

Quality
is in our nature



Agri-Food Investment: **Winning in North America**



Canada is the place for you —
Check out the evidence inside.



Government
of Canada

Gouvernement
du Canada

Canada 



The North American Free Trade Agreement has created a single market that is home to more than 435 million Canadians, Americans and Mexicans. Our continental market is full of lucrative opportunities for companies offering both traditional and innovative food and beverage products.

The balance of trade with the U.S. in the food and beverage sector keeps tilting in Canada's favour. Canada enjoyed a US\$2.5 billion balance-of-trade surplus over the U.S. in this sector in 2005. Understanding the forces that underlie this trend can pay dividends for your business.

Turning Good Taste into Healthy Profits

Food and beverage production is an extremely competitive sector. But, it isn't a secret what ingredients give Canadian manufacturers and distributors an edge in the North American marketplace—they include:

- **Productive and reliable workers**
- **Manufacturing cost advantages**
- **Reliable access to safe and high quality raw materials**
- **Proximity to high-density markets**
- **Advanced food technologies**

**THESE COMPANIES
HAVE BENEFITED BY
CHOOSING CANADA.
FIND OUT WHY.**

Archer Daniels Midland
Dow AgroSciences
Frito-Lay Canada
Heinz
Hershey Food Corp.
Mars, Incorporated
McCormick & Company Inc.
Nestlé Canada Inc.
Puratos
Unilever

**For Cost and Production Advantages,
Open the Flaps!**

Invest in Canada: Expanding is a Way of Life Here



Grow Like Unilever!

Unilever, a top international food manufacturer, has chosen Canada as the North American production base for two of its most popular brands: Lipton and Knorr. In 2006 Unilever Canada will expand its facilities in Bramalea, Ontario to meet a new mandate. The plant has proven itself as an efficient producer of Lipton and Knorr side dishes for all of North America, but until recently soups were produced only for Canada. Its success convinced the parent company to expand the mandate to include production of soups for U.S. markets as well.



Grow Like Ocean Nutrition!

Ocean Nutrition Canada Ltd (ONC) is a global supplier of MEG-3® brand omega-3 EPA/DHA ingredients to the dietary supplement and healthy food markets. ONC supplies high-quality, marine-based ingredients to clients in North America, Europe, Asia and Australia. Ocean Nutrition Canada is the largest manufacturer of concentrated long chain omega-3 fatty acids from fish oil and was the first to have eleven of its oils achieve US Pharmacopoeia (USP) verification. ONC currently has 19 patent families (novel compositions, processes and uses), comprising 68 patents either granted or pending in 18 countries around the world.



Grow Like Nisshin!

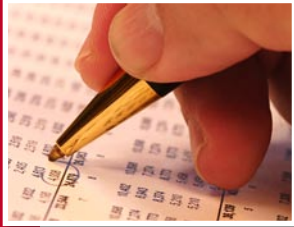
Nisshin Flour Milling Inc. of Japan has doubled the capacity of the Canadian facility it acquired 17 years ago to take advantage of upscale domestic markets as well as exciting new market opportunities just across the border in the United States. In 1989, Nisshin purchased Rogers Foods Ltd., of Armstrong, British Columbia, a local miller known for its quality flour and natural whole grain cereal products. Initially, Nisshin supported the expansion and modernization of the Armstrong mill. But, that wasn't enough to meet growing demand for its products. In 2005, Rogers opened a new 250-tonne-per-day mill in Chilliwack, B.C. that has allowed it to expand flour sales to bakery and food processing markets in Vancouver and the U.S. West Coast.

“Halifax is a great place to build our business, with its large marine science community, high-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.”

**Robert Orr, President and CEO
Ocean Nutrition**



Growing Your Agri-Food Profits: Canada's 4.0 Percent Cost Advantage Over the U.S. Industry



In March 2006, KPMG released a detailed study analyzing food processing business costs in nine countries, including the United States, Canada, Britain, France, Germany, Italy, the Netherlands, Japan and Singapore.

Canada finished first in North America, with a 4.0 percent cost advantage over the United States.

That advantage produces an average of 6.9 percent net profit over sales in Canada compared to 3.1 percent in the United States—more than double the profit rate!

There are other countries in the study with a cost advantage over American agri-food producers, but

none with such easy access to U.S. markets. The North American Free Trade Agreement (NAFTA) has given Canada easy access to U.S. markets: 17 of Canada's 20 largest cities are within an hour-and-a-half drive of the United States.

In the North American context, Sherbrooke, Edmonton and the Waterloo Region are first, third and fourth respectively as low-cost agri-food processing locations.

The business cost model used by KPMG is based on 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!

To complement the study, KPMG has 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 decade in more than 128 cities.



Want to investigate Canada's after-tax cost advantages over the U.S. for yourself? Take a look at the website data. Use your own criteria, make your own comparisons, and pick potential spot to locate or expand your operations.

Check out our credentials:

www.CompetitiveAlternatives.com

Comparison of Annual Costs – Food Processing

Costs, by major component, US \$'000

	North America		Europe					Asia Pacific	
	Canada	U.S.	Germany	Italy	U.K.	France	Netherlands	Japan	Singapore
Revenues	29,400	29,400	29,400	29,400	29,400	29,400	29,400	29,400	29,400
Costs									
Salaries & Wages	4,169	4,403	5,097	3,654	4,244	3,649	4,294	6,451	2,544
Statutory Benefits	428	554	1,280	1,059	543	1,483	622	1,173	299
Other Benefits	880	1,376	1,245	913	1,576	677	1,470	742	401
Total Labor & Benefits	5,477	6,332	7,622	5,625	6,363	5,808	6,385	8,366	3,244
Transportation	1,291	1,870	619	1,046	492	720	381	1,055	488
Utilities	761	859	1,024	854	662	709	630	1,251	824
Interest & Depreciation	884	1,021	1,266	922	1,005	932	1,004	1,147	478
Non-income Taxes	240	260	122	132	242	207	22	241	38
Location-insensitive Costs	17,640	17,640	17,640	17,640	17,640	17,640	17,640	17,640	17,640
Profit Before Income Tax	3,107	1,417	1,106	3,182	2,996	3,383	3,337	(299)	6,689
Income Taxes ¹	1,067	505	543	1,393	907	1,125	995	63	1,312
Effective Rate	34.4%	35.6%	49.1%	43.8%	30.3%	33.3%	29.8%	n/a	19.6%
After-Tax Profit	2,040	912	563	1,788	2,089	2,258	2,341	(362)	5,377
Net Profit Over Sales In Canada	6.9 %	3.1%	1.9%	6.0%	7.1%	7.7%	7.9%	(1.2%)	18.3%
Total Annual Costs	27,361	28,487	28,837	27,612	27,311	27,141	27,058	29,762	24,024

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. Effective tax rates are not shown where results are not meaningful because of low profitability.

Source: *Competitive Alternatives: KPMG's guide to international business costs*. 2006 Edition.

KPMG Business Study 2006

“Our expansion in Canada shows that we have a first-rate operation here and that this country is a great base for food companies looking for success in both Canadian and U.S. markets. We have shown that we are able to produce food products that are both cost-competitive and of the highest quality.”

Jeffrey Allgrove, President
Unilever Canada

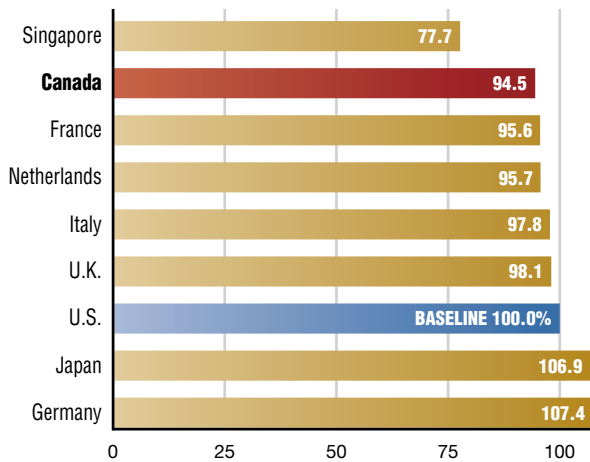
“General Mills brings innovative food products to Canadian families with some of the most recognizable brands in the marketplace. It is the combination of our great brands and the great people that work for us that drive our growth in the Canadian market.”

Christi Strauss, President
General Mills Canada



Comparison of Annual Costs – 12 Industry Average

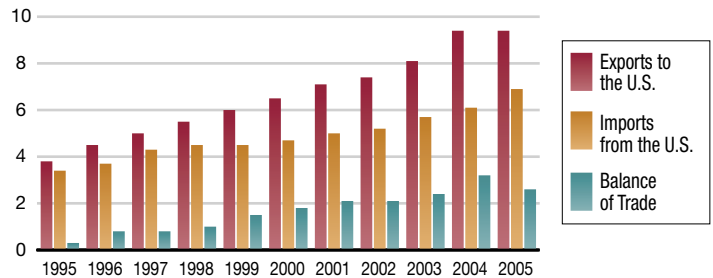
Overall business operation average in 12 industries.*
Percent cost relative to the United States.



*Total business costs comprise the sum of location-sensitive costs and location-insensitive costs.
Source: *Competitive Alternatives: KPMG's guide to international business costs*, 2006 Edition.

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

Billions of dollars US*

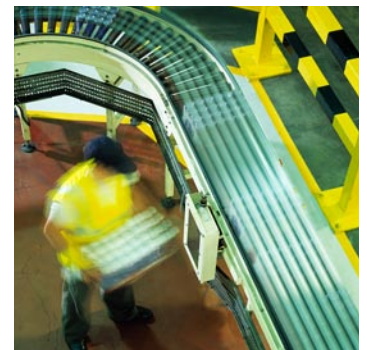


*Source: Statistics Canada

Canada First Among 16 Countries In Food Processing Productivity

In November 2005, the UK's Sector Skills Development Agency released *An International Study of Sector Skills and Productivity*, in which Canada placed first in the food and beverage sector and the U.K. second.

The Agency compared Total Factor Productivity (TFP), which is widely considered as the most comprehensive way of measuring an industry's productivity. TFP includes the contribution of education, training, technical advantages, organizational advantages and management advantages.



Why is Canada Such a Great Place to Do Business?

A STRONG AND STABLE ECONOMY

Canada is the only G7 country that has consistently run a budgetary surplus in recent years. It recorded its eighth consecutive annual surplus at the end of the 2005-2006 fiscal year. Canada's year-over-year inflation rate, which averaged a modest 2.4 percent between 2000 and 2004, dropped to 1.7 percent in 2005.

SUPERIOR WORKERS AND MANAGEMENT

Canada leads the world in the percentage of citizens with a university or college education and it has North America's most impressive record for workplace stability and company loyalty. Canada's multilingual work force gives employers valuable resources to succeed globally.



REASONABLE WAGES AND SALARIES

KPMG's 2006 business cost study found that average Canadian labour costs are the lowest in the G7—and significantly lower than comparable American costs. The study showed that average U.S. labour costs (including benefits) are nearly 12 percent higher than Canadian costs overall.

NATIONAL HEALTH CARE CUTS BUSINESS COSTS

Canada's public health care system helps businesses maintain a healthy work force and dramatically reduces companies' costs in providing workers' benefits.

“Rogers Foods is melding Canada's traditional passion for excellence with exciting new technology and first-rate transportations services to market quality grain-based products into U.S. Markets. And our success in those U.S. markets just keeps growing.”

Vic Bell, President
Rogers Food Ltd.

GREAT R&D AT HUGE SAVINGS

Canada's R&D tax treatment is among the most generous in the industrialized world. KPMG's 2006 *Competitive Alternatives* points to Canada's 10.9 percent advantage over the United States in the cost of doing R&D in biotechnology.



ACCESS TO THE NORTH AMERICAN MARKET

Under NAFTA, Canada provides access to more than 435 million consumers and a combined GDP of more than US\$12 trillion. Canada and the United States have the world's largest trading partnership—Canada leads China, Mexico and Japan as America's largest trading partner.

WELCOME MAT FOR INVESTORS

Canada was an international leader in the World Bank Group's report *Doing Business in 2006*, one of the reasons being that in Canada it typically takes only three days and two procedures to open a business.

BEST NORTH AMERICAN LOCATION

The Economist Intelligence Unit (EIU) predicted that Canada will be the 2nd-best country in the world to do business between 2005-2009 (trailing only Denmark). The EIU pointed to Canada's openness to foreign trade and capital, high-quality infrastructure and great opportunities within the North American marketplace.



Quality
is in our **nature**

Canada Will Support You in Building Strong Brands for Your Canadian-Made Products

Canadian laws and regulations, enforced by the Government of Canada, including the Canadian Food Inspection Agency, provide world-class production standards across the food and agriculture industry. Canada is recognized for its commitment to food safety and environmental stewardship, helping to enhance consumer confidence and access for Canadian food and agriculture products to international markets.

Agriculture and Agri-Food Canada facilitates the export of agriculture and food products through a variety of programs and services. This includes a strategy to support the Canadian food and agriculture brand internationally with dedicated budgets and officers as well as the Canadian Agriculture and Food International Program that provides matching financial support to establish and promote industry-wide brands in international markets.



To learn more about investment opportunities in Canada, visit:

www.investincanada.gc.ca

International Trade Canada

Government of Canada
111 Sussex Drive
Ottawa, Ontario, Canada K1A 0G2
Telephone: (613) 954-5031
Fax: (613) 954-2340
E-mail:
investincanada@international.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
Ottawa, Ontario, Canada K1A 0C5
Telephone: (613) 759-7625
Fax: (613) 759-1667
E-mail: invest-investir@agr.gc.ca

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

www.ats-sea.agr.gc.ca