

TORONTO STAFF REPORT

February 28, 2002

To: Economic Development and Parks Committee

From: Joe Halstead, Commissioner Economic Development, Culture and Tourism

Subject: Toronto, the Second largest Food Industry Cluster in North America:
Implementing Toronto's Economic Development Strategy

All Wards

Purpose:

The purpose of this report is to provide an update on the status of the implementation of Toronto's Economic Development Strategy with respect to the Food Industry Cluster, on the food sector activities and initiatives, and to seek endorsement of the recently formed Toronto Food Industry Advisory Committee.

Financial Implications and Impact Statement:

There are no financial implications resulting from the adoption of this report.

Recommendations:

It is recommended that:

- (1) the Economic Development and Parks Committee and Council endorse the formation of the Toronto Food Industry Advisory Committee with the following mandate:
 - (a) develop awareness and promote the capabilities of the Toronto food cluster to local and international audiences;
 - (b) provide industry input to the City of Toronto's key food industry cluster initiatives;
 - (c) provide a forum for discussing issues affecting the sector and its interests;
 - (d) serve as a source of industry intelligence; and

- (e) advise the City on the development of the services, infrastructure and programs needed to support the industry;
- (2) the Department to report back on the outcome of the Food Industry Growth Trends in Toronto Study upon its completion; and
- (3) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Background:

The Toronto Economic Development Strategy adopted by Council in August 2000, recognizes the Food Industry Cluster as a key industry cluster driving the regional economy, due to its significant employment concentration in the City. The cluster is defined as a set of inter-linked private sector industries and public sector institutions, whose final production reaches markets outside the region.

Since the City's amalgamation, staff has been working with representatives of the food industry, private companies, academia, senior levels of government and staff from other City departments to implement the objectives of the Strategy in support of the food sector. On-going activities and programs focus on the Strategy's key areas of attention and recommended actions. As such, an active outreach program was developed to gather intelligence on the sector, to identify investment and export opportunities as well as to position the City as the best place to do business.

The purpose of this report is to provide an update on the status of the implementation of Toronto's Economic Development Strategy with respect to the Food Industry Cluster, to provide an update on food sector activities and initiatives, as well as to seek Council's endorsement of the recently formed Toronto Food Industry Advisory Committee.

Comments:

Key Features of the Food Industry Cluster

The food cluster is one of Toronto's most important economic sectors for the following reasons:

- (a) The Toronto region is home to North America's second largest and fastest growing food industry manufacturing cluster. With nearly 25,000 jobs, food processing alone is one of the largest industrial employers in the City, accounting for 12% of the total industrial employment. There are over 400 food processing operations in Toronto.

- (b) Food manufacturing plants are found in every employment district in the City. The food industry is geographically spread across the City. This applies equally to the spatial distribution of food manufacturing plants (Attachment A), as well as to the spatial distribution of retail and food service outlets (Attachment B). The food manufacturing industry is spread chiefly among the four major former municipalities of Etobicoke (23%), North York (22%), Scarborough (20%) and Toronto (32%), with some presence in East York (1%) and York (2%). This geographical pattern is of particular significance for local economic development, as this industry provides a viable employment base for relatively less skilled labour across the city. Furthermore, it provides the flexibility to attract food businesses almost anywhere in the City.

Another interesting feature is that half of Canada's top-ranked food and beverage manufacturers are headquartered in Toronto. This is an indication of Toronto's role as the major decision making centre for the food industry in the country.

- (c) The food processing's strategic potential for local economic development extends beyond the ability to create direct employment because its multiplier effect generates growth impacts in related industries. While its core activities encompass: manufacturing, warehousing and distribution, retailing and food service, this industry is linked to a number of other industries that either service or are ancillary to the sector. These include packaging, production of food industry equipment, bio-technology, agriculture, specialized transportation (i.e., refrigerated), architecture, industrial and graphic design, civil, industrial and environmental engineering, food science and others.
- (d) The food industry helps stabilize the local economy. The cluster is composed of large manufacturers – industry anchors- and small and medium size firms (SME's). While large manufacturers such as Kraft Canada, Maple Leafs Foods, etc. to name a few, employ 8% of the total food processing industry employees, small and medium size enterprises (SME's) employ the majority of workers in the sector. Seventy five percent of all Toronto processing firms have under 50 employees while only 6% have over 200 employees. Because of its size and diversity, the food industry generates an unmatched diversified source of employment.

The food industry has proven to be stable during recessions: between 1991 and 1995, when the manufacturing's share of total employment declined, food processing's share of manufacturing employment actually increased by almost 50%.

- (e) Growing demand for high quality, value added and unique products has had a positive impact on the food industry and provided an opportunity for local entrepreneurs to develop innovative new products, invest in the City and create jobs. The City's multi-ethnic/cultural communities have served as nurturing grounds to foster a rapidly growing specialty food sector: the percentage specialty food processors with respect to the total food processors in the City, is 50% higher than the Provincial average.

This is a well established manufacturing sector, which offers opportunities to capitalize on innovation, thereby becoming the perfect fit for the ethno/cultural composition of Toronto.

Because the food manufacturing industry offers a variety of venues to start up, it is attractive to newcomers or entrepreneurs with limited resources. Starting points in the food business may be a home kitchen, a church kitchen and so forth. Restaurants have also been the place to nurture innovative food ideas. In fact with a relatively small investment a food product can be developed and eventually marketed. In this respect, the Toronto Kitchen Incubator, described later in this report, has been having a unique role in guiding and supporting fledging entrepreneurs in the food industry.

Many successful companies in Toronto began as a home-base venture and developed into multimillion dollar companies. For instance, Tiffany Gate Foods Inc., began in the kitchen of the company's president in 1989 and has since grown into a leading supplier of fresh prepared foods to North American supermarkets, hospitals and airlines. A year ago, the company, which now employ 150 people, built a 70,000 sq. ft. state-of-the-art food production facility in Toronto's west end and according to Food in Canada magazine, it ranks amongst the top 100 food & beverage processors in Canada.

Formation of the Toronto Food Industry Advisory Committee (TFIAC)

One of the primary conclusions of the Toronto Competes study – a study prepared in support of the City's economic development strategy, is that the City's performance, along with the Toronto area as a region, is determined in large measure by the competitiveness of the regions economic clusters. As one of the key strategic clusters in the City and second largest in North America, after Chicago, it is important to ensure the on-going competitiveness of the Toronto food industry for the long term economic health of the City.

In accordance with the City's economic development strategy, the Economic Development Division brought together a number of industry representatives in the fall of 2001 for the purpose of forming a Toronto Food Industry Advisory Committee (TFIAC). The Committee is comprised of food industry and related business representatives from across the City, trade associations, industry press, academia, representatives of the real estate industry and Economic Development Division and Ministry of Agriculture, Food and Rural Affairs (OMAFRA) staff.

The mandate of the TFIAC is to:

- (a) develop awareness and promote the capabilities of the Toronto food cluster to local and international audiences;
- (b) provide industry input to the City of Toronto's key food industry cluster initiatives;
- (c) provide a forum for discussing issues affecting the sector and its interests;
- (d) serve as a source of industry intelligence; and
- (e) advise the City on the development of the services, infrastructure and programs needed to support the industry.

It should be noted that food manufacturing has particular needs with respect to land, facilities, hard and soft infrastructure requirements such as water, sewers, public health. Further meetings will be scheduled throughout 2002, as required. It is recommended that the Economic Development and Parks Committee endorse the formation and mandate of TFIAC. One of TFIAC's key roles will be to provide input and direction with respect to the cluster development initiatives discussed below.

Key Food Industry Cluster Development Initiatives:

Food Industry Growth Trends in Toronto

The City of Toronto and OMAFRA are undertaking a joint study to provide a better understanding of the critical physical infrastructure and spatial needs for accommodating the present and future growth of the food processing industry cluster in Toronto. This information will enable both OMAFRA and the City of Toronto to anticipate the food industry demand and needs for space and infrastructure and proactively develop solutions to ensure optimal business growth and retention as well as investment attraction to the food industry cluster in Toronto.

By looking at present and anticipated facility needs, historical infrastructure consumption levels, access to financial capital and mobility patterns, the study is expected to answer questions about the nature and growth trends of the food processing industry in Toronto. The value-added objectives of this project are to determine growth rates and demand for infrastructure and investment. The study, once completed, will assist answering these questions:

- (a) how well is the food processing sector accommodated in Toronto,
- (b) what is its anticipated demand for space and infrastructure over the next 5-10 years,
- (c) what are the costs associated with that growth,
- (d) what specialized investment opportunities are foreseen in the sector i.e., niche real estate markets and co-packing capacities, and
- (e) what program, policy and public investment gaps should be the focus of both municipal and provincial governments' attention.

This project is estimated to be completed in the Spring 2002. It is recommended that the Department report back on the outcome of this study upon its completion.

Industry Outreach/Investment

Staff work with lead firms in the industry and trade associations to identify and facilitate opportunities for growth. Since the City's amalgamation, support for the industry was extended across the City of Toronto, resulting in over 400 businesses being contacted and programs being

developed accordingly. In addition, active participation in trade events has provided timely information on industry trends and challenges.

In keeping with the City's economic development strategy, a number of industry outreach and co-marketing initiatives have been undertaken, including organization and participation at national and international trade shows and industry events, contributions to the specialized press, as well as presentations to numerous food industry delegations from around the world (including Argentina, Australia, Colombia, Korea, India, Japan, Spain and Saudi Arabia).

Department staff have established contact with large food industry employers in Toronto such as, Kraft Canada Inc., Parmalat Canada, George Weston Ltd., Campbell Soup Co. Ltd., Maple Leaf Foods Inc., Molson Breweries, Nestle Canada Inc., and Gay Lea Foods Cooperative Ltd. In 2001, leading food processors with plants in the City, exceeded \$24 Billion in sales.

During the last few years, a number of large food manufacturing companies such as Redpath Sugars, Canada Bread and Nestle Canada have made substantial new investment in their operations. During 2000 and 2001 alone, staff assisted in food industry expansion and relocations within the City, resulting in \$40 million investment, 1,150 jobs retained and 200 new jobs.

Training Initiatives

Availability of trained staff is key to ensuring business retention. Training venues for the food industry are limited and dispersed. While large food companies have the ability to provide in-house training, smaller or medium size companies found in-house training either too expensive or unpractical. Since the City's amalgamation, staff have been organizing seminars and workshops for the industry as a value added for the food industry in Toronto, reaching an audience of over 350 in 2001 alone.

These events were organized in partnership with key industry trade associations such as the U.S. National Association for the Specialty Food Trade, the Baking Association of Canada and the Canadian Federation of Independent Grocers. Last November, the Know your Business Grow your Business Open House and Seminar for food industry entrepreneurs was organized in partnership with the Guelph Food Technology Centre, a leading training and research organization in the food industry. This event provided one stop shopping information on City services for the food industry, with the participation of Toronto Economic Development, Public Health, Works and Emergency Services and Community and Neighbourhood Services (FoodShare). Two panels of leading experts discussed key industry issues.

Toronto Kitchen Incubator (TKI)

Originated in 1996 in a re-cycled building near the Don Valley Parkway, TKI provides a 4,500 sq. ft. fully equipped collective kitchen, storage and loading facilities as well as refrigerated space for fledging food business entrepreneurs. Staff have been providing advice and support to this initiative since its inception and helped to develop new criteria to "screen" potential

entrepreneurs and performance measures to ensure a higher degree of success in the “real” market place for the “graduated” tenants.

TKI provides a low risk opportunity for new entrepreneurs to grow their food businesses. TKI’s support is crucial in the first stages of a food processing business as it provides advice, specialized support and services as well as the venue for businesses to gain confidence to move into the next stage: an independent business venture. Operating funding is provided by TEDCO.

Over 23 businesses have used the TKI facilities of which 11 have “graduated”, resulting in 7 successful businesses employing 17 full time and 11 parttime employees in 2001. TKI has been gradually securing its niche in the food industry by attending to new inquiries and referrals on a regular basis. EDD staff has been supporting this program by providing the necessary sector intelligence and business network connections.

Policy Issues:

The development of new technologies coupled with changes in the global market place, prompted the restructuring of many “traditional” food companies. A typical example is the relatively recent consolidation of Nabisco with Kraft affecting 7 plants with over 3,000 employees in Toronto. The effect of firms’ mergers on employment needs to be closely monitored and strategies need to be discuss as the food industry, one of the traditional sources of manufacturing jobs, responds to change.

With over 350 pieces of legislation the food industry is one of the most regulated industries in the City. This is a tremendous challenge both for starters as well as for established firms. Concerns about food safety and changing labelling regulations will bring alone further challenges as the industry is striving to remain competitive. Staff have been working with the Public Health Department as well as with senior levels of government to be kept up to date and to facilitate access to information by food businesses. It is anticipated that new regulations for recycling, will also have an impact on the industry.

Last but not least, the limited availability of food grade facilities in the City has been identified by the industry as an impediment to grow. This situation has been exacerbated by the conversion of industrial land to other uses, i.e., commercial, residential. This increases land costs, making it difficult to launch a business in food processing. The City-OMAFRA study will shed some light into the food industry growth trends. Staff will continue to work with the industry to address growth issues.

Conclusions:

Toronto’s Economic Development Strategy recognizes the Food Industry Cluster as a key strategic cluster in the City and recommends actions and directions to ensure business retention and attraction. Since amalgamation, sector staff has been working with the industry to gain

intelligence in the sector, to raise the City's profile with the industry and to develop programs in support of this key economic sector. The Toronto Food Industry Advisory Committee (TFIAC) was formed to provide industry input to the City of Toronto's food industry cluster initiatives and to provide a forum to address food industry issues. It is recommended that Economic Development and Parks Committee endorse the formation and mandate of the Toronto Food Industry Advisory Committee.

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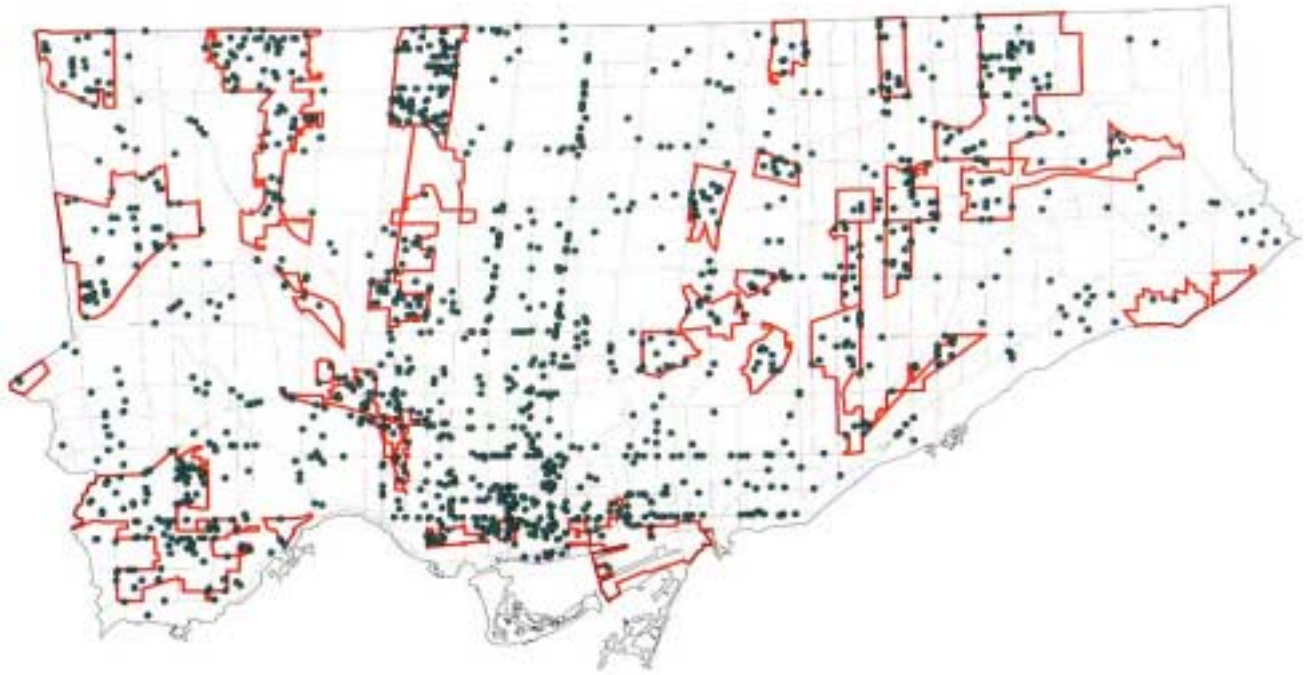
Joe Halstead
Commissioner Economic Development, Culture and Tourism

List of Attachments:

Attachment No. 1 – Food and Beverage Manufacturing in the City of Toronto
Attachment No. 2 – All Food and Beverage Establishments in the City of Toronto

Food and Beverage Manufacturing in the City of Toronto

Food & Beverage Establishments in the City of Toronto

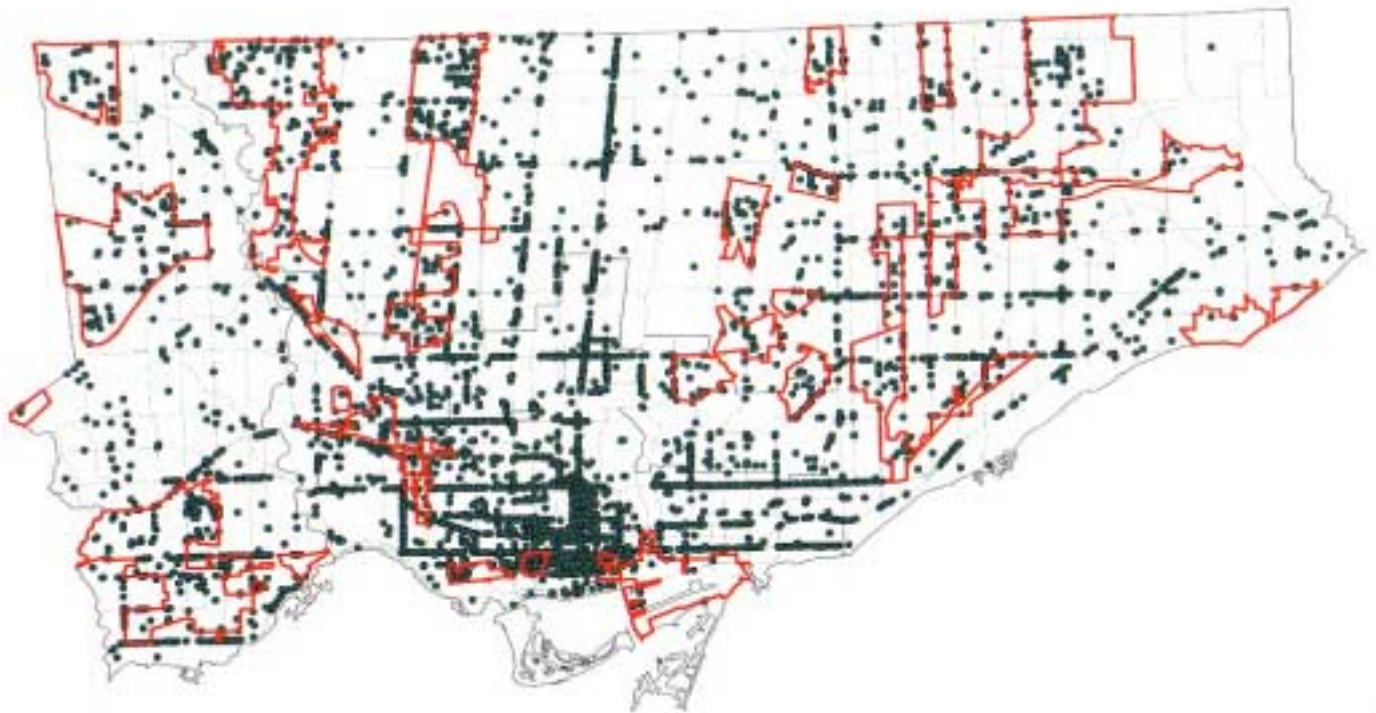


*Does not include Retail & Food Service

Source: Dunn & Bradstreet, 1999 & City of Toronto Economic Development

All Food & Beverage Establishments in the City of Toronto

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