



Canada's Supply Chain & Labour Challenges Implications and Solutions

PRESENTED BY:

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A bit about me.....

- CEO of BCFB since 2014
- 30 Years in the industry
- Career positions with Maple Leaf Foods, Diageo, Yves Veggie Cuisine, BC Hot House Foods, Superior Freeze Dry



ABOUT BCFB

- Membership Non Profit Association
- Support micro, small, medium and large food and beverage companies throughout BC across all categories
- 500 + members
- Members represent nearly \$7 billion in industry revenues
- Rebranded in September 2019 from BC Food Processors Association



WHAT DO WE DO?



VALUES

Hint: These Are Really Important To Us

CONNECT

We bring the food manufacturing industry together to share ideas, solve problems, identify synergies and explore business opportunities.

EDUCATE

We're here to provide all the tools, resources and training our members – and the industry – need to prosper.

INNOVATE

The food manufacturing industry is constantly changing. We stay on top of changes, trends and innovations that affect our members and their companies.

ADVOCATE

We represent our members. We're the industry voice for identifying opportunities for change, improvement, growth and success.

ABOUT FOOD & BEVERAGE INDUSTRY IN BC

- 3,179 Processors in BC
- \$11.1 billion in annual revenue
- Represents 62% of Agrifoods GDP
- Employs 35,700 people in BC
- Export \$4.8 billion



WHAT MAKES BC UNIQUE?

- Large number of small processors
 - 90% are considered micro or small
 - VERY entrepreneurial
 - Not very many big businesses based here
- Heavy emphasis on value added items
 - Lots of niche, innovative products
 - A real slant towards health
- Very diverse range of products
 - Biggest category in BC is 'Other'
 - Plant Based
 - Seafood
 - Dairy
 - Craft Breweries, Distilleries,
 - Wine
 - Emerging sectors like Seaweed

OTHER INDUSTRY INFO THAT MIGHT ONLY INTEREST ME



- Industry revenue is nearly \$120 billion nationally
- Unlike most industries, the barriers to entry are relatively low
 - Recipe, packaging, a place to make your product
 - Low cost places to sell;
 - Online/ direct to consumer
 - Farmers Markets
- A relatively low margin industry
- Processing is twice the size of Agriculture
- Processing has among the oldest equipment of all the manufacturing sectors in Canada - CAPI

INDUSTRY CHALLENGES

- Labour
 - Both skilled and unskilled
- Supply Chain
 - Freight
 - Freezer Capacity
 - Access to ingredients
 - Access to export markets
- Difficult Retail Landscape in Canada
 - Customers are **VERY BIG** or very small
- Cost/Availability of manufacturing space
- Regulatory environment
- Inflationary Pressure everywhere

MANUFACTURING IN BC

- Acquire or develop own facility
- Lease existing commercial space
- Shared/Commissary kitchen spaces being more prominent
- 'Ghost' kitchen emergence
- Using a co-packer
 - BC Food Connection
(<https://bcfoodconnection.ca/>)

SUSTAINABILITY

- Has become a major area of emphasis with processors, farmers, retailers, consumers and government
- Many BC brands emphasize their sustainable practices/business model as a core part of their brand
- Food waste – innovation and investment to reduce at all levels
- Carbon footprint reduction
- Sustainable packaging
- Ethical ingredient sourcing

IMPACT OF COVID

- Huge disruptions to supply chain
 - Especially in BC with flood crisis in November
- Essential Service Designation
 - Access to PPE
- Workplace Safety challenges
- Loss of business for processors dependant on
 - Hospitality sector – Hotels, conferences, weddings
 - Foodservice/Restaurants
 - Airline Industry
 - Cruise Ships
- Acceleration of e commerce
- Despite disruptions and uncertainty, many businesses have had record years

Supply Chain Study



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Supply Chain Study

- Grant Funding provided by the BC Ministry of Jobs, Economic Recovery and Innovation
 - Partnered with MNP to develop the report
- To conduct research on the current state of the domestic food and beverage supply chain, the impacts of COVID-19, and how resilience can be built into the system
- Develop a number of recommendations for both industry and government to build more resilience
- Create a 'Best Practices' guide for BC processors to better mitigate risk for future disruptions

Project Background



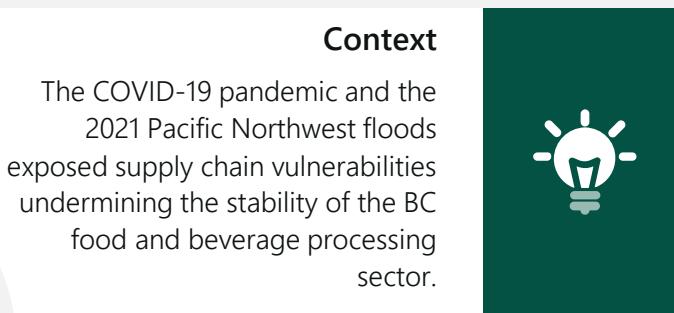
Project Funder

Ministry of Jobs, Economic Recovery and Innovation, BC Provincial Government



Scope

- Assessing the impact of supply chain disruptions as a result of COVID-19
- Identifying and documenting best practices
- Identifying and assessing the feasibility of targeted solutions



Context

The COVID-19 pandemic and the 2021 Pacific Northwest floods exposed supply chain vulnerabilities undermining the stability of the BC food and beverage processing sector.

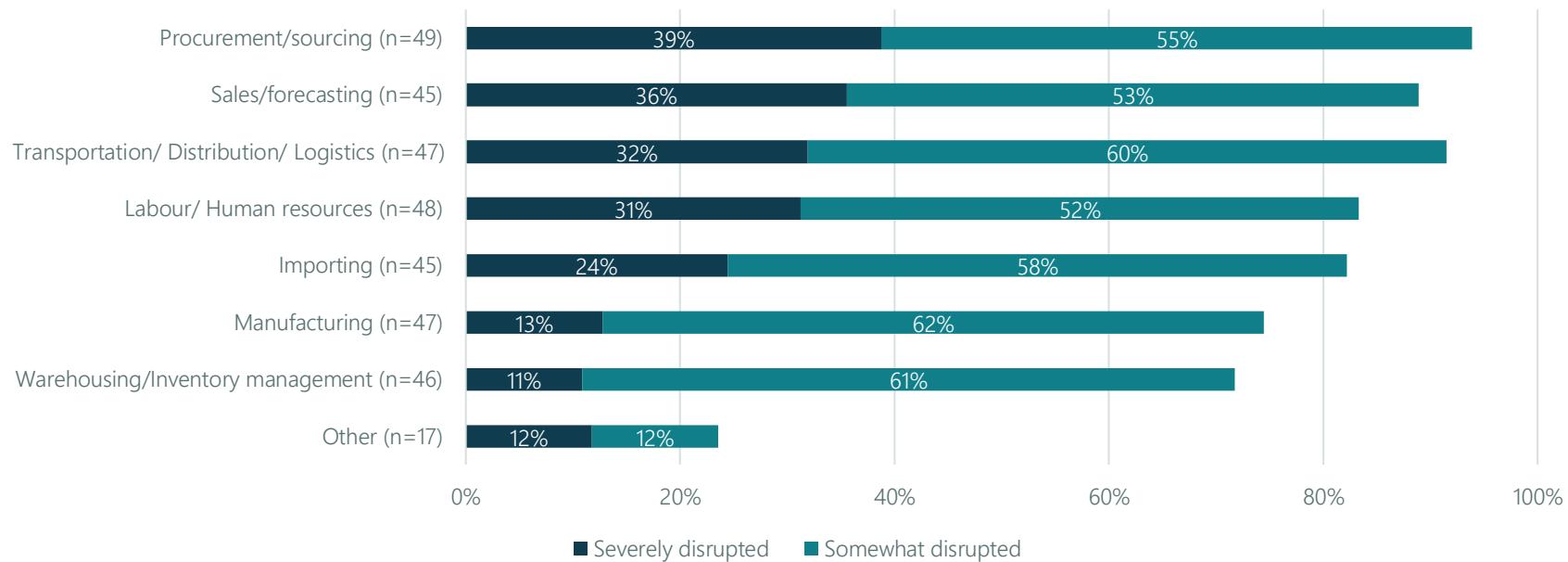


Purpose

To conduct research on the current state of the domestic food and beverage supply chain, the impacts of COVID-19, and how resilience can be built into the system.

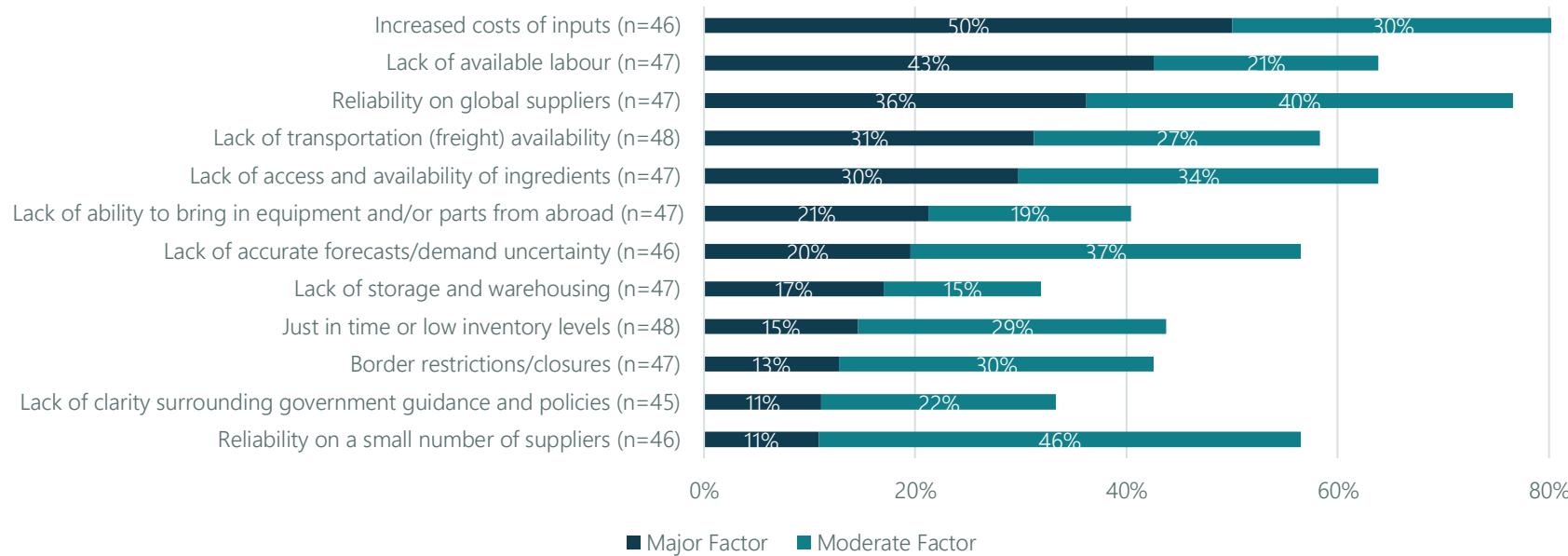
Area and Extent of Disruption

What specific areas of your supply chain were disrupted because of COVID-19 and what was the extent of their disruption?



Factors Contributing to Disruption

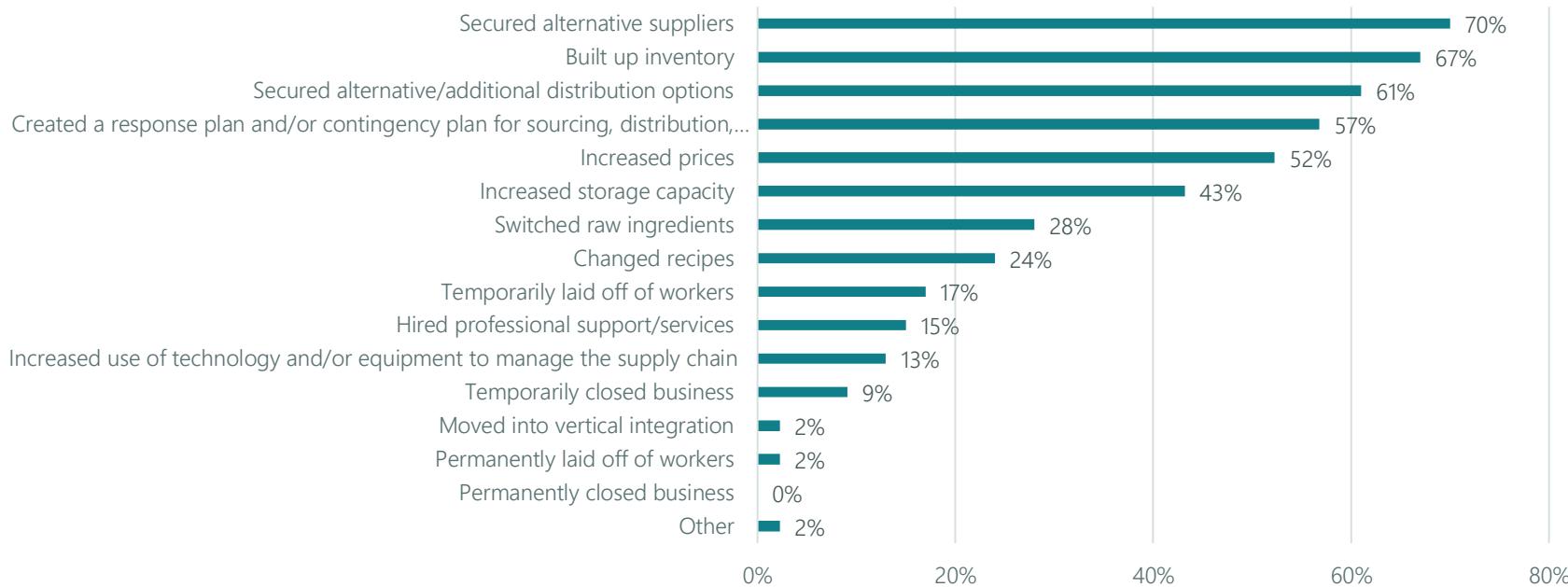
Please rate the following factors to the extent that they contributed to your company's supply chain disruptions due to COVID-19?



Please note that only the top 12 factors have been presented here.

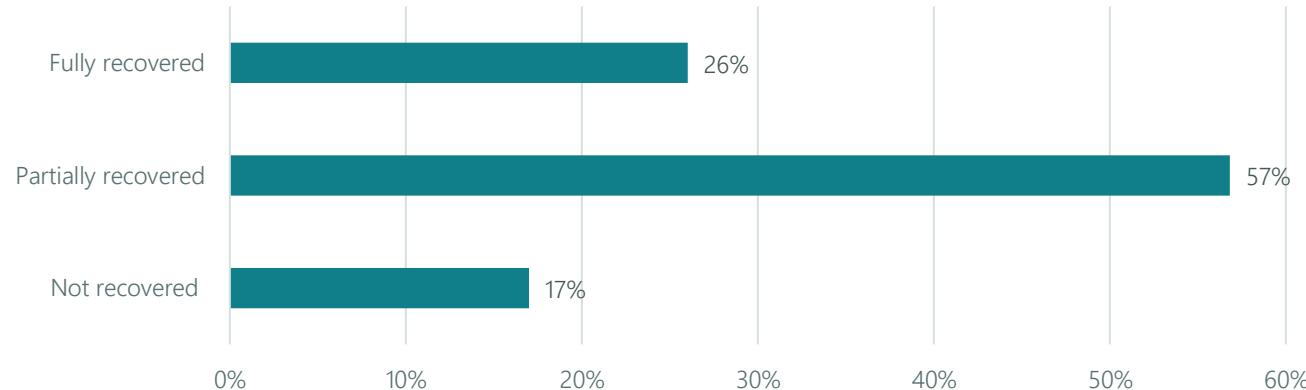
Responses to Disruptions

What actions, if any, did you take to address supply chain disruptions caused by COVID-19? (n=46)



Degree of Recovery

To what extent have your business operations recovered from the COVID-19 related supply chain disruptions? (n=46)



Please note that 'fully recovered' was defined as 'reached 95 percent or more of your company's pre-pandemic production'; 'partially recovered' was defined as 'reached between 75-94 percent of your company's pre-pandemic production'; and 'not recovered' was defined as 'reached 74 percent or less of your company's pre-pandemic production'.

Prioritized Solutions

The three prioritized solutions, for each area of need, arising from further consultations with industry are as follows:



Warehousing

Establish a network of multi-level, shared warehousing facilities at key transit and demand hubs across BC.



Labour

Establish a long-term immigration stream for foreign workers for the BC food and beverage processing sector.



Transportation

Undertake a study to identify capacity improvements across key transportation modes and routes in BC, including examining road, rail, and shipping networks.

Recommended Actions for Industry



Communicate the findings and recommendations of the feasibility study with Sector stakeholders.



Prioritize which of the three solutions to action and/or determine the sequence of activity that would follow if solutions were to be implemented in tandem.



Affirm the magnitude of need for shared warehousing through further consultations with food and beverage processors.



Commission a study to determine the labour needs of the provincial food and beverage processing industry.



In partnership with government, commission and finance a study to identify capacity improvements across the transportation network in BC.

Recommended Actions for Provincial Government



Work with industry as it explores logistics, financing options, and potential participation, including among small food and beverage manufacturers, of a shared distribution (warehousing and transportation) solution.



In partnership with industry, commission and finance a study to identify capacity improvements across the transportation network in BC.



Examine how current immigration programming, with a specific focus on the PNP, can be augmented or new programming could be designed to address the sector's labour challenges.

Sector Areas in Need of Additional Support

While this study focused on three targeted solutions, many other areas of the Sector's supply chain also need assistance. A shortlist of some of those areas for consideration by Industry and Government are listed below.

Area of Need	Suggested Action
Small businesses are faced with the costs among other consequences that accompany the shipping of partial truckloads.	<ul style="list-style-type: none"> Explore the potential of a shared transportation model to maximize shipping volumes and create related opportunities for small food and beverage manufacturers.
Among those surveyed whose supply chains had been disrupted by the COVID-19 pandemic, procurement (sourcing) was among the top three operational areas to be impacted. Such impacts are exacerbated by the logistical and financial challenges faced by small businesses when it comes to obtaining needed supplies (e.g., inbound ingredients).	<ul style="list-style-type: none"> Determine the feasibility of a purchasing "hub" that would consolidate the buying power of small processors, thereby mitigating related procurement risks and better manage supply costs.
Businesses located on Vancouver Island and the Gulf Islands experience additional logistical challenges in having to ship in ingredients, and then ship product out for distribution.	<ul style="list-style-type: none"> Conduct a study to explore a stronger support infrastructure for businesses on Vancouver Island and the Gulf Islands.
As identified in the best practices guide, technology can enable businesses in various ways; and as noted in this report, it serves as a strategy to address, in part, labour challenges. There are though, barriers to be overcome in the adoption of such technology, such as the lack of access to capital (funding) and operational delays resulting from implementation.	<ul style="list-style-type: none"> Explore modifications to available government funding for processors as it relates to innovation, namely by ensuring eligibility of adaptations of existing advanced manufacturing technology in addition to novel or new technology.

Labour



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Labour Challenges

- Challenges with skilled and unskilled labour
 - Not enough people in Canada
 - Even fewer available people want to do these jobs regardless of wage
- Immigration employment programs are less effective in BC than in other provinces
 - Urban concentration of manufacturing

Labour Strategies

- Canada's population is aging – people are not a long-term solution to maintain (and build) industry capacity.
- Advanced Manufacturing is the only real solution to fill production gaps with low and semi-skilled workers
- Automation is no longer about replacing people
 - It's about mitigating risk for businesses that can't find people to fill these jobs

Redefining Innovation

- Historically in Canada, available grants and funding programs for innovation are not attainable for food & beverage companies
 - Definition is slanted toward 'new to the world' technology that is rarely needed/used by industry
- BCFB has been advocating regionally and federally for government to 'broaden the lens' for how innovation is defined and funded.

Industry Trends



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GROWTH CATEGORIES IN BC

- Plant based eating
 - Growing nationally but above index in BC
 - Primary driver is lifestyle and consumers wanting more diversity
 - Vegetarianism/Veganism is growing but not driving the trend
- It's about a lot more than veggie burgers
 - Tofu & Tempeh Sales enjoying steady growth
 - Plant based beverages are surging
 - Oat milk is exploding
 - Flax, Sunflower, and hemp are all emerging
 - Plant based cheese, Butter

GROWTH CATEGORIES IN BC

Social Consciousness and Food

- Food Waste has moved into the spotlight
 - Waste goes way beyond the consumer;
 - Manufacturing
 - Retail
- Zero Waste/Non packaged foods on the rise
 - Nada in Vancouver
- Chefs plan more “zero-waste” dishes that use scraps, trim etc. that are normally discarded
- Banning of straws, plastic bags, single use
- Consumers are demanding less packaging
 - Emergence of compostable packaging

GROWTH CATEGORIES IN BC

Functional Foods

- Consumers look more to their diet to fight stress, offer energy boost, lift mood, and more.
- Sugar Substitutes
- Increase in both new functional beverages and snacks – prebiotic & probiotic
- Regenerative agriculture

THANK
YOU



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