

## **CWB Fact sheets**

### **Value added**

#### **Key Points**

- Market demand is the main factor that drives value added processing. Investors must identify a market for product and fill unmet market demand. Increasing the level of value-added processing in Canada relies on more than simply creating a positive environment for investment in facilities – there must be consumer demand.
- The wheat marketing system in place has nothing to do with the amount of value added processing that takes place. Market demand doesn't fluctuate based on whether grain is sold through a single desk or on the open market.
- Without an increase in demand, value-added processors simply end up fighting for a small slice of the market – but the total market does not get bigger.
- Value-added processing within the wheat and barley industry has shown healthy growth and development since the signing of the Canada-U.S. Free Trade Agreement in 1989.
- The decrease in demand for grain-based products can be directly traced to the popularity of low-carb diets such as Atkins and South Beach. That has, in turn negatively impacted value-added processing.
- Canada processors exported over 950 000 tonnes of value added processed wheat and durum products in 2005. In wheat equivalent that is 1.287 million tonnes. That means roughly 40 per cent of value added wheat products manufactured in Canada are exported for consumption elsewhere.

#### **FAQs:**

##### ***1. Won't an open market lead to more value-added processing?***

Well if you use Ontario as an example, the answer is no. In that province there's actually been a slight decline in milling capacity since the open market came into effect. The only mill that has closed in Canada in the last 10 years closed in Strathroy, Ontario in November 2003. Investment in value added is driven by demand- not the marketing system that's in place.

Overall, Canadian wheat and durum milling has increased 32 per cent since 1996. By comparison U.S. milling capacity since 1996 has grown four per cent. Clearly value-added processing is demand-driven. Canadian flour mill capacity has grown from about 8 250 (in 1996) tonnes per day to 10 930 tonnes per day.

##### ***2. Won't an open market lead to better malting capacity?***

Domestic malting capacity has also grown over the past 15 years, with annual totals of 1.2 million tonnes, in contrast to U.S. malting capacity, which has declined over the same period.