.

### *Factors influencing employment in the FBT processing industry*

Some of the main aspects behind future growth in the industry include:

- Food, beverage and tobacco product sales and global demand
- Challenges such as industry competition, costs and consolidations
- Advantages and new areas for companies to meet consumer tastes and preferences

### **Food and beverage sales should stay healthy to meet consumer needs**

Manufacturing sales for food, beverage and tobacco products increased by 1.5% in Ontario in 2015. Food, beverage and tobacco product sales have increased for four consecutive years in the province and will likely post another gain in 2016. Much of this stems from a steady rise in the purchase of food products. The sale of alcoholic beverages has increased as well while sales for tobacco products have declined.

### *Food, beverage and tobacco producers see rising international demand for goods*

Though most of the food, beverage and tobacco products made in the province go to the domestic market, manufacturers are seeing opportunities outside of the country. Over the last few years, exports have accounted for a higher share of total industry sales. Most of these goods are shipped to the United States so local producers should continue to benefit from stronger economic activity south of the border as well as the lower Canadian dollar.

The Canadian FBT processing industry has a reputation for high quality and safety standards in the world marketplace. This has helped create greater recognition from global buyers and open the doors for provincial producers to supply regions outside of Canada and the United States. In particular, China is becoming a key destination for Ontario's FBT product manufacturing industry as the middle-class population increases and consumers seek out new options.<sup>6</sup>

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<sup>6</sup> Agriculture and Agri-Food Canada. Consumer Profile—China. Market Access Secretariat, Global Analysis Report

## **Changes to the FBT processing landscape because of competition, costs, and consolidations**

The FBT product manufacturing industry remains quite competitive. Shifts in consumer preferences, foreign competition, and pressure from buyers to keep prices down are some of the big challenges that confront local producers. Food and beverage manufacturers face more demand from customers to provide product information, and use environmentally responsible practices. At the same time, several companies are experiencing weaker profit margins. Greater retail competition is weighing down on consumer prices and placing strain on FBT product manufacturers to meet these needs. External factors such as higher input costs are further cutting into profits. Agricultural products are the main input for the industry and prices for farmed goods have been steadily going up.

To stay competitive some of the larger players in the industry have consolidated and merged, reducing the number of food and beverage manufacturers in Ontario. Some companies have closed older, less efficient plants and moved operations to newer facilities. In fact, one of the most common reasons for plant closures is that the site is no longer competitive to run.<sup>7</sup> Closures have been more common among large, multinational companies compared to smaller producers and homegrown establishments. These smaller companies are actually more likely to invest and open facilities, which often use advanced technologies and result in lower production costs.

## **New opportunities exist for FBT processors to meet consumer tastes and speciality markets**

Ontario has several strengths in the FBT product manufacturing industry that have helped shape the region as a top food-processing area. The province has a rich agricultural base that directly supplies many of the inputs for the FBT product manufacturing industry. This can help reduce transportation time and costs for producers. Another advantage is that Ontario is a research hub for the industry and one of the leaders in food technology and innovation. Institutes like the University of Guelph, Agri-Tech Commercialization Centre, NSF-GFTC, Toronto Food Business Incubator, and the Vineland Research and Innovation Centre are actively involved in areas such as biotechnology and innovative ingredients. Most of these institutions are located in the Toronto–Guelph corridor, which could become the first agri-food cluster in the continent.<sup>8</sup>

The FBT product manufacturing industry has new avenues within its reach as consumer tastes shift and global markets continue to open up. The biggest opportunity may be the move to buy locally grown and processed food. This should benefit Ontario's producers as consumers opt to purchase these goods instead. Strength may also lie in the ethnic and fusion food market because of the province's diverse population, especially within the Greater Toronto Region. Other notable trends include the push for organic, natural and sustainable food options along with growth in private label brands. Buyers are also looking for products that are convenient, health-conscious and meet personal values.

## **A snapshot of Ontario's food, beverage and tobacco processing hubs**

The FBT product manufacturing industry is a key player in many parts of southern Ontario. In particular, almost 25.0% of Ontario's food manufacturers are located in rural communities. These localities offer reduced land costs, lower staff turnover, and are within close reach to farms. Labour market activity created by FBT product manufacturers is a big driver of the local economy in these rural regions.

<sup>7</sup> Maurino, R. (2014, March 12). Food processing remains a strong industry despite plant closures: study. The Toronto Star.

<sup>8</sup> Synthesis Agri-Food Network. Agri-Food Asset Map: An Analysis of Ontario's R&D Excellence and Commercialization Capacity in Food Processing

**Ottawa Economic Region**

- FBT processing is the second largest employer in the manufacturing industry in the Ottawa region<sup>9</sup>
- Several manufacturers are located outside of the city of Ottawa in areas like Cornwall and Hastings
- Some of the major food and beverage processors in the region are Olymel, Ivanhoe Cheese, and granoVita Canada

*Recent Labour Market Highlights:*

- The region has seen a rising interest in microbreweries with several start-ups and expansions from beverage producers such as Beau's All Natural Brewing Company

**Kingston–Pembroke Economic Region**

- FBT processing is the largest employer in the manufacturing industry in this region
- Belleville is a core hub for food processing in Ontario
- Some of the major food and beverage manufacturers in the region include Parmalat Canada, Saputo Dairy Products Canada, Vantage Foods, Kellogg Canada, and Nestlé Canada
- The area also has several smaller companies in dairy and meat processing

*Recent Labour Market Highlights:*

- Kellogg Canada expanded production at its Belleville site, creating 10 jobs in 2016
- Frulact Canada opened a plant in Kingston in the fall of 2016, creating 50 jobs

**Muskoka–Kawarths Economic Region**

- FBT processing is the second largest employer in the manufacturing industry in this region with key centres in Peterborough and Cobourg
- Some of the major food and beverage processors in the area include PepsiCo Canada, Minute Maid Company Canada, Weetabix of Canada, and Weston Bakeries

*Recent Labour Market Highlights:*

- Mariposa Dairy Ltd. announced that it would increase production at its Lindsay facility, creating up to 15 permanent jobs and 60 temporary positions by 2017

**Toronto Economic Region**

- Toronto has the largest cluster of food processing companies in Ontario and one of the biggest across North America
- FBT processing is the largest employer in the manufacturing industry in this region
- Toronto serves as the headquarters for several major companies in the industry
- The region is a leader in specialty foods, particularly ethnic and fusion goods because of its diverse population
- Some of the major food and beverage processors in Toronto include Campbell Company of Canada, Cargill Limited, Fiera Foods Company, George Weston Limited, and Nestlé Canada

*Recent Labour Market Highlights:*

- There have been several investment announcements in the region as of late from manufacturers such as Quality Cheese, MiMi Food Products, Super-Pufft Snacks Corporation, and Furlani's Food Corporation
- In March 2016, Wrigley's Canada closed its gum factory in Toronto affecting 383 employees

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<sup>9</sup> For each Economic Region, this figure is based on 2016 Labour Force Survey estimates from Statistics Canada

**Kitchener–Waterloo–Barrie Economic Region**

- FBT processing is one of the larger employers in the manufacturing industry in this region with key centres in Guelph, Kitchener and Cambridge
- Guelph is the leading centre for food research and innovation in the province
- Some of the major food and beverage processors in the area include Dare Foods, Conestoga Meat Packers, Brick Brewery, Cargill Limited, Sleeman Breweries, Nestlé Waters Canada, and PepsiCo Canada

*Recent Labour Market Highlights:*

- Quality Cheese opened a plant in Orangeville in early 2016
- Grand River Foods Ltd. will invest over \$13M in its processing plant in Cambridge, creating 50 jobs
- PepsiCo Canada announced that it will upgrade its Cambridge plant
- DC Foods will expand operations in Waterloo, creating 50 jobs
- General Mills closed its Midland plant in 2016, affecting more than 100 employees
- Nestlé Canada closed its Barrie plant in the summer of 2016, resulting in 85 job losses

**Hamilton–Niagara Peninsula Economic Region**

- FBT processing is the second largest employer in the manufacturing industry in this region with key centres in Brantford and Hamilton
- Brantford is one of the core food manufacturing hubs in Ontario and has been able to attract global companies over the past few years
- Niagara-on-the-Lake is the heart of the provincial wine and icewine industry. The area features estates, mid-size establishments and small niche wineries
- The economic region is also home to two of the biggest tobacco manufacturers in the province—Norfolk Leaf Company Limited and Grand River Enterprises, Six Nations Ltd.
- Some of the major food and beverage processors in the area include Ferrero Canada, Maple Leaf Foods, Mondelēz Canada, Western Waffles, ARYZTA, Normerica, Piller's Fine Foods, and NutraBlend Foods

*Recent Labour Market Highlights:*

- Gay Lea Foods Co-operative Ltd. started construction on a research and development facility at its Salerno cheese plant in Hamilton valued at \$3M
- Harvest Specialty Mills announced that it would build a facility in Burlington that will specialize in cleaning, milling and packaging

**London Economic Region**

- FBT processing is the second largest employer in the manufacturing industry in this region
- London is a core hub for food processing with many national and global players
- Some of the major food and beverage processors in the area include Cargill Limited, McCormick Canada, Labatt Breweries of Canada, Nestlé Canada, Inovata Foods, and Sofina Foods

*Recent Labour Market Highlights:*

- London has been able to attract international firms such as Dr. Oetker Canada and Natra, which both opened plants in 2014
- Maple Leaf Foods announced that it would close its turkey processing plant in Thamesford by early 2018, affecting about 400 employees

**Windsor–Sarnia Economic Region**

- FBT processing is a significant employer in the Windsor–Sarnia region
- The area has a rich agricultural base that allows some producers to work directly with farmers
- Several manufacturers are in smaller communities throughout the region

- Some of the major food and beverage processors in the area include Hiram Walker & Sons Limited, Highbury Canco Corporation, Dainty Foods, Diageo, Cavendish Farms, Bolthouse Farms, ConAgra Foods, Bonduelle, and Thomas Canning

*Recent Labour Market Highlights:*

- Highbury Canco Corporation announced that it would hire 200 staff including 75 permanent employees in the summer of 2016 to meet production needs

**Stratford–Bruce Peninsula Economic Region**

- FBT processing is the second largest employer in the manufacturing industry in this region
- Several small and mid-size food manufacturers are in rural communities throughout the region
- Some of the major food and beverage processors in the area include Solis Foods Corporation, Sofina Foods, and Gay Lea Foods Co-operative Ltd.

*Recent Labour Market Highlights:*

- Sofina Foods started construction on a turkey processing plant in Mitchell that is set to open in mid-2017 with 100 employees
- Gay Lea Foods Co-operative Ltd. announced that it will invest \$60M to expand its dairy plant in Teeswater, creating 20 jobs
- Kraft Heinz Company closed its salad dressing facility in St. Marys, affecting 214 employees

**The food, beverage and tobacco processing industry should continue to perform well in Ontario**

The FBT product manufacturing industry is a key ingredient to the provincial economy. It supports thousands of direct and indirect jobs, and plays a vital role in rural Ontario and with our farmers. The industry has outperformed many other areas of manufacturing, making it a stable part of Ontario's industrial base. Plant openings, expansions and investments have helped balance past closures and layoffs over the years. A growing Ontario population, a firm base for research and innovation, and greater demand for locally sourced foods, should bode well for companies. On the other hand, foreign competition, lower profit margins, and higher input costs are factors to keep on the radar. As FBT product manufacturing moves forward, the provincial industry will likely continue to expand as it looks for new ways to bring food from the farm to the table.

**Note:** In preparing this document, the authors have taken care to provide clients with labour market information that is timely and accurate at the time of publication. Since labour market conditions are dynamic, some of the information presented here may have changed since this document was published. Users are encouraged to also refer to other sources for additional information on the local economy and labour market. Information contained in this document does not necessarily reflect official policies of Employment and Social Development Canada.

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