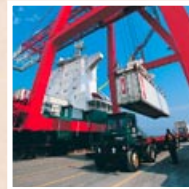


KPMG Business Study 2004

CEO's Guide to World Business Costs

Agri-food



FYI. The Economist Intelligence Unit (EIU) states that Canada will be the best country in the world to do business between 2004-2008. Why? The EIU cites Canada's openness to foreign trade and capital, high-quality infrastructure and great market opportunities within the North American marketplace.

Growing Your Agri-food Profits: Canada's 4.7 Per Cent Cost Advantage

KPMG conducted a detailed 10-month study of business costs applied to specific industries and business operations in 11 countries in North America, Europe and Asia-Pacific: *Competitive Alternatives – The CEO's Guide to International Business Costs*.

In the food processing category, Canada finished first in North America, and second in the world after Australia – by less than a percentage point. The United States finished eighth. The North American difference: U.S. cities averaged 4.7 per cent higher costs than Canadian cities. Canada's cost advantages make it the location of choice for agri-food processors wishing to supply North American markets.

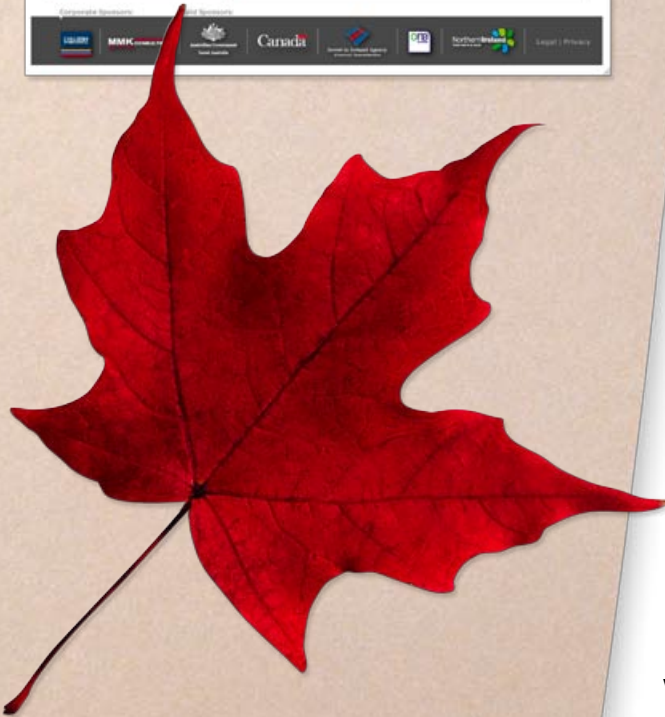
KPMG's operational model was a small independent food processor, producing medium-value, non-perishable products such as confectionery goods, or packed, dried or canned foods.

An Exciting New Tool for Investors!

In addition to the study, KPMG developed a Web-based cost model as well as an interactive Website; the site enables investors to explore the costs involved in setting up and operating a business over a 10-year period in more than 120 cities in Canada, the U.S., the U.K., France, Germany, Italy, Iceland, Luxembourg, the Netherlands, Japan and Australia.

The study offers clear evidence of Canada's after-tax cost advantages in the agri-food processing sector. But see for yourself. Examine the data. Use your own criteria, make your own comparisons, pick potential spots to locate or expand your operations.

The proof of Canada's cost advantage is at:
www.competitivealternatives.com



Comparison of Annual Costs – Food Processing

Costs, by major component, US \$'000

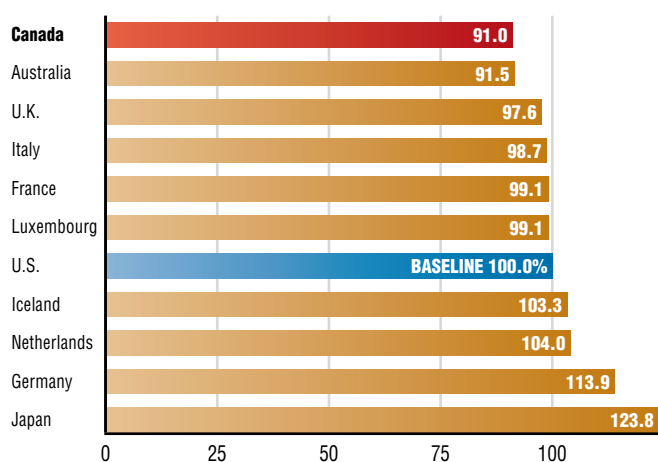
	North America				Europe					Asia Pacific	
	Canada	U.S.	France	Germany	Iceland	Italy	Luxembourg	U.K.	Netherlands	Australia	Japan
Revenues	26,384	26,384	26,384	26,384	26,384	26,384	26,384	26,384	26,384	26,384	26,384
Costs											
Salaries & wages	3,398	4,004	3,448	5,088	3,965	3,388	4,357	3,395	4,136	3,700	6,027
Statutory benefits	359	526	802	1,285	790	480	545	268	846	507	625
Other benefits	748	951	1,104	1,275	794	1,404	798	1,419	1,085	616	1,379
Total benefits	1,107	1,477	1,906	2,560	1,584	1,884	1,343	1,687	1,931	1,123	2,004
Labor and benefits	4,504	5,481	5,354	7,649	5,549	5,272	5,700	5,081	6,067	4,823	8,031
Transportation	753	1,311	841	575	4,349	891	739	697	365	586	1,050
Utilities	604	723	625	880	1,247	793	663	611	977	629	1,268
Interest & depreciation	846	930	936	1,461	2,137	939	1,149	1,044	1,053	753	1,638
Non-income taxes	208	219	226	172	96	108	95	203	33	39	438
Location-insensitive costs	16,359	16,359	16,359	16,359	16,359	16,359	16,359	16,359	16,359	16,359	16,359
Profit Before Income Tax	3,111	1,362	2,044	-711	-3,353	2,021	1,679	2,390	1,531	3,195	-2,401
Income taxes ¹	1,065	510	689	53	-	1,060	450	720	520	995	-
Effective rate	34.2%	37.5%	33.7%	n/a	n/a	52.4%	26.8%	30.1%	34.0%	31.1%	n/a
After-Tax Profit	2,047	852	1,354	-764	-3,353	962	1,229	1,670	1,011	2,200	-2,401
Total annual costs	24,337	25,532	25,030	27,149	29,737	25,421	25,155	24,714	25,373	24,184	28,785
Index (US=100.0)	95.3	100.0	98.0	106.3	116.5	99.6	98.5	96.8	99.4	94.7	112.7
Rank	2	8	4	9	11	7	5	3	6	1	10

1. Income taxes may be either positive or negative, irrespective of whether profit before income tax is positive or negative, due to the impact of specific expense deduction rules, minimum taxes, and refundable income tax credits.

Source: *Competitive Alternatives: The CEO's Guide to International Business Costs*. KPMG, 2004.

Comparison of Annual Costs – 12 Industry Average

Overall business operation average in 12 industries.*
Per cent cost relative to the United States.



*Total business costs comprise the sum of location-sensitive costs and location-insensitive costs.

Source: *Competitive Alternatives: The CEO's Guide to International Business Costs*. KPMG, 2004.

Measurable Success

The best measure of a country's ability to compete in the global marketplace is its current account balance with all its trading partners. Canada has recorded an overall current account surplus for 17 straight quarters, and a surplus with its biggest trading partner – the United States – for 22 straight quarters.



The North American Free Trade Agreement brings together more than 400 million consumers from Canada, the United States, and Mexico in a region rich with opportunities for companies looking to deliver innovative food and beverage products. Over the last 10 years, the balance of trade with the U.S. in processed foods and beverages has increased significantly in Canada's favour.

Turning Good Taste into Healthy Profits

Canada originally became renowned as the breadbasket of North America and the world. But today, food processing in Canada has grown into an important, highly diversified sector that adds value to a wide range of raw agricultural materials. In fact, food processing is the top manufacturing industry in seven of the ten Canadian provinces.

What makes the Canadian agri-food processing sector one of the most profitable in the world?

A mix of fine ingredients:

- duty-free access to the NAFTA region
- top-of-the-line technology
- sophisticated and cost-effective research and development (R&D)
- quality agricultural inputs that are readily available and competitively priced
- well-educated and loyal employees
- low costs for production and for employee health benefits (especially compared to the U.S.)

North America is a large, vibrant and dynamic marketplace that provides Canadian food processors with lucrative returns and opportunities to grow. Half of the U.S. food market is within a 10-hour drive from Canada. In addition, offshore Asian markets can be reached in about half the time it takes from Western European ports.

**Grow here. Process here.
Research here. Profit.**

THEY KNOW WHY THEY'RE HERE. SO SHOULD YOU.

Archer Daniels
Midland (ADM)
Dow AgroSciences
Frito-Lay Canada
Heinz
Hershey Food Corporation
Mars, Incorporated
Nestlé Canada Inc.
Unilever

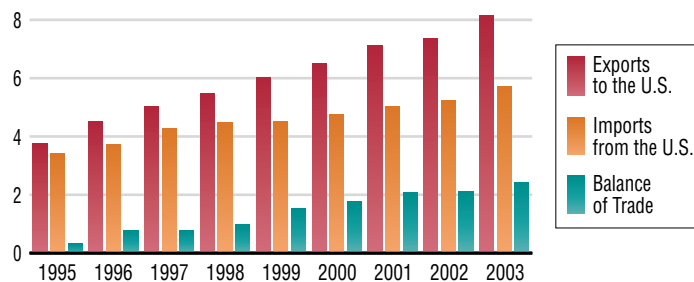


“Greater Moncton, New Brunswick, is an ideal location for our Atlantic Waffles Plant. Its proximity to large Canadian and U.S. centers will enable us to be even more competitive in export markets.”

**Ole Elmer, President
Atlantic Waffles**

Canada/U.S. Trade in Processed Food & Beverage Products

Billions of dollars US*



*Source: Statistics Canada

Gateway to North America

Canada is the ideal gateway for your firm to serve the North American market. Our modern food and beverage industry is closely integrated with American agri-business, but Canadian locations enjoy specific advantages. Many American companies have chosen to expand in Canada, and for good reasons — they are looking for loyal, skilled workers at a reasonable cost. Low costs to employers for employee health benefits help to sweeten the deal. U.S. firms have been making major investments in Canada, in manufacturing areas as diverse as snack foods, confectionery items, bottled water and pork products. Canadian plants are known to offer flexibility and cost-efficiency in the production of both branded and co-packed products.



High-quality and Safe Resources

Canada has a rich and diverse production base of high-quality raw agricultural ingredients at competitive prices. For example, our soils, climatic conditions and producer know-how have combined to establish Canada as a world leader in the production of quality potatoes. In turn, the humble potato has attracted large domestic and foreign investments in value-added processing, giving rise to the successful production of frozen french fries and potato chip snack foods. In addition, sugar, a widely used food ingredient, is available at prices averaging 40 per cent less than in the U.S. It is no surprise that Canada has become a home-away-from-home for many of the world's largest confectionery firms. With integrated safety and quality-control checkpoints “from field to fork,” Canada's food inspection system sets the standard at the international level.



Cost-effective Innovation

Many of Canada's world-class universities offer specialized programs in agricultural life sciences and are at the leading edge in the field. And the Canadian government can help you with your R&D projects. Agriculture and Agri-Food Canada (AAFC) will match private sector investments dollar for dollar on collaborative research projects. AAFC operates a network of 19 research centres across Canada, with strong links to the research community.



© OCEAN NUTRITION CANADA

An Attractive Place to Nurture People and Profits



Nisshin Flour Milling

Nisshin Flour Milling Inc. of Japan's Nisshin Seifun Group is doubling the capacity of the Canadian subsidiary it acquired 14 years ago to take advantage of Canadian markets and even greater opportunities just across the border, in the U.S. In 1989, Nisshin purchased Rogers Foods Ltd., of Armstrong, British Columbia, a miller known for its quality flour and natural whole grain cereal products. Nisshin is building a new 250-tonne-per-day mill in Chilliwack, B.C., to expand service sales in the upscale bakery markets in Vancouver and on the West Coast of the U.S.

Tim Hortons

Tim Hortons, the Canadian-based subsidiary of Wendy's International Inc., identified an opportunity to enhance its lunch offerings. It turned to the IAWS Group plc in Ireland for help with a European specialty: baguettes. The result was a highly successful strategic alliance. IAWS offered the bakery manufacturing technology of one of its subsidiaries, Cuisine de France, well known for its signature baguettes. Tim Hortons customers get fresher, tastier sandwiches and IAWS is making further inroads into North American markets.

Ocean Nutrition Canada

Ocean Nutrition Canada is the world's leading innovator, researcher, and vertically-integrated provider of quality marine-based nutraceuticals and functional food ingredients. It supplies high-quality marine-based dietary supplements and functional food ingredients from its Nova Scotia base to brand marketers in the U.S., Europe and Asia. Ocean Nutrition Canada is the no. 1 global producer of concentrated long chain omega-3 fatty acids from fish oil. Its R&D division has discovered three novel patented bioactive compounds, two patented delivery technologies and has six patents pending. "Halifax is a great place to build our business, with its large marine science community, highly educated stable work force, R&D tax credits and easy access to both the U.S. and European markets. The secret to our success has been our people and their creativity in developing proprietary products and technologies in a tremendously supportive community." says Robert Orr, President.

"General Mills brings innovative food products to Canadian families with some of the most recognizable brands in the marketplace. The acquisition of Pillsbury in 2001 broadened our Canadian product portfolio and set us up for an exciting future. It will be a combination of our great brands and the great people we have been able to attract to our team in Canada that will drive our growth in this market."

**Kristi Strauss, President
General Mills Canada**

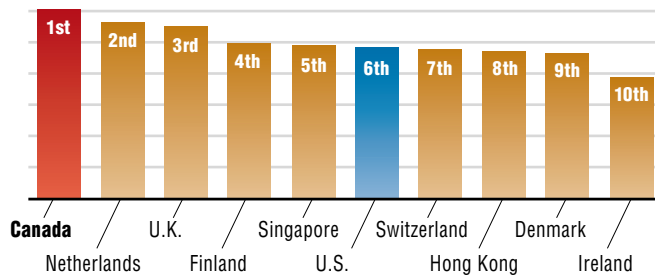
“Canada offered our firm everything we needed to operate our business, which specializes in producing food ingredients by fermentation and the production of citric acid. The right elements included easy access to raw materials, available land, proximity to markets and a good transportation infrastructure with opportunities for expansion.”

**Howard Roberts, General Manager
Jungbunzlauer Canada**

Canada's R&D Cost Advantage

	Canada	United States
1	Permanent program	Temporary program – periodically renewable through Act of Congress
2	Tax credits may be refundable	Tax credits are only non-refundable
3	R&D expenditures can be carried forward indefinitely	Time limits to expensing R&D expenditures
4	Salaries, material, contracts, overheads, and incremental costs may qualify	Only salaries, supplies, and 65% on contracts qualify
5	Capital equipment for R&D may qualify	R&D capital equipment does not qualify
6	Volume-based tax credits	Incremental tax credits
7	Research performed in Canada and funded by non-residents may qualify	Research funded by third party does not qualify

Top Ten Countries, Business Environment for 2004-2008



Source: The Economist Intelligence Unit, January 2004

Access a wealth of information

The Canadian Embassy or Consulate nearest you is well positioned to assist in all of your key investment decisions and analysis. They can help you compare city-based sites worldwide, gather information on incentives, regulations, transportation and taxation, and arrange introductions to key government and private sector contacts.

Locate your nearest Embassy or Consulate at www.investincanada.gc.ca.

Investment Partnerships Canada

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Telephone: (613) 954-5031
Fax: (613) 954-2340
E-mail: investincanada@ic.gc.ca

*Let us show you why investing in
Canada makes good sense, visit:*

www.investincanada.gc.ca

Agriculture and Agri-Food Canada

Investment Secretariat
930 Carling Avenue
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Fax: (613) 759-1667
E-mail: invest-investir@agr.gc.ca

*To learn more about Canada's agriculture,
food and beverage industry visit:*

<http://ats-sea.agr.ca>

Why is Canada Such a Great Place to Do Business?

✓ A STRONG AND STABLE ECONOMY

Canada was the only G7 country to record a sixth consecutive budgetary surplus at the end of the 2002-2003 fiscal year. Finance Canada forecasts a seventh surplus for 2003-2004 and for each of the next five fiscal years. Inflation has averaged a modest 2.4 per cent over the past five years, producing low interest rates and one of the lowest cost-of-living indices in the developed world.

✓ SUPERIOR WORKERS AND MANAGEMENT

Canada leads the world in the percentage of citizens with a university or college education. Surveys show that Canada has North America's most impressive record for workplace stability and company loyalty. Canada's multilingual workforce encourages global input for firms responding to marketplace challenges.

✓ REASONABLE WAGES AND SALARIES

KPMG's 2004 business cost study found that Canada's average labour costs are significantly lower than comparable American costs. For positions paying US\$63,000 in the United States, salary levels are 20 per cent lower in Canada.

✓ GREAT R&D AT HUGE SAVINGS

Canada's R&D tax treatment is among the most generous in the industrialized world. It includes immediate full write-offs for all expenditures in R&D capital equipment and appreciable tax credits. Firms can significantly reduce R&D costs through direct investment or subcontracting in Canada.

✓ SERVING ALL OF NORTH AMERICA

Under NAFTA, American markets are Canadian markets. Canada provides access to more than 400 million consumers and a combined GDP of over US\$11.4 trillion. Canada and the U.S. have the world's largest trading partnership, with two-way trade amounting to more than US\$508 billion in 2002. Of Canada's 20 largest cities, 17 are within an hour-and-a-half's drive of the United States. Many large North American firms have integrated Canadian and American production facilities.

✓ LOWER EMPLOYER BENEFIT COSTS

Because of Canada's national health-care system, employer-paid health benefits amount to 2.1 per cent of workers' gross pay in Canada, compared to 9.6 per cent in the United States.

✓ WELCOME MAT FOR INVESTORS

Canada performed extremely well in the World Bank's report *Doing Business in 2004: Understanding Regulation*: it typically takes only two procedures, three days, and less than the equivalent of 1 per cent of annual income per capita to open a business in Canada.

✓ A MOST PALATABLE QUALITY OF LIFE

Canada has the lowest G7 cost of living, and it leads the G7 as a safe place to live and do business. In a survey of 90 countries, *The Economist* recently ranked Canada third to Finland and Sweden for honesty and reliability in business dealings.

To find out more about investment opportunities in Canada:

www.investincanada.gc.ca