



[ **FUNCTIONAL FOODS & NATURAL HEALTH PRODUCTS** ]  
Canada's competitive advantages

# CANADA'S FUNCTIONAL FOODS & NATURAL HEALTH PRODUCTS INDUSTRY

With strong regulatory and food inspection systems that support the production of world-class functional foods and natural health products, foreign direct investors can rely on Canada's abundant agricultural product base, its network of research facilities dedicated to innovation and a collaborative environment supported by governments, universities, health institutions and industry.

## QUALITY AND INNOVATION YOU CAN RELY ON

Canada's functional food & natural health products industry is a leading contributor to global innovation and growth. In 2011, Canada had over 750 companies specializing in functional foods and natural health products, generating total revenues of \$16.4 billion.<sup>1</sup> One advantage that foreign investors with established operations in Canada can rely on is a world-leading agriculture production and agri-food export base. In 2013, Canada produced almost 84 million tonnes of grains, oilseeds and specialty crops<sup>2</sup> and, in 2012, was the world's eighth-largest exporter of agricultural products.<sup>3</sup> Foreign investors can also use Canada's agriculture-focused infrastructure to both gain easy access to markets and efficiently export their products.

## A WEALTH OF OPPORTUNITIES

Foreign investors have already tapped into Canada's vast agricultural and marine resources to produce functional foods and natural health products. Companies in Canada are internationally recognized for their bioactive ingredients, including soluble fibre from oats, barley and pulses, omega-3 fatty acids from fish and flax oil, unsaturated fatty acids from canola oil, plant sterols and stanols from vegetable oils, and protein from soy.

The functional foods and natural health products industry is governed by the Food and Drugs Act and regulations in Canada, the major components of which are food labelling, standards, advertising and health claims. This internationally respected regulatory system ensures world-class standards and safe, effective products of the highest quality. So much so that, in many instances, approval for use in Canada results in faster approvals in other markets.

## CANADA'S KEY STRENGTHS

- Rich, fertile land, abundant fresh water and vast natural resources
- An internationally recognized regulatory and food inspection system overseeing world-class standards and safe, nutritious, top-quality products
- A network of research facilities developing leading-edge products and technologies
- Public, private and academic collaboration encouraging the innovation, cultivation and manufacturing of diverse products with proven health benefits

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<sup>1</sup> Statistics Canada, *Results from the 2011 Functional Food and Natural Health Products Survey*.

<sup>2</sup> Statistics Canada. *The Daily*. Production of principal field crops, November 2013.

<sup>3</sup> World Trade Organization. *International Trade and Market Access Data Online*.



# FUNCTIONAL FOODS & NATURAL HEALTH PRODUCTS CLUSTERS



## BRITISH COLUMBIA

- » Key strengths: meat processing, greenhouse vegetables, blueberries
- » **Leading companies include:** Calyx Bio-Ventures Inc., Forbes Medi-Tech Corp., Liannaues Plant Sciences Inc.

## PRAIRIE PROVINCES

- » Key strengths: grains and oilseed, cattle and hog breeding and meat production, lentils
- » **Leading companies include:** BioNeutra, Ceapro Inc., SinoVeda Canada Inc., Cargill Inc., General Mills Inc., Can-Oat Milling Inc. and Saponin Inc.

## ONTARIO

- » Key strengths: dairy, soybeans, wheat and corn, meat processing, bread, tortillas and bakery products, sugar and confectionery products
- » **Leading companies include:** General Mills Inc., Kraft Canada Inc., ProSoya Inc., Nestlé Canada, Unilever Canada Inc.

## QUEBEC

- » Key strengths: soybeans, hogs, hens and chickens, dairy, sugar and confectionery products
- » **Leading companies include:** Danone Inc., Micropharma Ltd., Soylutions Inc.

## ATLANTIC PROVINCES

- » Key strengths: fish and seafood, potatoes, cranberries
- » **Leading companies include:** Chatham Biotec Ltd., Ocean Spray Inc., Ascenta Health, Ocean Nutrition Ltd., Cavendish Farms, Halibut PEI Inc. and AquaBounty Inc.

## RECENT INVESTMENTS

- Cargill Incorporated announced in 2012 an expansion of its Elva, Manitoba grain facility to meet increased demand for wheat, canola, barley and oats. Expansion includes increasing both storage capacity—from 14,500 to 24,500 metric tonnes—and rail handling capacity—from 56 to 112 cars.
- Dr. Oetker selected London, Ontario for its largest ever investment outside Europe. The German food manufacturer is investing more than \$50 million to build a frozen-pizza plant employing 130 individuals and supporting an additional 300 spinoff jobs in Ontario. Production at their cutting edge facility started in Summer 2014.

# CANADA'S ADVANTAGES

## **COSTS**

Canada offers a cost competitive environment for agri-food processors. According to KPMG *Competitive Alternatives 2014*, food processing facilities based in Canada typically enjoy a 12.8 percent savings on total labour costs (including benefits) relative to their U.S.-based counterparts. In fact, when all cost factors are considered, Canada has the second lowest business costs among G-7 countries.

## **TAXATION**

Progressive reductions in both federal and provincial taxes have created a significant advantage for companies operating in Canada. According to KPMG *Competitive Alternatives 2014*, the effective corporate income tax rate for a typical food processing facility in Canada is 22.2 percent, the second lowest rate among the G-7 countries and 8.4 percent percentage points below that of the United States.

## **NATURAL RESOURCES**

Canada has an exceptional abundance of natural resources, including fresh water and diverse plant, animal and marine life—essential raw materials for the production of high-quality foods, functional foods and natural health products.

## **WORLD-CLASS STANDARDS**

Canada's internationally recognized regulatory and food inspection systems ensure world-class standards and products that are safe, nutritious and of the highest quality.

## **ACCESS TO THE NORTH AMERICAN MARKET**

Under the North American Free Trade Agreement (NAFTA), Canadian-based companies receive duty-free access to a market of more than 435 million consumers—many increasingly health-conscious and interested in food products that promote wellness. Further, once the Comprehensive Economic and Trade Agreement (CETA) with the European Union takes effect, Canada will have guaranteed preferential access to European markets. In addition, Canada recently concluded negotiations on a free trade agreement with South Korea, its first in Asia, providing a strategic gateway to this dynamic and fast-growing region, and is also engaged in negotiations with India, Japan and the Trans-Pacific Partnership. These trade agreements allow investors in Canada to benefit from integrated North American supply chains in the functional food sector and seize new export market opportunities.

“... Our decision to build in Ontario was made based on a number of reasons, such as proximity to transportation, the total cost to manufacture, and the very warm welcome and helpful support put forward by government. And as a fourth generation family owned business, our company thinks in generations - not years. We want to feel at home, and have an unwavering commitment to building a sustainable presence in the communities in which we do business...”

Martin Reintjes, Executive Vice President,  
Dr. Oetker

# SUPPORT PROGRAMS AND INNOVATION

## STRONG SUPPORT FOR RESEARCH AND DEVELOPMENT

Government spending in support of research and development (R & D) in agriculture and agri-food is important for the future growth and competitiveness of the functional food and natural health products industry. This spending has increased over the past four years, and is estimated to be approximately \$561 million for the 2011-12 fiscal year.<sup>4</sup>

As part of Canada's collaborative approach to R & D in the functional food and natural health products industry, undergraduate and postgraduate programs in human nutrition and food science exist in several Canadian universities, including the University of Alberta, the University of British Columbia, the University of Manitoba, the University of Toronto and McGill University. The University of Guelph—one of the world's leading agricultural universities—offers a specialized program in “Functional Food and Nutraceuticals”.

Canadian universities house a number of globally recognized research institutes.

- Richardson Centre for Functional Foods and Nutraceuticals (University of Manitoba, Winnipeg, Manitoba)
- Guelph Food Technology Centre (University of Guelph, Guelph, Ontario)
- Food Science Group and Human and Animal Nutrition Group (University of British Columbia, Vancouver, British Columbia)
- Department of Agricultural, Food and Nutritional Science (University of Alberta, Edmonton, Alberta)
- Institute of nutrition and Functional Foods (INAF) (Université Laval, Quebec City, Quebec)
- Centre for Aquatic Health Sciences (University of Prince Edward Island, Charlottetown, Prince Edward Island)

Canada's **Scientific Research & Experimental Development (SR&ED)** program provides income tax credits and refunds for expenditures on eligible R&D activity in Canada on wages, materials, some overhead and SR&ED contracts.

Foreign investors can also avail themselves of Canada's **Industrial Research Assistance Program (IRAP)**, which supports innovative R & D and commercialization of new products and services by small and medium-sized firms.

**Export Development Canada (EDC)** and **Business Development Bank of Canada (BDC)** provide flexible financing programs and solutions tailored to support foreign direct investment in Canada.

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<sup>4</sup> Agriculture and Agri-Food Canada. An Overview of the Canadian Agriculture and Agri-Food System, 2013.

# INVEST IN CANADA TO ACHIEVE GLOBAL EXCELLENCE

## A WELCOMING BUSINESS ENVIRONMENT

Canada is ranked as the best country for business in the G-20.

Source: Forbes and Bloomberg

## A HIGHLY EDUCATED WORKFORCE

Canada's workforce is the most highly educated among members of the OECD, with half of its working-age population having a tertiary-level education.

Source: Organisation for Economic Co-operation and Development (OECD)

## LOW TAX RATES

Canada's overall marginal effective tax rate on business investment is by far the lowest in the G-7 — about 17 percentage points lower than that of the United States.

Source: Department of Finance Canada

## COMPETITIVE R & D ENVIRONMENT

Canada offers the lowest business costs in the G-7 for R & D-intensive sectors, with a 15.8 percent cost advantage over the United States.

Source: KPMG

## FINANCIAL STABILITY

For six consecutive years, the World Economic Forum has declared Canada's banking system to be the soundest in the world.

Source: World Economic Forum (WEF)

## UNPARALLELED MARKET ACCESS

Canada's NAFTA advantage gives investors access to 470 million consumers. Many Canadian production hubs are actually closer to U.S. markets than American production sites — of Canada's 20 largest cities, 17 are within an hour-and-a-half drive of the U.S.

Source: The World Bank

## A GREAT PLACE TO INVEST, WORK, AND LIVE

Canada is one of the globally most multicultural countries with world-class universities, a universal health care system and clean and friendly cities in addition to having the second highest standard of living in the G-20, as measured by GDP per capita.

Source: The World Bank

Unless otherwise noted, all values in this publication are in Canadian dollars. Content is based on the latest available information at time of publication.



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