



BC Food & Beverage Manufacturing State of the Industry Report

2024



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Executive Summary

Background, Scope, and Study Approach

BC Food and Beverage (**BCFB**) is a not-for-profit industry association that represents food and beverage manufacturers in British Columbia. BCFB has undertaken a study to assess the current state of the BC food and beverage manufacturing industry (the BC food and beverage industry).

The scope of the study included a review of the historical and current state of BC food and beverage manufacturing operations, current challenges, and the identification of potential actions/recommendations to enhance the competitiveness of the BC food and beverage industry.

In carrying out this study, the following activities were undertaken:

- **Secondary research** through publicly available sources on the topic of competitiveness of the BC food and beverage industry.
- **An online survey** of 47 BC food and beverage companies. Responses were received from BC food and beverage manufacturers of different sizes and engaged in a wide range of sub-industries, reflective of the diverse nature of the BC food and beverage industry.
- **Telephone Interviews** with 10 BC food and beverage companies were conducted to gather additional information on top challenges facing the BC food and beverage industry and solutions to address such challenges.
- **A facilitated executive roundtable** with 10 executives involved in the BC food and beverage industry to supplement the findings of the survey and interviews.

About the BC Food and Beverage Industry

The BC food and beverage industry is an important economic driver in the province, with annual revenues totaling \$14.2 billion and employing over 39,000 individuals directly within the province.¹ The BC food and beverage industry also plays a critical role for the agriculture sector, serving as the largest customer for primary agricultural producers.²

Furthermore, the BC food and beverage industry is comprised of 3,379 registered businesses and contributes \$3.68 billion annually to the provincial GDP.³ In 2022, it exported a record \$3.79 billion worth of food and beverage manufactured products to 95 different international markets.⁴

State of the BC Food and Beverage Industry

Through the study, BC food and beverage manufacturers, indicated that:

1. Any revenue growth over the last five years has been achieved through business expansion and adding new products. However, achieving any revenue growth through price increases with grocery retailers has been challenging, if not impossible.

¹ BC Ministry of Agriculture and Food, Sector Snapshot 2022, Available here: [Sector Snapshot 2022](#)

² Government of Canada, Overview of the Food and Beverage Processing Industry, Available here: <https://agriculture.canada.ca/en/sector/food-processing-industry/overview-food-beverage>

³ BC Ministry of Agriculture and Food, Sector Snapshot 2022, Available here: [Sector Snapshot 2022](#)

⁴ Ibid.



2. Cost increases are driven by increases in labour costs (driven by cost-of-living increases), as well as increases in raw input and material costs. These cost increases, paired with an inability to increase prices, have eroded gross margins, making operating profitably very challenging, particularly for small to medium-sized businesses. Small to medium-sized manufacturers have seen greater decreases in profitability over the last five years than larger manufacturers.⁵ This is due to:

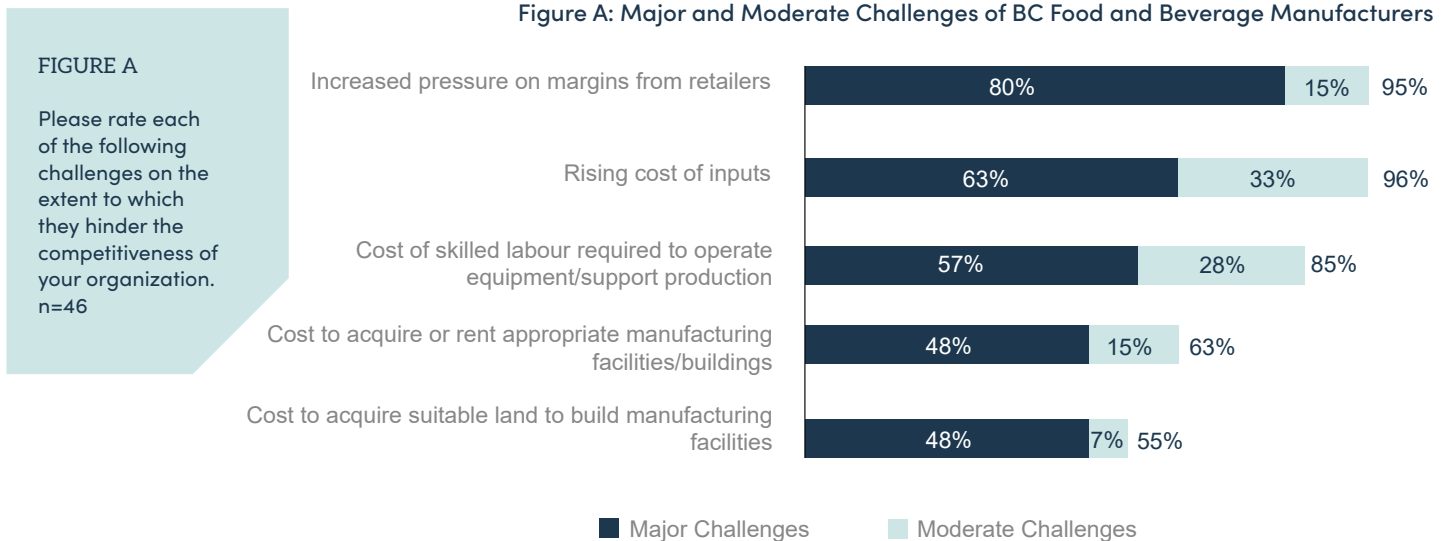
- Larger food and beverage manufacturers having more power and influence with retailers than smaller manufacturers, allowing them to pass on more of their costs through price increases with grocery retailers.
- Large food and beverage manufacturers having access to more financial resources to invest in innovation, such as mechanization or automation, which can allow the company to control, and in some cases reduce, the costs that are driving cost increases for these businesses.

While smaller companies have been particularly affected by financial challenges, the entire industry has faced significant difficulties over the past five years. Financial performance data from Statistics Canada indicates that, although end retailers are achieving modest profit margins (approximately 4.3 percent on average for retailers), small-to-medium sized food manufacturers are achieving profit margins of -9.3 percent on average given the prices that they realize from retailers.⁶ **This indicates that substantial increases in both labour and input costs have severely eroded gross margin and impacted the profitability of food and beverage manufacturers in the province.**

Key Industry Challenges

Figure A outlines the top challenges of the BC food and beverage industry based on survey findings. These findings were validated by interviews with industry representatives.

Figure A: Major and Moderate Challenges of BC Food and Beverage Manufacturers



Both the cost of inputs and the cost of skilled labour to operate equipment to support production are key drivers of direct costs for food and beverage manufacturers. These challenges, combined with the top challenge if increased pressure on margins from retailers, result in reduced gross margin and profitability for these businesses. An additional challenge with respect to the acquisition / rental of appropriate and affordable

¹ Large food and beverage manufacturer: annual revenues greater than \$5 million.

² Sources: Statistics Canada, 2022 Small Business Profiles: NAICS 311 – Food Manufacturing, Whole Industry, and NAICS 445110 – Supermarkets and Other Grocery Retailers (Except Convenience Retailers), Top Quartile.



manufacturing space is highlighted, as many BC food and beverage manufacturers struggle to find suitable manufacturing facilities.

There was an even distribution across all respondents regarding their preparedness to address the challenges currently faced by the BC food and beverage industry. However, large and medium manufacturers feel more prepared than small manufacturers. This difference in perspective is likely due to ability of medium and large manufacturers to address some of the key challenges that have been highlighted, such as investing to reduce costs and exerting pressure on retailers to achieve price increases, whereas small manufacturers have fewer resources to address these same challenges.

Top Solutions to Address Challenges

Top supports / solutions to key challenges suggested by survey respondents focused on funding / financial assistance, either to invest in their business to increase revenues or decrease costs, or to directly address some of the key challenges currently facing the BC food and beverage industry, such as government support to help address increased pressure on margins from retailers. The BC government has demonstrated an ability and a willingness to support key industries in the province, such as the BC film and television, technology, and forestry sectors, and one can see the potential impact of these investments on competitiveness.

These themes were reinforced through interviews with industry participants that shared some potential strategies to mitigate the challenges faced by the BC food and beverage industry, which included automating / mechanizing production processes to reduce labour requirements and costs, partnerships with industry and educational institutions to enhance skill development and attract talent, reducing input costs through various means, such as seeking alternative input suppliers and leveraging economies of scale, and increasing available land / facilities for production through incentives for businesses to locate to rural areas, and policies to support industrial development in the Agricultural Land Reserve (ALR).



RECOMMENDATIONS

The BC food and beverage industry is currently grappling with substantial challenges that are limiting its ability to compete. Failure to address these challenges could potentially lead to increased food insecurity concerns within the province.

Based on the findings from this study, the following recommendations were identified to enhance the overall competitiveness of the BC food and beverage industry and address its key challenges:

1. Support the development of a comprehensive competitiveness strategy for the BC food and beverage industry.
2. Provide affordable access to commercial and industrial space for BC food and beverage manufacturers.
 - Conduct an inventory classification of land within the Agricultural Land Reserve to determine whether there is land unsuitable for agriculture use that could potentially be reclassified for food and beverage manufacturing use.
 - Establish incentives for commercial and industrial landowners to prioritize food and beverage manufacturing.
3. Facilitate additional investments in infrastructure upgrades and manufacturing technology for BC food and beverage manufacturers.
4. Support initiatives and programs to enable the BC food and beverage industry to attract, retain, and upskill the required labour, particularly skilled labour.
5. Provide support to address the imbalance between grocery retail and the food and beverage manufacturing industry.

Each recommendation is described in greater detail in [Section 6](#) of this report.



1. Introduction

1.1 Background and Scope

BC Food and Beverage (BCFB) is a not-for-profit industry association that represents food and beverage manufacturers in British Columbia.⁷ BCFB has undertaken a study to assess the current state of the BC food and beverage manufacturing industry (the BC food and beverage industry).

The scope of the study included:

- A review of the historical and current state of BC food and beverage manufacturing operations, including a review of profitability, input costs, land/manufacturing space costs and availability, regulatory factors, and labour.
- A review and analysis of the current challenges facing the BC food and beverage industry.
- An identification of potential actions that can be pursued by BCFB, government, and other relevant stakeholders to enhance the overall competitiveness of the BC food and beverage industry.

1.2 Organization of Report

The remaining sections of the report are organized as follows:

- **Section 2** outlines the approach taken in carrying out the study.
- **Section 3** provides an overview of the BC food and beverage industry.
- **Section 4** provides an overview of the state of the BC food and beverage industry, primarily based on the findings from an online survey and telephone interviews conducted with BC food and beverage companies.
- **Section 5** includes an overview of the key challenges facing the BC food and beverage industry and potential solutions to address these challenges.
- **Section 6** includes recommendations for enhancing the competitiveness of the BC food and beverage industry, and for addressing some of the key challenges identified through the study.
- **Appendices** at the end of this report include a profile of survey respondents and information about BCFB.

1.3 Report Limitations

This report is provided for information purposes and is intended for general guidance only.

We have relied upon the completeness, accuracy and fair presentation of all information and data obtained through the various consultations along with documents that were available for review before March 31, 2024. The accuracy and reliability of the findings and opinions expressed in this report are conditional upon the quality of this same information. Therefore, BCFB cautions readers regarding their reliance on the findings and disclaims any associated liability.

Additionally, the findings and expressed opinions constitute judgments as of the date of the report and are subject to change without notice. BCFB is under no obligation to advise of any such change brought to its attention which would alter those findings or opinions.

It should be noted that the opinions expressed by stakeholders consulted through this study may not be representative of the whole population of BC's food and beverage industry.

⁷ BC Food and Beverage, Available here: [BCFB](#)



2. Research Approach

2.1. Research Approach

In preparing this report, the following research approach was carried out.

Secondary Research

A review of publicly available materials and reports on the topic of competitiveness of the BC food and beverage industry was conducted.

Online Survey

An online survey of BC food and beverage companies was conducted. A total of 47 BC food and beverage companies participated in the survey. Responses were received from BC food and beverage manufacturers of different sizes and engaged in a wide range of sub-industries, reflective of the diverse nature of the BC food and beverage industry.

The online survey of BC food and beverage companies was open from December 4, 2023 until January 5, 2024.

The purpose of the survey was to gather perspectives from BC food and beverage companies on:

- The historical and current performance of their BC food and beverage manufacturing operations, particularly from the perspectives of sales, costs, and profitability.
- The current challenges facing their manufacturing operations.
- Suggestions for potential actions that government, BCFB, and other relevant stakeholders can take to enhance the overall competitiveness of the BC food and beverage industry.

For all survey questions, an analysis of the responses of all survey respondents is included. In some cases, a summary of key differences in responses is provided by classification of organization size measured in total annual sales in fiscal year 2022:

- Small: Annual revenues from \$0 to \$499,999
- Medium: Annual revenues from \$500,000 to \$4,999,999
- Large: Annual revenues of \$5,000,000 or more

Telephone Interviews

To supplement the survey findings, telephone interviews were conducted with 10 BC food and beverage companies. The purpose of these telephone interviews was to gather additional information regarding top challenges identified through the online survey, as well as potential actions that can be taken to address such challenges and improve the overall competitiveness of the BC food and beverage industry.

Executive Roundtable

To supplement the study, an in-person executive roundtable was facilitated with executives involved in the BC food and beverage industry. The roundtable had participation from 10 executives. The purpose of this roundtable was to gather additional information regarding challenges facing BC food and beverage manufacturers and potential solutions to address such challenges.

[Appendix A](#) includes the profile of survey respondents.



3. About the BC Food and Beverage Industry

This section of the report provides a brief overview of the BC food and beverage industry based on 2022 industry data.⁸

- The BC food and beverage industry is the second largest manufacturing industry in the province in terms of revenues, with annual sales worth \$14.2 billion in 2022.
- It is comprised of 3,379 food and beverage manufacturing establishments registered in BC, which employ approximately 39,145 British Columbians.
- It also contributes \$3.68 billion to the annual Gross Domestic Product (GDP) and accounts for 1.36 percent of the provincial GDP.
- The BC food and beverage industry exported a record \$3.79 billion worth of food and beverage manufactured products to 95 different international markets in 2022.
 - Its five largest export markets are the United States (\$4.8 billion), China (\$400 million), Japan (\$246 million), South Korea (\$139 million), and Hong Kong (\$63 million).
- The BC food and beverage industry is comprised of the ten sub-industries. The largest sub-industries in terms of sales are meat product manufacturing with \$2.2 billion, followed by dairy processing with \$2.1 billion, and animal food manufacturing with \$1.3 billion in sales in 2022. Its other sub-industries are:
 - Grain and oilseed milling
 - Sugar and confectionery product manufacturing
 - Fruit and vegetable preserving and specialty food manufacturing
 - Seafood product preparation and packaging
 - Bakeries and tortilla manufacturing
 - Beverage product manufacturing
 - Other food product manufacturing⁹

⁸ BC Ministry of Agriculture and Food, Sector Snapshot 2022, Available here: [Sector Snapshot 2022](#)

⁹ This sub-industry includes other industry groups, mainly in the manufacturing of food (e.g., snack food, coffee, tea, concentrates, syrups, condiments, and spices and other miscellaneous food products).



4. State of the BC Food and Beverage Industry

This section of the report presents the findings from consultations with BC food and beverage companies, gathered through an online survey involving 47 BC food and beverage companies, interviews conducted with 10 BC food and beverage companies, and an executive roundtable involving industry executives. The findings summarize the key factors influencing the revenues, expenses, profits, and financial performance of BC food and beverage manufacturers.

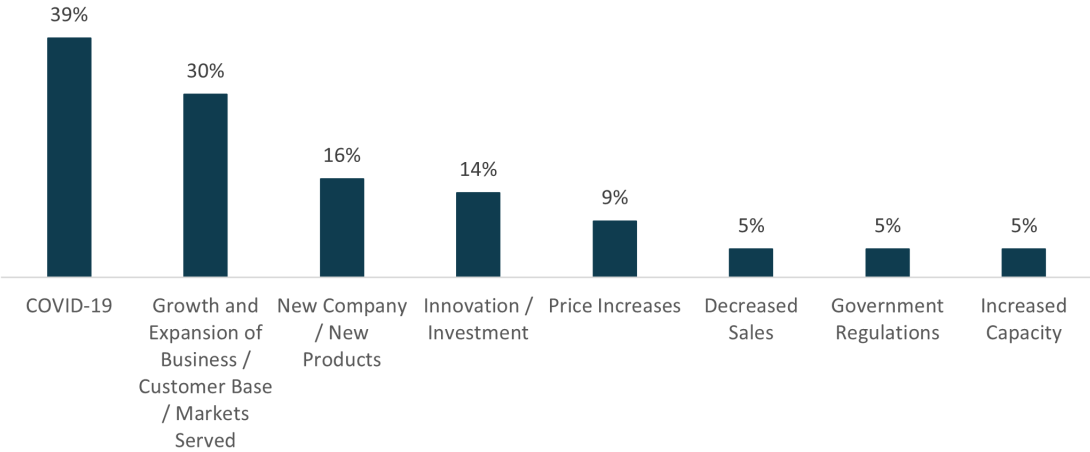
4.1 State of the Industry

Factors Impacting Revenues

BC food and beverage manufacturers that participated in the survey were asked about how their revenues have varied over the last five years, and what factors have impacted any changes in revenues. Figure 1 provides a summary of the factors that respondents indicated most contributed to changes in their revenues over the last five years.

Figure 1: Factors Impacting Changes in Revenues

FIGURE 1
Factors contributing to the change in your revenue over the last five years. n=44





Not surprisingly, the COVID-19 pandemic has had a major impact on the revenues of BC food and beverage manufacturers over the last five years. Two other key takeaways from the survey, as well as interviews with industry participants:

- Revenue growth is primarily driven by business expansion and innovation, whether its an increased number of products, increased customers, or general innovation or investment in the company that allows for more revenue-generating opportunities.
- Food and beverage manufacturers in BC have struggled to increase prices that they are able to charge retailers and their end-customers, even in the face of major cost increases. Only 9 percent of survey respondents indicated that they have been able to increase revenue through price increases over the last five years, and many interview respondents indicated that they have achieved little to no increases in the prices for their products over that same period, given pressure from retailers to maintain prices at current levels.

Factors Impacting Expenses

Respondents were also asked to indicate which of their expenses have seen the greatest change over the last five years, and what factors have contributed to those changes. Figure 2 below provides a summary of categories of expenses that have seen the greatest change over the last five years. As shown in the figure, the top three costs that have seen the most significant change over the last five years for BC food and beverage manufacturers are input costs, labour, and transportation which includes shipping and freight. This has a major negative impact on profitability for these companies, as each of these costs is predominantly a direct cost or a variable cost of production and increases in these costs negatively impact gross margin. While other overhead costs, such as rent or marketing expenses, have seen less of an increase, overhead costs are also easier to manage and control. In contrast, direct costs are difficult to control when they increase as they are required for production.

Figure 2: Expense Categories with Greatest Increases¹⁰

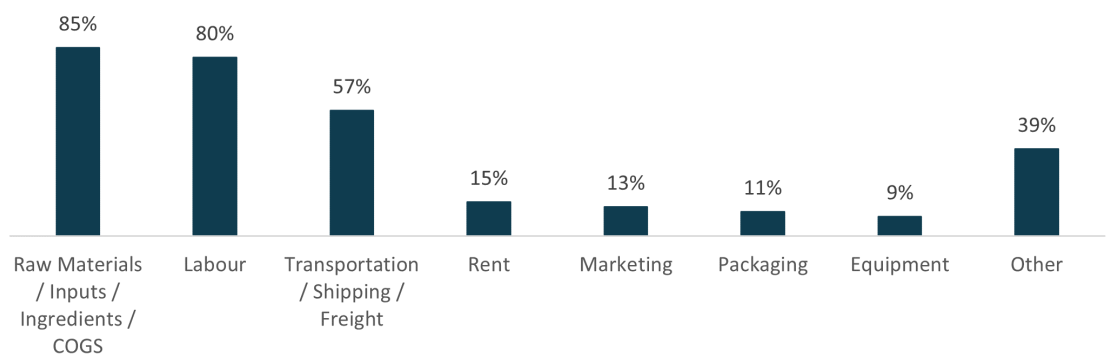


FIGURE 2

Categories of expenses that have seen the most significant changes in the past five years. n=46

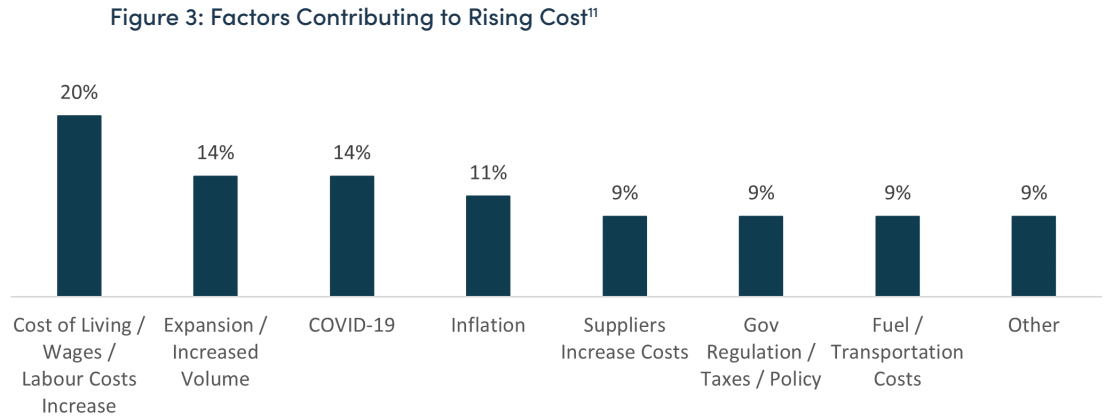
Figure 3 provides a summary of the factors that respondents indicated contributed to changes in their expenses over the last five years.

¹⁰ Other included costs associated with co-packaging, overhead / general operations, waste management, utilities, interest rates, and fuel costs.



FIGURE 3

Factors contributing to the changes in your expenses over the last five years. n=44



The factors that contribute to cost increases directly align with the cost categories that have seen the greatest increase. Cost of living increases, along with inflation, and government regulations / policies such as the mandatory increase in paid sick time for staff, have led to increased wage costs for BC food and beverage manufacturers.

Additionally, supplier cost increases have translated into higher input costs, while rises in transportation and fuel costs have led to increases in overall transportation expenses. According to survey respondents, the COVID-19 pandemic was an overarching cause of many economic changes that have led to some of these factors being an issue. For example, the COVID-19 pandemic triggered various economic changes, exacerbating factors such as hyperinflation. This, in turn, intensified the impact of cost-of-living increases and government regulations / policies.

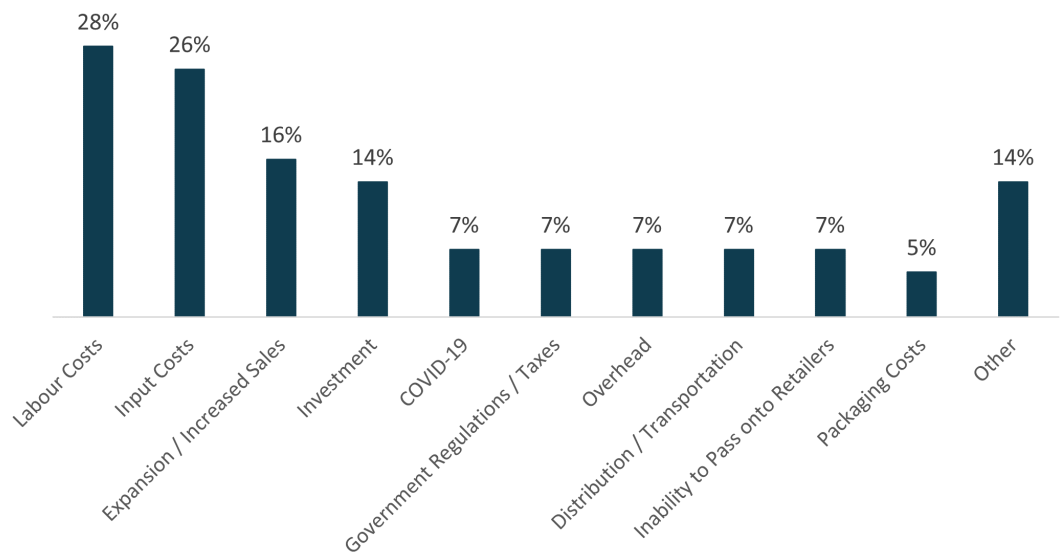
Factors Impacting Profits

Survey respondents were also asked to indicate what factors are driving changes in their profits over the last five years. Figure 4 provides a summary of the factors that respondents indicated contributed to changes in their profits over the last five years.

Figure 4: Factors Contributing to Profit Changes¹²

FIGURE 4

Factors affecting your organization's profitability over the past five years. n=43



¹¹ Other included labour supply, co-packaging, marketing initiatives, and investment.

¹² Other included competition, inflation, marketing, rent, and equipment.



The two biggest drivers of profitability for BC food and beverage manufacturers are labour costs and input costs, which are also the two main direct costs of production. Given substantial increases in these costs, gross margins have eroded, leading to decreased profitability.

According to the survey and interviews, many BC food and beverage manufacturers have attempted to address these issues by innovating within their business to cut costs. For example, some have invested in mechanization or automation, while others have expanded their operations to increase overall gross margins. However, the inability to pass on cost increases to retailers continues to be an ongoing challenge. This is because increases in key direct costs are not reflected in the prices charged by the manufacturer.

Financial Performance

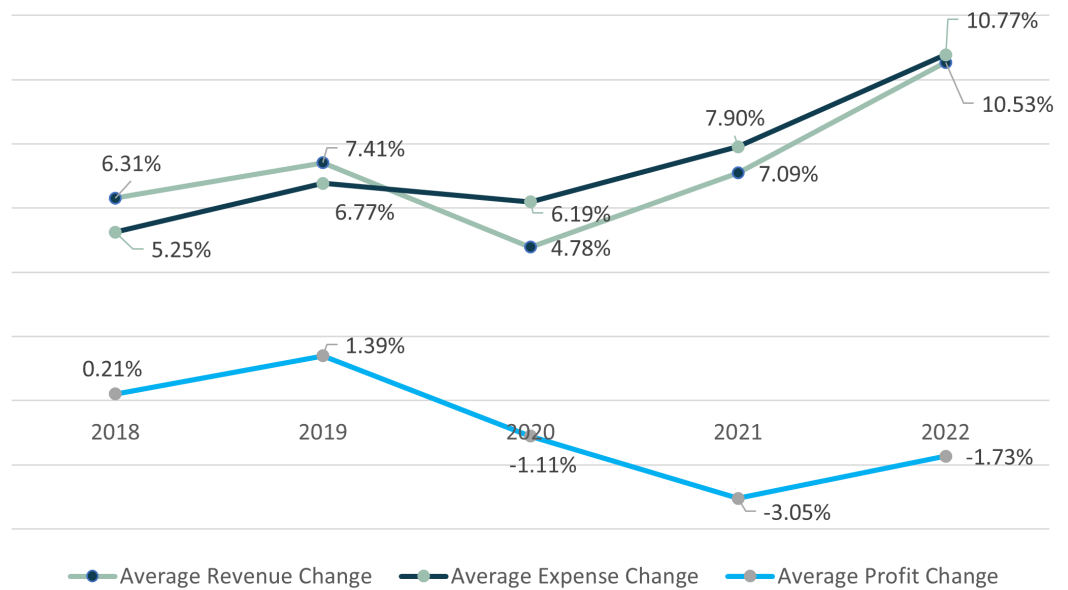
Given the factors described above, the financial performance of BC food and beverage manufacturers has generally declined. Manufacturers have experienced large increases in key expenses, without corresponding rises in revenues, mainly due to an inability to pass on cost increases in the form of price increases to retailers and end customers.

Survey respondents were asked to quantify (as a percentage) their annual changes in revenues, expenses, and profits over the last five years to observe financial trends. Figure 5 illustrates these changes for all survey respondents.

As shown below, profits have declined, particularly over the last three years, as expenses have risen faster than revenues.

Figure 5: Annual Change in Revenues, Expenses, and Profits – All Participants

FIGURE 5
Average annual change in revenue, expenses, and profit
n=44



The figure above shows that, as expenses started to increase at a faster rate than revenues, profitability started to decrease. The primary drivers of this decline are:

1. Increases in key direct costs, such as input and labour costs, eroding gross margin.
2. The inability of manufacturers to pass on cost increases to retailers through increased prices.

This results in cost increases not being matched by comparable revenue increases, leading to an overall decrease in profitability. It is important to note that these trends



seem to begin in 2020, corresponding with the onset of the COVID-19 pandemic in BC, highlighting its impact on the financial performance of BC food and beverage manufacturers.

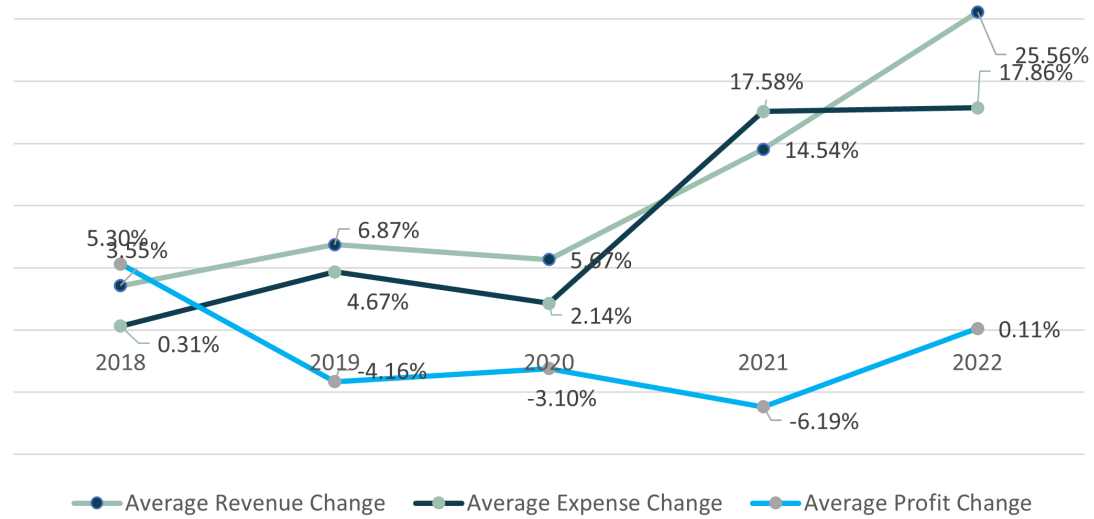
These same trends have had a greater impact on smaller manufacturers. To illustrate this, the analysis was conducted for three different respondent groups: small food and beverage manufacturers, respondents with annual revenues between \$0 and \$500,000, medium-sized manufacturers, which are respondents with annual revenues between \$500,000 and \$5 million; and large manufacturers, respondents with annual revenues greater than \$5 million. The discussion of financial performance by company size is described below.

Financial Performance of Small Manufacturers

Figure 6 shows the annual changes in revenues, expenses, and profits for small food and beverage manufacturers.

Figure 6: Annual Changes in Revenues, Expenses, and Profits – Small Food and Beverage Manufacturers

FIGURE 6
Average annual change in revenue, expenses, and profit
Annual revenues between \$0 and \$500,000
n=13



The trends for the entire population of survey respondents appear to have a more pronounced impact on smaller manufacturers in the BC food and beverage industry. Comparatively larger increases in costs from 2020 to 2022 have led to larger decreases in profitability in 2020 and 2021. While it appears that the financial performance is improving in 2022, it is important to note that many of the small manufacturers that responded to the survey are new businesses¹³, which have seen large increases in revenues as a result of general growth and expansion, compared to other medium and large businesses that would be more mature.

Financial Performance of Medium Manufacturers

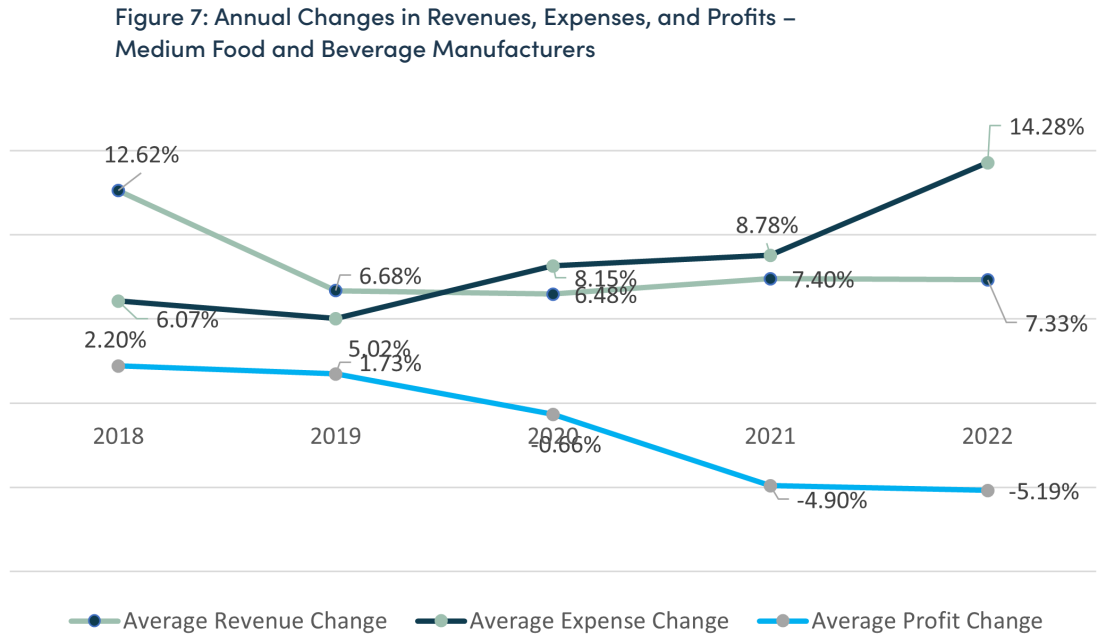
Figure 7 shows the annual changes in revenues, expenses, and profits for medium-sized BC food and beverage manufacturers.

¹³ Please note that 6 of the 13 small businesses that responded to the survey began operating in the period from 2018 to 2022.



FIGURE 7

Average annual change in revenue, expenses, and profit
Annual revenues between \$500,000 and \$5 million
n=13



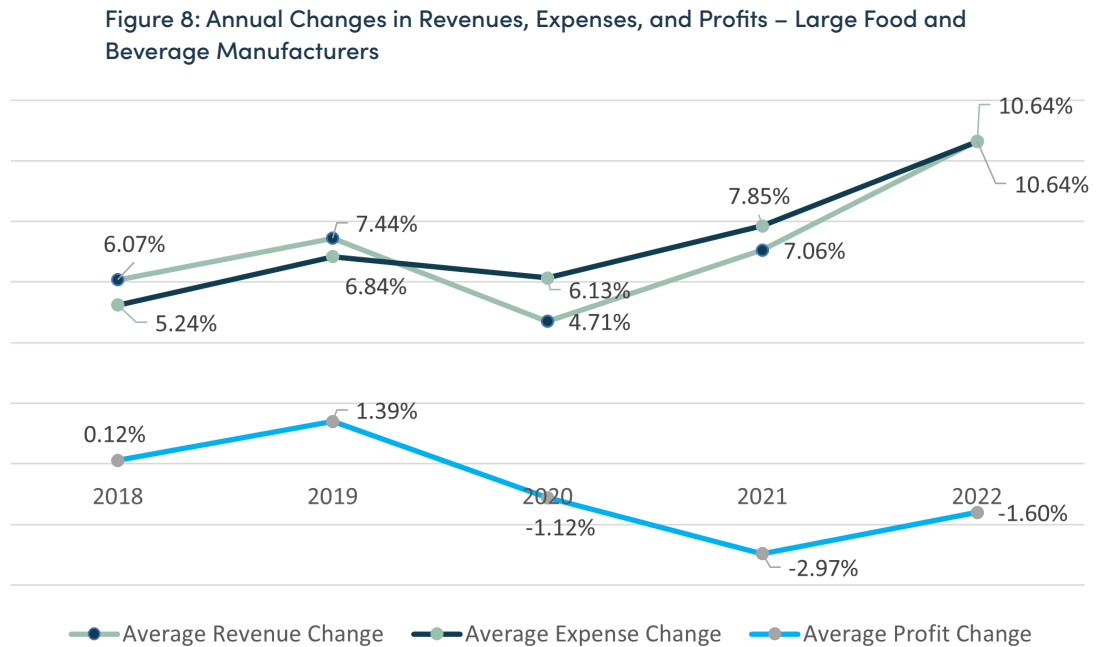
Medium-sized manufacturers appear to also be more negatively impacted by the trends outlined above. Although they are larger than the small businesses discussed previously, they are more mature. As a result, they are not experiencing the large revenue increases that are often seen by startup businesses due to the expansion of their new business. Consequently, once expenses began increasing faster than revenues in 2020, they were not matched by increases in revenue (which stayed relatively constant from 2020 to 2022), resulting in decreases in profitability that persisted into 2022.

Financial Performance of Large Manufacturers

Figure 8 shows the annual changes in revenues, expenses, and profits for large food and beverage manufacturers.

FIGURE 8

Average annual change in revenue, expenses, and profit
Annual revenues greater than \$5 million
n=18





Large BC food and beverage manufacturers experienced the least financial impact from the trends described above. Although costs did start to increase faster than revenues in 2020, the rate of increase is far less pronounced than it was for small and medium sized manufacturers, resulting in less noticeable decreases in profitability. Further, by 2022, large manufacturers were able to increase their revenues to match increases in costs, which appears to have leveled off decreases in profitability. This is likely driven by two major factors, as shared by interview participants:

1. Larger food and beverage manufacturers have more power and influence with retailers than smaller manufacturers, which allows them to pass on more of their costs through price increases.
2. Large food and beverage manufacturers have access to more financial resources to invest in innovation, such as mechanization or automation, which can allow the company to control, and in some cases reduce, the costs that are driving cost increases for these businesses.

A quote from Ian Walker - President and Co-Founder of Hippy Snacks who was interviewed for this study - highlighted some additional financial considerations for food and beverage manufacturers in BC as they move from small to medium to large operations.

“If a small food and beverage company can operate efficiently and keep overhead costs low, such as by maintaining a lean sales team focused on regional sales, it can operate profitably with revenues between \$700,000 and \$2 million.

However, if its operations scale up and exceed \$2 million in sales, the overhead expenses required to support growth, including a larger sales team for geographical expansion, an expanded marketing team targeting new customers, and additional finance and accounting capabilities for capital raising, become prohibitively high. This makes staying at the \$2 million revenue level unprofitable.

Only when food and beverage companies achieve revenues of \$12 to \$15 million can they once again operate profitably, given the additional scale of operations that require funding.”

- Ian Walker, President and Co-Founder of [Hippy Snacks](#)





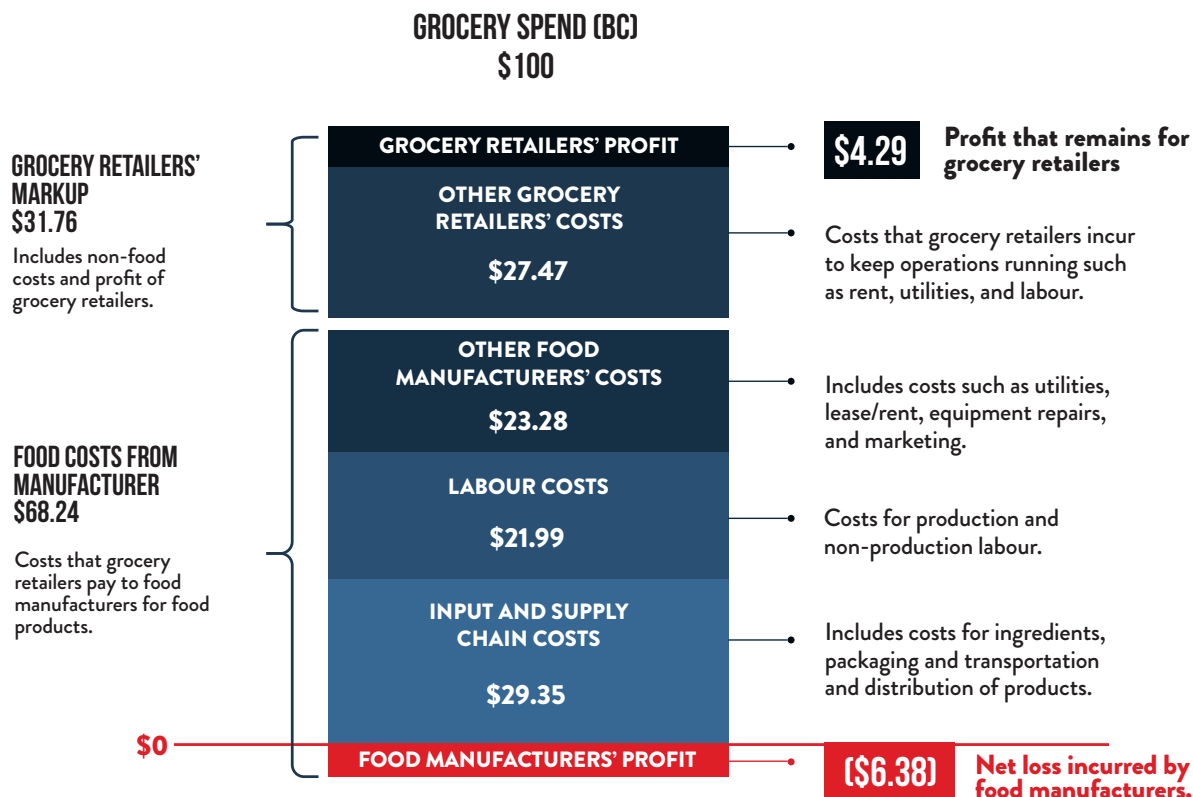
Breakdown of Grocery Retail Spend

As noted above, BC food and beverage manufacturers have faced challenges in maintaining profitability in recent years due to rising key costs that are eating into their margins, along with the difficulty of achieving matching price increases with the retailers they supply.

This challenge is further illustrated when we analyze the breakdown of where the average consumer’s grocery store spending goes, based on the costs and profit structure of an average small-to medium food and beverage manufacturer and an average retailer in BC.¹⁴

Figure 9 provides a breakdown of how every \$100 of grocery store spending is distributed.

Figure 9: Breakdown of Grocery Store Spend



The figure illustrates that, although end retailers are achieving modest profit margins (approximately 4.3 percent on average for retailers), small-to-medium sized food manufacturers are achieving profit margins of -9.3 percent on average given the prices that they are able to realize from retailers. It also illustrates how the large increases that the industry has seen in both labour and input costs (which combined make up about 53 percent of the revenue that is collected from the retailer) have been able to severely erode gross margin and impact the profitability of food and beverage manufacturers in the province.

¹⁴ Sources: Statistics Canada, 2022 Small Business Profiles: NAICS 311 – Food Manufacturing, Whole Industry, and NAICS 445110 – Supermarkets and Other Grocery Retailers (Except Convenience Retailers), Top Quartile.



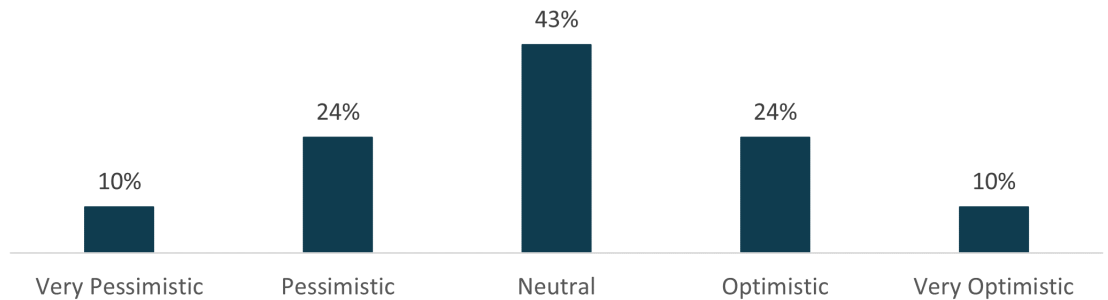
Sentiments About the Current State of their Operations

Survey respondents were asked about their perceptions regarding the current state of their BC food and beverage manufacturing operations. Figure 10 displays the responses collected.

Figure 10: Sentiment About Current State of their Operations

FIGURE 10

Feelings about the current state of your manufacturing operations.
n=42



The key reasons provided for their response on their perception of the current state of their operations included:

- Costs are increasing faster than revenues, leading to profitability challenges as it is difficult to pass these costs onto retailers and end customers. Particularly, rises in ingredient and labour costs pose significant challenges.
- There is a sense that consolidation in the BC food and beverage industry is on the horizon, with the belief that those who manage to “survive” will encounter significant growth opportunities in the years ahead.
- There is a recognized need for ongoing investment to automate processes, reduce costs, and meet regulatory requirements. However, obtaining capital funding and/or justifying investments in this environment are proving to be difficult.
- With the rise in transportation costs, many are considering alternatives to relying on suppliers from other regions, especially eastern Canada, given the high transportation costs that come with using non-local suppliers. However, limited options in some provincial regions (e.g., some regions have limited options for co-packers, input suppliers, transportation companies) present significant challenges.



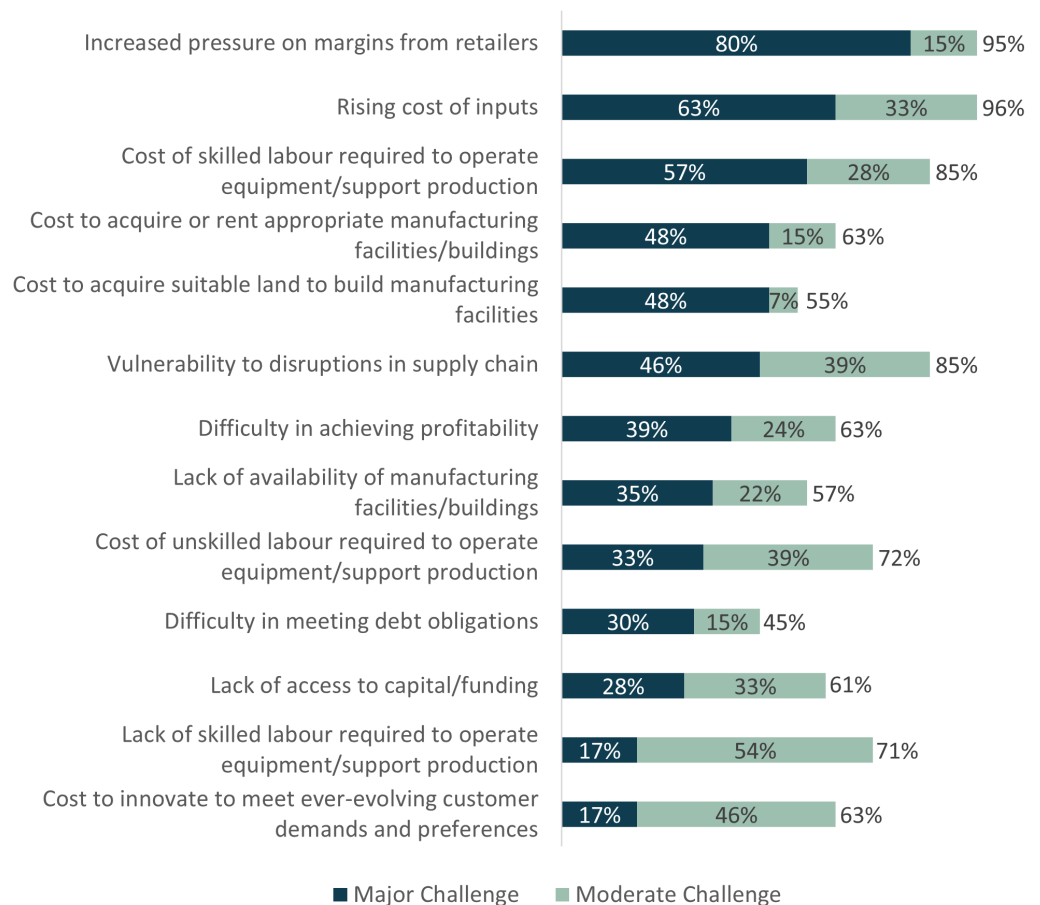
5. Industry Challenges and Solutions

5.1 Industry Challenges that Hinder Competitiveness

Industry Challenges by Area

Survey respondents were asked what key challenges they currently face that hinder their competitiveness. Figure 11 shows which challenges were most often selected as either a major or moderate challenge among all participants in the survey.

Figure 11: Major and Moderate Challenges – All Participants



The figure above further reinforces the themes discussed earlier in the report, with the top three challenges faced by survey respondents being increased pressure on margins from retailers, rising cost of inputs, and cost of skilled labour required to operate equipment or support production, both of which are key drivers of direct costs for food and beverage manufacturers. These three challenges in combination result in reduced gross margin and profitability for these businesses. Additionally, an additional challenge with respect to the acquisition / rental of appropriate and affordable manufacturing space is highlighted in this figure, as many BC food and beverage manufacturers struggle to find adequate and suitable manufacturing facilities.



What is perceived as a major or moderate challenge varies depending on the size of the manufacturer. Table 1 displays the percentage of survey respondents that perceive the challenges above to be major or moderate challenges, by company size.

Table 1: Major and Moderate Challenges by Size of Company

CHALLENGES	SMALL ¹⁵	MEDIUM ¹⁶	LARGE ¹⁷	ALL RESPONDENTS
Rising cost of inputs	100%	93%	94%	96%
Increased pressure on margins from retailers	93%	100%	94%	95%
Cost of skilled labour required to operate equipment/support production	93%	64%	94%	85%
Vulnerability to disruptions to supply chain	86%	86%	84%	85%
Cost of unskilled labour required to operate equipment/support production	71%	50%	89%	72%
Lack of skilled labour required to operate equipment/support production	57%	57%	94%	71%
Cost to acquire or rent appropriate manufacturing facilities/buildings	86%	43%	61%	63%
Difficulty in achieving profitability	71%	79%	44%	63%
Cost to innovate to meet ever-evolving customer demands and preference	57%	29%	94%	63%
Lack of access to capital/funding	86%	50%	50%	61%
Lack of availability of manufacturing facilities/buildings	79%	29%	61%	57%
Cost to acquire suitable land to build manufacturing facilities	64%	21%	72%	55%
Difficulty in meeting debt obligations	57%	57%	28%	45%

Although there are variations in some of the less major challenges, the three challenges from the survey are consistent challenges for all sizes of food and beverage manufacturers. Interviews with industry participants confirmed that these are the key challenges being faced by the BC food and beverage industry currently. There were a few key takeaways from the interviews that were conducted:

1. Increased Pressure on Margins from Retailers:

- Several food and beverage companies explained that despite substantial increases in input costs over the last three years, they have either been

¹⁵ Small food and beverage manufacturer: annual revenues between \$0 and \$499,999.

¹⁶ Medium food and beverage manufacturer: annual revenues between \$500,000 and \$4,999,999.

¹⁷ Large food and beverage manufacturer: annual revenues greater than \$5 million.



challenged to increase prices, or have simply been unable to pass some of these costs to retailers through price adjustments. In situations where respondents were able to receive price increases, those approvals would take anywhere from 3 to 18 months, and in many cases, companies have not been able to get any price increases for more than 4 years. As a result, many interviewees have experienced negative impacts to their gross margins and overall profitability, subsequently affecting cash flow and the ability to invest in their businesses.

- Despite efforts to control expenses, such as sourcing lower-priced inputs or reformulating products to manage costs, many have still struggled with profitability.
- Several interviewees indicated they had limited bargaining power when negotiating price adjustments with retailers. They suggested that retailers' strong bargaining position stems from their large market shares, which is a result of the small number of players and consolidation in the grocery retail industry.

2. Rising Cost of Inputs

- Most interviewees highlighted significant increases in various input costs, such as food ingredients, packaging, labour, freight, and warehousing. In some instances, interviewees reported experiencing cost increases ranging from 20 to 50 percent for certain key ingredients used in production. One company noted experiencing a 600 percent price increase in vanilla, which is a key ingredient in some of its products.

3. Cost of Skilled Labour Required to Operate Equipment/Support Production

- Most interviewees noted substantial increases in labour costs, particularly for skilled workers. Factors contributing to the rise in costs of labour were high living costs driving higher wages and lack of availability of labour. One company noted how a big part of its decision to work with co-packers was to avoid the challenges of labour.

4. Cost to Acquire or Rent Appropriate Land or Facilities for Manufacturing

- Interviews highlighted the significant challenge of rising costs associated with acquiring or renting manufacturing facilities or land for expansion. Factors such as inflation, scarcity of available land, and high property prices were noted as key contributors to this challenge particularly for small and medium sized manufacturers, and mainly in locations where building and land availability are major challenges such as the Lower Mainland. This is reinforced by a recent report commissioned by the Greater Vancouver Board of Trade and NAIOP Vancouver Chapter.¹⁶ It reveals that industrial lands in Greater Vancouver represent only four percent of the region's total land mass, a limited share compared to other regions where industrial land ranges from six to 19 percent.¹⁹ The report emphasizes that the supply of industrial space has failed to keep pace with demand, reaching a critical shortage point.
- In many cases, budget overruns and financial strain were experienced when acquiring or expanding facilities, and in some cases, these constraints have impacted the ability to grow or expand the business.

¹⁵ Small food and beverage manufacturer: annual revenues between \$0 and \$499,999.

¹⁶ Medium food and beverage manufacturer: annual revenues between \$500,000 and \$4,999,999.

¹⁷ Large food and beverage manufacturer: annual revenues greater than \$5 million.



5. Challenges Forcing Local Manufacturers to Relocate

- The challenges outlined above have also led BC food and beverage manufacturers to relocate to nearby regions such as Alberta and Washington state. For instance, Sunrise Foods, a poultry plant, recently shifted its operations to Alberta while continuing to serve the British Columbia market.²⁰ Similarly, Susgrainable, a company producing baking mixes and barley flour from spent grain from breweries, has also moved its operations to Alberta.²¹ Examples of other food and beverage companies that have closed down their operations in BC and relocated their production to other jurisdictions include Conagra Canada, Golden Boy Foods, Aspire Bakeries, and Gizella Pastry.²²

According to interviews conducted through this study, provinces like Alberta provide additional support to food companies, particularly to small to medium sized businesses, by helping them find affordable space or providing access to their Food Processing Development Centre in Leduc. The center spans 65,000 square feet and is equipped with over \$20 million in equipment that companies can leverage to develop their products and build a customer base. Access to this space enables companies to scale up and attract customers before investing in their own facility, giving them a significant advantage. The center combines industry expertise, specialized facilities as well as product development, applied research, and interim processing services, all aimed to foster the growth and commercialization of food, beverage, and ingredient manufacturing companies.²³

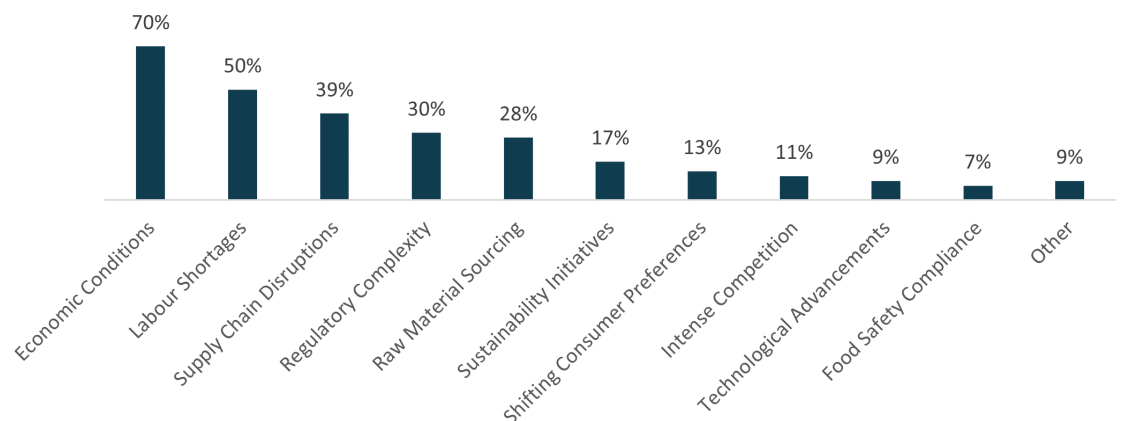
Broader Industry Challenges

In addition, survey respondents were asked what they perceive as the biggest challenges currently being faced by the BC food and beverage industry. Figure 12 shows which challenges were chosen as the biggest challenges being faced by the industry among all respondents to the survey.

Figure 12: Biggest Challenges – All Participants²⁴

FIGURE 12

Biggest challenges facing the industry as a whole?
n=46



²⁰ Business Intelligence for BC, Available here: B.C. industrial land squeeze puts food manufacturing at risk – Business in Vancouver (biv.com)

²¹ Susgrainable, Available here: About Us | Susgrainable

²² BCFB Information.

²³ Food Processing and Development Centre, Available here: <https://www.alberta.ca/food-processing-development-centre>

²⁴ Other includes challenges dealing with grocery stores, land and facility costs and availability, and lack of competition in different areas of the supply chain.



The top three broader challenges currently faced by the BC food and beverage industry, according to the survey respondents, are economic conditions, labour shortages, and supply chain disruptions. What are perceived as the biggest challenges facing the industry vary depending on the size of the company. Table 2 displays the percentage of survey respondents that perceive the challenges above as the biggest challenges facing the industry, by company size.

Table 2: Biggest Challenges by Size of Company

CHALLENGES	SMALL	MEDIUM	LARGE	ALL RESPONDENTS
Economic conditions	85%	64%	61%	70%
Labour shortages	50%	29%	67%	50%
Supply chain disruptions	36%	36%	44%	39%
Regulatory complexity	14%	29%	44%	30%
Raw material sourcing	36%	21%	28%	28%
Sustainability initiatives	7%	29%	17%	17%
Shifting consumer preferences	7%	29%	6%	13%
Intense competition	14%	14%	6%	11%
Technology advancements	21%	0%	6%	9%
Food safety compliance	14%	7%	0%	7%

Interview participants echoed these as being major challenges for the BC food and beverage industry. Below are some key takeaways from those interviews regarding these key challenges:

- 1. Economic Conditions** – One interviewee highlighted the COVID-19 pandemic as a significant factor that worsened the rise in input costs (e.g., hyper-inflation), contributing to an economic environment where price increases have become more common, and in some cases, leading to price gouging. The interviewee noted examples of some service providers that are increasing prices unnecessarily, contributing to the overall environment of rising costs.
- 2. Labour Shortages** – Interviewees expressed difficulties in finding and affording skilled labour due to shortages in the labour market, particularly shortages in skilled labour. Factors contributing to this shortage included a lack of skilled tradespeople, competition from other industries, and recruitment and retention challenges.



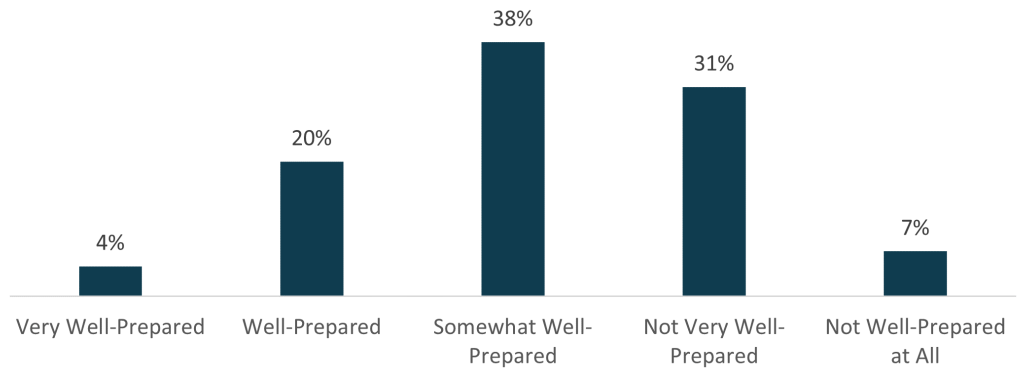
- 3. **Supply Chain Disruptions** – There was a common concern among interviewees about supply chain volatility, leading to uncertainty in pricing and availability of inputs. Some interviewees highlighted how the rise in the price of fuel and port fees has significantly impacted the cost of transportation and shipping, affecting overall input costs. Further, companies that are reliant on imports face additional challenges that further impact the price of inputs, including import taxation and supply chain disruptions.
- 4. **Regulatory Complexity** – Regulatory changes, such as the increase in the minimum wage, mandated sick pay and additional statutory holidays, were cited as contributing to increased labour costs. Interviewees noted concerns about the financial burden and operational challenges imposed by these regulations.

Level of Preparedness to Address Challenges

Respondents were also asked how prepared they feel to face the challenges outlined in the previous questions. Figure 13 shows the level of preparedness of the respondents to the survey.

Figure 13: Level of Preparedness for Challenges

FIGURE 13
Level of preparedness to address industry challenges in the near future
n=45



The perceived level of preparedness to address the challenges currently being faced by the industry varies depending on the size of the company. Table 3 displays the distribution of level of preparedness, by organization size.

Table 3: Level of Preparedness by Size of Company

CHALLENGES	SMALL	MEDIUM	LARGE	ALL RESPONDENTS
Very well-prepared	7%	0%	5.5%	4%
Well-prepared	14%	23%	22%	20%
Somewhat well-prepared	29%	46%	39%	38%
Not very well-prepared	43%	23%	28%	31%
Not well-prepared at all	7%	8%	5.5%	7%



There is an even distribution across all respondents regarding their preparedness to address the challenges currently faced by the BC food and beverage industry. However, large and medium manufacturers feel more prepared, with 67 percent of large manufacturers, and 69 percent of medium manufacturers indicating they feel at least somewhat well-prepared to address industry challenges, whereas only 50 percent of small manufacturers feel at least somewhat well prepared. This difference in perspective of preparedness is likely due to the ability of medium and large manufacturers to address some of the key challenges that have been introduced, such as investing to reduce costs and exerting pressure on retailers to achieve price increases, whereas small manufacturers have fewer resources to address these same challenges.

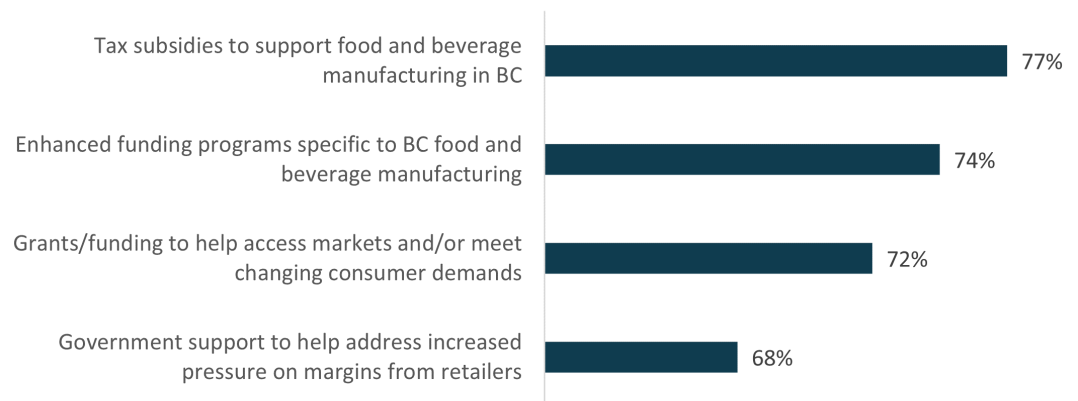
5.2 Potential Solutions to Address Key Challenges

Respondents to the survey were asked to indicate which solutions they felt would be of most value in helping to mitigate the challenges they currently face. Figure 14 shows which supports were most selected as beneficial by survey participants.

Figure 14: Top Supports / Solutions - All Participants

FIGURE 14

Supports that would be of most value to making the industry more competitive.
n=47



Top supports suggested focus on funding / financial assistance, either to invest in their business to increase revenues or decrease costs, or to directly address some of the key challenges currently facing the BC food and beverage industry, such as government support to help address increased pressure on margins from retailers. The BC government has demonstrated an ability and a willingness to support key industries in the province, such as the BC film and television, technology, and forestry sectors, and one can see the potential impact of these investments on competitiveness. For example, significant investments in tax credit programs for the film and television industry have led to substantial economic contributions, with approximately \$1.0 billion in tax credits



provided to eligible productions in BC in fiscal year 2022/23.²⁵ Similarly, initiatives like the launch of a \$101 million venture capital fund for emerging technology companies in BC demonstrates the province's commitment to enhancing the competitiveness of the technology sector.²⁶ Moreover, support for the forestry sector, including tax credits for logging operations, is another example of the provincial government's investment in major industries in BC.²⁷

The BC food and beverage industry, in comparison, delivers economic benefits on par with or exceeding other key sectors in the province. For example, while the BC film and television industry generated \$4.9 billion in direct spending for the provincial economy in 2022, the BC food and beverage industry generated \$13.5 billion in expenditures during the same period, of which many are spent within the province.^{28,29} Additionally, wood manufacturing sales were estimated at \$15.1 billion, slightly higher than the \$14.2 billion generated by the BC food and beverage industry.³⁰

These themes were reinforced through interviews with industry participants that shared some of their strategies to mitigate the challenges faced by the BC food and beverage industry:

1. To address the challenge of rising labour costs and the lack of availability of skilled workers, interviewees noted automating processes to reduce reliance on labour and upskilling existing employees. However, smaller manufacturers noted access to capital is a major constraint preventing them from investing in their businesses. Many interviewees noted how additional government funding to invest in automation or to upskill employees would be an area of support welcomed by the BC food and beverage industry. While there have been positive steps towards funding programs supporting BC food and beverage manufacturers in enhancing their infrastructure and adopting manufacturing technologies, the allocated funds have not kept pace with demand. For example, in 2023, the BC Ministry of Agriculture and Food introduced a \$20 million Food Processing Growth Fund³¹, and an additional \$2 million Small Food Processor Scale-Up Program.³² However, the demand for these programs, as evidenced by the overwhelming popularity shown by the number of applications, led to both funding programs being oversubscribed. Industry representatives consulted through this study noted that while the introduction of funding programs for capital purchases was a positive step, the total funding allocation for these programs was insufficient to adequately support the BC food and beverage industry.
2. Some interviewees emphasized the need for partnerships between industry and educational institutions to enhance skill development and attract talent. Ontario is an example of a jurisdiction where the provincial government has played an important role in supporting efforts to address labour challenges in its respective food and beverage industry. For instance, in 2022, the Ontario government

²⁵ Creative BC, Available here: [Motion Picture Tax Credit Certifications FY2223.pdf \(creativebc.com\)](#)

²⁶ Kensington, Available here: [BC Tech Fund - Kensington Capital Partners \(kcp.ca\)](#)

²⁷ Logging tax, Available here: [Logging tax - Province of British Columbia \(gov.bc.ca\)](#)

²⁸ Vancouver Economic Commission, Available here: [Film Industry in BC Annual Spend | Vancouver Economic Commission](#)

²⁹ Statistics Canada, Table 16-10-0117-0, Principal Statistics For Manufacturing Industries, By North American Industry Classification System.

³⁰ Ministry of Forests, 2022 Economic State of British Columbia's Forest Sector, Available here: [2022 Economic State of British Columbia's Forest Sector \(gov.bc.ca\)](#)

³¹ Investment Agriculture Foundation, Available here: [Food Processing Growth Fund - Investment Agriculture Foundation of BC \(iafbc.ca\)](#)

³² Investment Agriculture Foundation, Available here: [Small Food Processor Scale-Up Program](#)



invested nearly \$1 million in the CareersNOW! Program, which focuses on providing jobseekers with training, mentorship, and job placements with Ontario employers in food science and food manufacturing.³³

3. Several companies shared they are adopting various strategies to mitigate the impact of rising input costs, including seeking alternatives input suppliers, leveraging economies of scale, exploring ingredient substitutions, and reformulating products. One interviewee suggested taking on the strategy of delivering more products to their buyers less frequently to save on transportation costs, despite the challenges this presents in terms of requiring more storage space.
4. To address the challenges with respect to land / facility cost and availability, interviewees suggested areas where government could intervene to address the issue, such as offering incentives for businesses to locate in rural areas and implementing policies to support industrial development in the Agriculture Land Reserve.

³³ Ontario Government, Available here: [Ontario Offering Free Training for Food and Beverage Careers | Ontario Newsroom](#)



6. Recommendations

As is noted in the report, the BC food and beverage industry is currently grappling with substantial challenges limiting its ability to compete. Failure to address these challenges could potentially lead to increased food insecurity concerns within the province.

Sylvain Charlebois, a professor specializing in food distribution and policy at Dalhousie University, highlighted in an opinion article that if food manufacturing declines in BC due to companies relocating, it would worsen food insecurity. This is because food manufacturing plays a crucial role in the food supply chain, not only supporting BC agriculture but also protecting the entire food industry from the impacts of macroeconomic variables such as currency fluctuations.³⁴ Failing to prioritize food and beverage manufacturing could result in notable economic and social challenges for the province.³⁵ A recent opinion article by Evan Fraser further stresses the need for BC to build a more resilient food system, keeping all aspects of the food system in BC, including food manufacturing, to ensure food security for the province.³⁶ Therefore, addressing the challenges outlined in this report are crucial to the continued sustainability of the BC food and beverage industry, as well as ensuring food security for British Columbians.

Based on the findings from his study, the following recommendations were identified to enhance the overall competitiveness of the BC food and beverage industry and address its key challenges:

1. Support the development of a comprehensive competitiveness strategy for the BC food and beverage industry.
2. Provide affordable access to commercial and industrial space for BC food and beverage manufacturers.
 - Conduct an inventory classification of land within the Agricultural Land Reserve to determine whether there is land unsuitable for agriculture use that could potentially be reclassified for food and beverage manufacturing use.
 - Establish incentives for commercial and industrial landowners to prioritize food and beverage manufacturing.
3. Facilitate additional investments in infrastructure upgrades and manufacturing technology for BC food and beverage manufacturers.
4. Support initiatives and programs to enable the BC food and beverage industry to attract, retain, and upskill the required labour, particularly skilled labour.
5. Provide support to address the imbalance between grocery retail and the food and beverage manufacturing industry.

Each recommendation is described in greater detail below.

³⁴ Business Intelligence for BC, Available here: [B.C. industrial land squeeze puts food manufacturing at risk - Business in Vancouver \(biv.com\)](https://www.biv.com/news/bc-industrial-land-squeeze-puts-food-manufacturing-at-risk)

³⁵ Ibid.

³⁶ Vancouver Sun, BC Must Build A Home-Grown, Resilient Food System, Available here: <https://vancouversun.com/opinion/op-ed/evan-fraser-b-c-must-build-a-home-grown-resilient-food-system>



Recommendation

#1

Support the development of a comprehensive competitiveness strategy for the BC food and beverage industry.

As noted in earlier sections of the report, the BC food and beverage industry is an important economic driver in the province, with annual revenues totaling \$14.2 billion and employing over 39,000 individuals directly within the province.³⁷ The BC food and beverage industry also plays a critical role for the agriculture sector, serving as the largest customer for primary agricultural producers.³⁸ As such, any closure or relocation of BC manufacturers would significantly impact the agricultural sector, placing a major strain on BC's primary producers.

Given the challenges faced by the BC food and beverage industry, there is a clear need for support from the BC government. Recognizing its role in driving economic growth, creating jobs, and supporting agriculture, BCFB is recommending a partnership with the BC government to develop a comprehensive competitiveness strategy. This strategy would go beyond the State of the Industry Study, focusing on a blueprint for the industry while outlining specific steps and actions that can be taken to strengthen the competitiveness of the industry and ensure its long-term health and resilience. For example, the strategy could explore the feasibility of industry-wide solutions, like aggregate purchasing or shared storage facilities, to address key challenges identified in the study, such as high input costs and procurement/storage issues. Additionally, the strategy could determine the levels of support needed from different levels of government, including municipal government, to effectively implement the best possible industry-wide solutions for the industry. The strategy's ability to address some of the industry-wide challenges discussed in this report would help to create a more competitive environment in BC for food and beverage manufacturers, and help to ensure that production stays in the province, and does not relocate to other jurisdictions.

Furthermore, such a strategy presents an opportunity to position the BC food and beverage industry as a priority sector within the provincial economy. Comparing with sectors like the BC film and television, technology, and forestry, which have received significant support from the BC government, highlights the potential impact of investments in competitiveness. While the BC food and beverage industry already delivers significant economic benefits, there remains an opportunity to ensure its long-term health and profitability, while stimulating further growth and job creation within the industry. This can be achieved through a comprehensive competitiveness strategy along with targeted investments and initiatives similar to those implemented in other key sectors in the province.

Recommendation

#2

Improve access to affordable commercial and industrial space for BC food and beverage manufacturers.

As highlighted in earlier sections of the report, the high cost and limited availability of suitable commercial and manufacturing space present significant challenges for BC food and beverage manufacturers. Many companies, particularly those in Metro Vancouver, find it financially prohibitive to lease or purchase land or space for their operations.

A recent report commissioned by the Greater Vancouver Board of Trade and NAIOP Vancouver Chapter underscores this issue.³⁹ It reveals that industrial lands in Greater Vancouver represent only four percent of the region's total land mass, a limited share compared to other regions where industrial land ranges from six to 19 percent.⁴⁰ The report emphasizes that the supply of industrial space has failed to keep pace with demand, reaching a critical shortage point. This shortage has led companies, including

³⁷ BC Ministry of Agriculture and Food, Sector Snapshot 2022, Available here: [Sector Snapshot 2022](#)

³⁸ Government of Canada, Overview of the Food and Beverage Processing Industry, Available here: <https://agriculture.canada.ca/en/sector/food-processing-industry/overview-food-beverage>

³⁹ Intervistas, Economic Impact Study of the Critical Shortage of Industrial Land in Metro Vancouver, Available here: [EIS of the Critical Shortage of Industrial Land in Metro Vancouver Sept 12.pdf \(boardoftrade.com\)](#)

⁴⁰ Ibid.



BC food and beverage manufacturers, to relocate to nearby regions such as Alberta and Washington state.⁴¹ For instance, Sunrise Foods, a poultry plant, recently shifted its operations to Alberta while continuing to serve the British Columbia market. Similarly, Susgrainable, a company producing baking mixes and barley flour from spent grain from breweries, has also moved its operations to Alberta.^{42,43}

BC food and beverage manufacturers need access to more and affordable commercial and industrial space, as the lack of this space poses a significant challenge to the sustainability of the food and beverage manufacturing industry, impacting its ability to contribute to food security in the province.

To address these challenges, BCFB recommends the provincial government to:

- Conduct an inventory classification of land within the Agricultural Land Reserve (ALR) to determine whether there is land unsuitable for agriculture use that could potentially be reclassified for food and beverage manufacturing use.** ALR is a provincial designation in which agriculture is designated as the priority use and other non-agricultural uses are restricted.⁴⁴ However, given the urgent need for access to industrial land for food and beverage manufacturing, BCFB recommend the BC government to develop a full inventory mapping of land in the ALR to identify any potential acreage that is not suitable for agriculture that could be used for food and beverage manufacturing as well as adjusting land use policies within the ALR to facilitate this transition.
- Establish incentives for commercial and industrial landowners to prioritize food and beverage manufacturing.** While the shortage of industrial land affects multiple sectors, the ongoing challenge of land availability and affordability poses a threat to food security in the province if not addressed for food and beverage companies. Currently, there are no incentives for landowners to prioritize food and beverage manufacturers over other tenants, and with record-low vacancy rates for industrial space in Vancouver, as well as lease rates that are climbing at an alarming rate,⁴⁵ finding suitable production space that is available and affordable is difficult. Further, when space is available, food and beverage manufacturers, particularly the small and medium sized operations, are not able to compete with large multinational companies to secure leases at the required rates. Consequently, BCFB would like to recommend the provincial government to explore establishing incentives for commercial and industrial landowners to prioritize food and beverage manufacturing. For instance, providing tax relief to commercial and industrial landowners who lease to food and beverage operations could be considered.

Recommendation

#3

Facilitate additional investments in infrastructure upgrades and manufacturing technology for BC food and beverage manufacturers.

Many industry representatives consulted through the study suggested the need to expand government funding programs for BC food and beverage manufacturers to invest in facility upgrades, machinery, and automation technologies. This would be with the aim to enhance the operational efficiencies of BC food and beverage manufacturers, especially those of small and medium scale, and facilitate their scaling up. Ultimately, this support could contribute to improving their profitability.

⁴¹ Business Intelligence for BC, Available here: [B.C. industrial land squeeze puts food manufacturing at risk - Business in Vancouver \(biv.com\)](https://www.biv.com/news/bc-industrial-land-squeeze-puts-food-manufacturing-at-risk)

⁴² Susgrainable, Available here: [About Us | Susgrainable](https://www.susgrainable.com/about-us)

⁴³ Business Intelligence for BC, Available here: [B.C. industrial land squeeze puts food manufacturing at risk - Business in Vancouver \(biv.com\)](https://www.biv.com/news/bc-industrial-land-squeeze-puts-food-manufacturing-at-risk)

⁴⁴ Provincial Agricultural Land Commission, Agriculture Land Reserve, Available here: [Agricultural Land Reserve](https://www.alr.ca/)

⁴⁵ Real Estate News Exchange, Available here: <https://renx.ca/seeking-large-industrial-space-vancouver-there-are-none>



While there have been positive steps towards funding programs supporting BC food and beverage manufacturers in enhancing their infrastructure and adopting manufacturing technologies, such as with the Food Processing Growth Fund⁴⁶ and the Small Food Processor Scale-Up Program⁴⁷, the allocated funds have not kept pace with demand. Industry representatives consulted through this study noted that while the introduction of funding programs for capital purchases was a positive step, the total funding allocation for these programs was insufficient to adequately support the BC food and beverage industry.

To address this shortfall, BCFB recommends the BC Ministry of Agriculture and Food allocate additional funds to existing or future funding programs tailored to facilitate additional investments by BC food and beverage manufacturers in infrastructure upgrades and manufacturing technology.

Recommendation

#4

Support initiatives and programs to enable the BC food and beverage industry to attract, retain and upskill the required labour, particularly skilled labour.

One of the top challenges for BC food and beverage manufacturers is the cost and availability of labour, especially skilled labour. Through this study, food and beverage industry representatives noted the need for a more comprehensive set of labour funding programs tailored to the needs of the BC food and beverage industry. Some mentioned that existing grants, which target hiring specific skill sets, are either too narrow or lack the flexibility needed to adequately support the industry.

Therefore, BCFB recommends the provincial government to develop funding programs specifically designed for food and beverage manufacturers to address the industry's particular labour challenges. Ontario is an example of a jurisdiction where the provincial government has played an important role in supporting efforts to address labour challenges in its respective food and beverage industry. For instance, in 2022, the Ontario government invested nearly \$1 million in the CareersNOW! Program, which focuses on providing jobseekers with training, mentorship, and job placements with Ontario employers in food science and food manufacturing.⁴⁸ Introducing similar programs in BC could effectively address a significant challenge for the BC food and beverage industry.

Another avenue to address the skilled labour issue is funding for investing in upskilling current staff. Several industry representatives indicated that they have the staff they need but face challenges in providing them with the necessary skills and training to continue to support their evolving business. For example, as businesses invest in automating or mechanizing production processes, they also need to train their production staff on how to use and maintain the equipment to support production. As such, BCFB recommends the BC government to develop programs that provide funding to BC food and beverage companies to support upskilling their staff. This not only addresses a key labour challenge facing the industry but also supports the overall upskilling of the BC labour force.

In 2024, BCFB secured funding from the Investment Agriculture Foundation of BC to develop a labour strategy for the industry. Such a strategy will outline a set of concrete recommendations on specific programs and initiatives, including funding programs, that could help address the specific labour challenges of the industry. Given the pressing labour challenges highlighted in this study, BCFB intends to seek support from the provincial government for the implementation of the forthcoming labour strategy, scheduled to be completed in the Fall of 2024.

⁴⁶ Investment Agriculture Foundation, Available here: [Food Processing Growth Fund – Investment Agriculture Foundation of BC \(iafbc.ca\)](https://www.iafbc.ca)

⁴⁷ Investment Agriculture Foundation, Available here: [Small Food Processor Scale-Up Program](https://www.iafbc.ca)

⁴⁸ Ontario Government, Available here: [Ontario Offering Free Training for Food and Beverage Careers | Ontario Newsroom](https://www.ontario.ca)



Recommendation

#5

Provide support to address the imbalance between grocery retail and the food and beverage manufacturing industry.

As highlighted in this report, the majority of BC food and beverage manufacturers are struggling with increased pressure on margins from retailers. One contributing factor to this challenge is the concentrated retail market in Canada, where five major retailers control approximately 60 percent of the market share.⁴⁹

Industry representatives consulted during the study noted their inability to raise prices to offset rising input costs. In addition, they expressed concerns over escalating charges and fees imposed by retailers to maintain shelf space, further squeezing their margins and profitability. This challenge is particularly significant for small to medium-sized manufacturers, who lack the scale, resources, or influence needed to address this issue on their own.

To ensure the long-term financial sustainability of the BC food and beverage industry, industry representatives stressed the importance of addressing the imbalance between grocery retail and the food and beverage manufacturing industry. One proposed solution highlighted is the continued advocacy for the implementation of the Grocery Code of Conduct to protect the interests of food and beverage manufacturers. Making this code mandatory and enforceable would not only improve how retailers work with food and beverage manufacturers but also address concerns of consumers regarding fair pricing and transparent business practices in the retail sector. With growing consumer activism demanding reductions in food prices, advocating for this code can address these concerns.⁵⁰ As such, BCFB recommends the provincial and federal government to support the advocacy efforts for the adoption of the Grocery Code of Conduct.

Another potential solution to this imbalance is for the government to support the Competition Bureau's recommendation that Canada attract more grocery competition to the country.⁵¹ The highly concentrated grocery retail industry in Canada allows them significant influence over BC food and beverage manufacturers, leading to many of the issues highlighted in this report. Introducing additional competition in the grocery retail space would help to push grocery retailers to have more mutually profitable relationships with their suppliers, and would help to ensure the long-term sustainability of BC food and beverage manufacturers.

⁴⁹ BDC, Canadian Food and Beverage Industry – 2022 Outlook, Available here: [2022 Canadian Food and Beverage Industry Outlook](#)

⁵⁰ The Globe and Mail, Available here: [Month-long boycott of Loblaws-owned grocery brands and stores begins - The Globe and Mail](#)

⁵¹ Competition Bureau Retail Grocery Market Study Report, Available here: <https://competition-bureau.canada.ca/how-we-foster-competition/education-and-outreach/canada-needs-more-grocery-competition>



7. Appendices



Appendix A - Profile of Survey Respondents

This section of the report provides a summary of survey respondents including their geographic location in BC, years in operation, annual sales, number of full-time equivalent (FTE) staff, and products manufactured.

Location

In total, participation in the survey included 47 respondents in the BC food and beverage industry. Figure 15 provides a breakdown of the survey respondents by their geographic location in BC.

Figure 15: Business Location⁵²

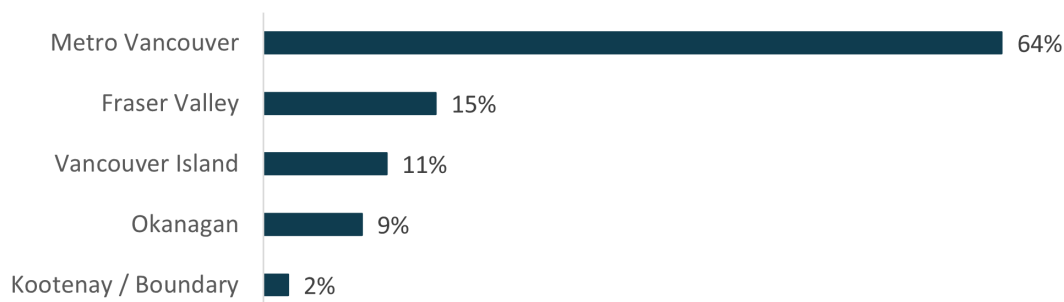


FIGURE 15

Location of business
n=47

Years of Operation

Figure 16 provides a breakdown of survey respondents by number of years of operation.

Figure 16: Years of Operation

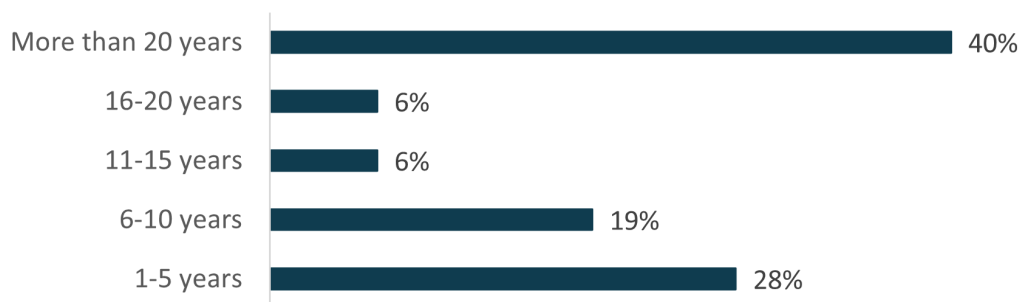


FIGURE 16

Years in business
n=47

⁵² Metro Vancouver included Vancouver, North Vancouver, West Vancouver, Burnaby, Richmond, Surrey and White Rock.



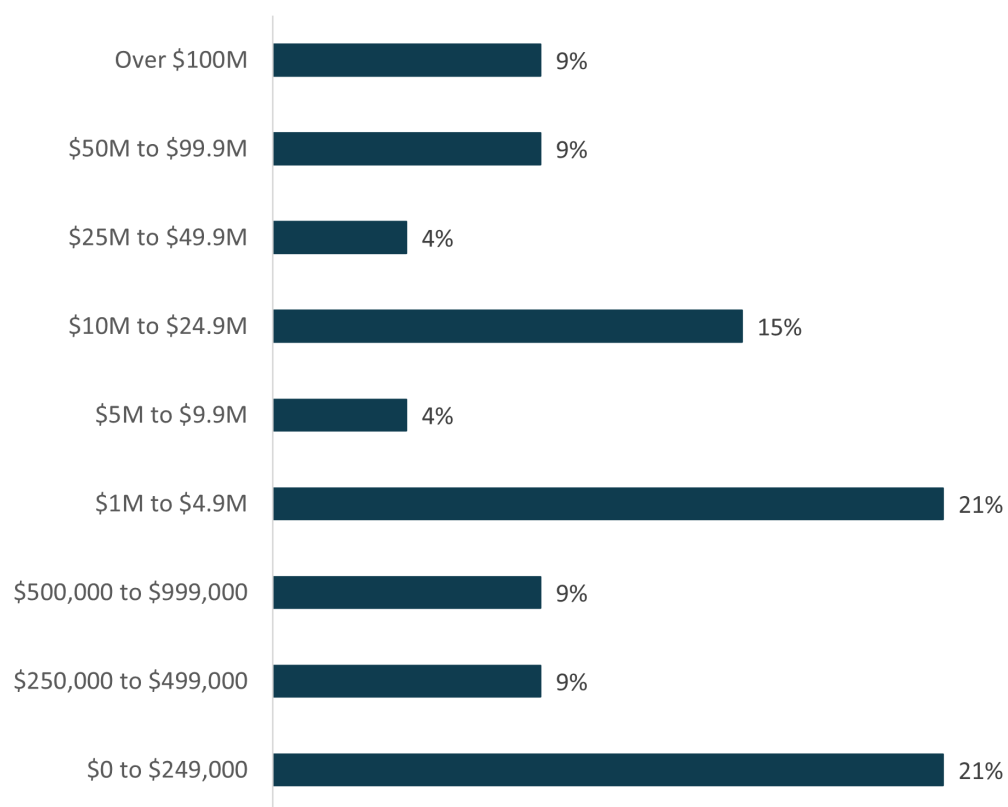
FIGURE 17

Annual sales revenue
n=47

Annual Sales

Figure 17 displays the percentage of survey respondents with annual total sales in the given ranges.

Figure 17: Annual Sales in Fiscal Year 2022



⁵² Metro Vancouver included Vancouver, North Vancouver, West Vancouver, Burnaby, Richmond, Surrey and White Rock.



Product Classification

Figure 18 displays the percentage of respondents that classified their products in the given food and beverage manufacturing product categories.

Figure 18: Product Classification⁵³

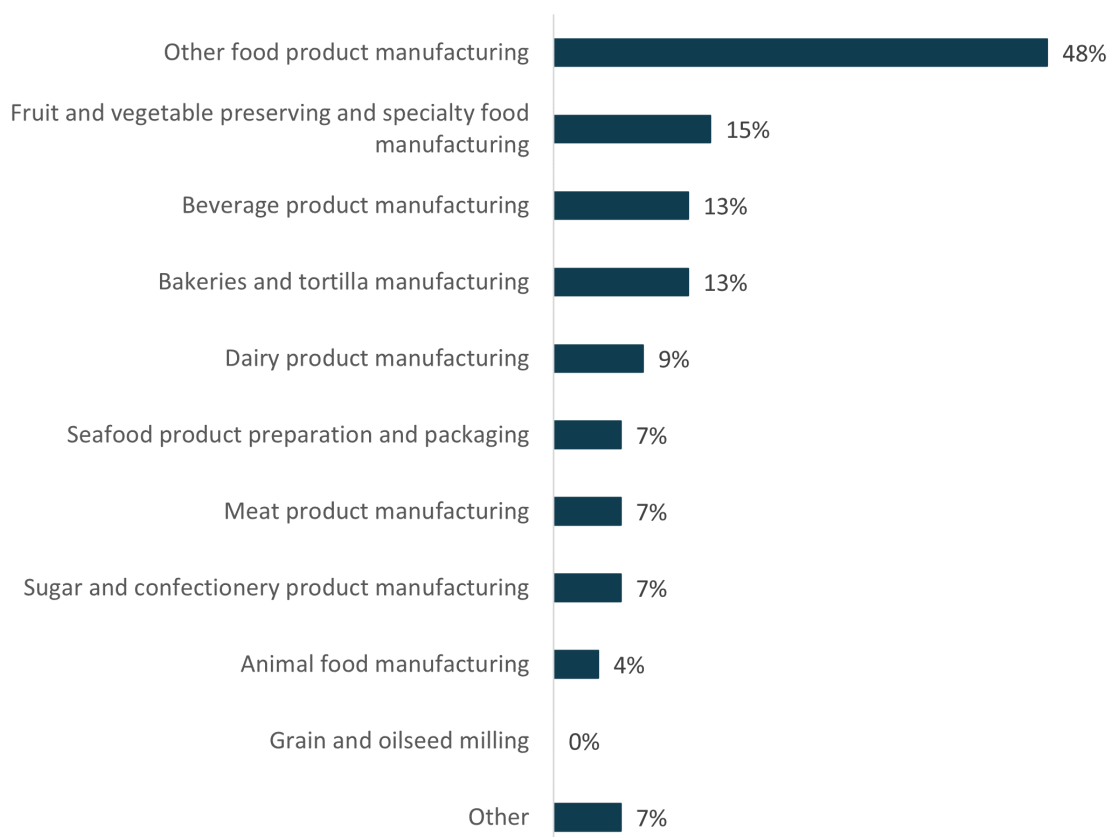


FIGURE 18

Product categories/
classifications.
n=46

⁵³ Other includes natural sweeteners, certified organic sprouts and microgreens, and plant-based food products.



Employment

Figure 19 displays the percentage of respondents with total employment in the given ranges (measured in FTEs).

Figure 19: Employment⁵⁴

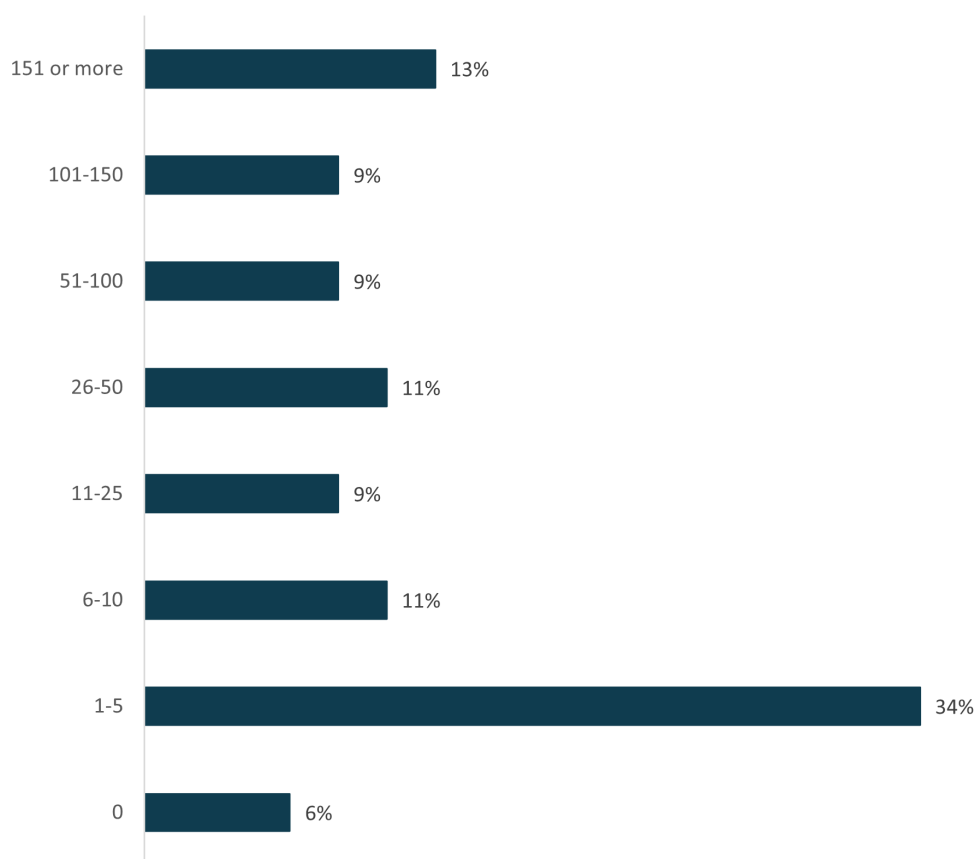


FIGURE 19

Number of employees
n=47

⁵⁴ Full-time equivalents estimates were provided for permanent seasonal, and casual employees.



Appendix B - About BCFB

BC Food & Beverage (BCFB) is a not-for-profit industry association representing food and beverage manufacturers in British Columbia, whose membership represents approximately \$7 billion in industry revenues.

Since 2004, BCFB has helped shape, support and grow thousands of food and beverage businesses from start-up to multi-national companies. Its job is to engage and help its members in practical and meaningful ways. Its strong network, values-based approach, and unparalleled industry expertise allows it to support its members in every stage and area of their business.

BCFB's vision is to ensure a thriving, world class food and beverage manufacturing industry for British Columbia, and its purpose is to be a catalyst of success for its members and the food and beverage manufacturing industry in British Columbia.





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